

Capital Power Corporation
Investor Day 2011 - December 8th, 2011 8:30 am ET

Randy Mah:

Good morning everyone. My name is Randy Mah, I'm the Senior Manager of Investor Relations. Welcome to Capital Power's third annual Investor Day event. This event is also being webcast from our website, so I would like to extend a warm welcome to those people listening on the webcast. We have a full agenda today with numerous presentations that cover all aspects of our business, so we hope that you find this event to be informative and worthwhile.

So before we begin, let me cover off the standard disclaimer regarding forward-looking information. Certain information in today's presentation and in responses to questions contain forward-looking information, actual results could differ materially from conclusions, forecasts, or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information.

Please refer to the forward-looking information slides at the end of the presentation and in our disclosure documents filed with securities regulators on SEDAR, which contain 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. The forward-looking information contained in today's presentation is provided for the purpose of providing information about management's current expectations and plans relating to the future. Such information may not be appropriate for other purposes.

With that out of the way, I would like to introduce the following members of the senior management team that we have here today. We have Brian Vaasjo, President and CEO; Jim Oosterbaan, Senior VP Operations and Commodity Portfolio Management; Bryan DeNeve, Senior VP Commercial Services, and Stuart Lee, Senior VP Finance and CFO. Unfortunately Darcy Trufyn, our Senior VP of Construction and Engineering, is ill today and couldn't, be here. In his place Brian Vaasjo will cover Darcy's presentation, so we hope that you take it easy on Brian in the Q&A section for this area.

Okay, in terms of the agenda for this morning, Brian will start out with an overview of Capital Power and how we are delivering on strategy. Jim will provide a review of operational performance, and how we are enhancing our operations of our facilities. Brian, as

Darcy's replacement, will discuss how we are managing our development projects. And Bryan DeNeve will provide a business development update and comment on industry trends in our target markets.

At approximately a quarter after ten, we'll take a 15 minute break. After the break, Jim will provide a market outlook and talk about portfolio management. Stuart will then provide a financial presentation on growing cash flows and shareholder value. And finally, Brian will conclude with a summary and highlight our 2012 corporate priorities. As we're covering a lot of materials in these presentations, we'll hold the Q&A session until the very end, to cover any items that weren't discussed in the presentations.

Finally, we hope that you can join us for a buffet lunch at approximately 12. So I'll turn over to Brian.

Brian Vaasjo:

Good morning, and welcome to Capital Power's third annual Investor Day. Over the last 30 months, Capital Power has made great strides in executing on our strategy and enhancing our corporate strengths. We are well-positioned for short and longer term share price appreciation and dividend growth. Capital Power's vision is to be one of North America's most respected, reliable and competitive power generators. The strategy to achieve this vision was laid out in our initial public offering 30 months ago. It was to create shareholder value through continued operational excellence, maintaining or enhancing our financial flexibility and strength; and disciplined growth. We have done all of that.

Over the past 30 months we have added or have under construction or permitting 2,400 megawatts of power generation that fits our disciplined approach to growth. At the same time, we have generally met our annual performance targets. As we followed our strategy we significantly enhanced our corporate strengths. The cornerstone of our financial strength and stability has been to maintain our investment grade credit rating by maintaining a solid base of contracted cash flows. And we have done that. We will highlight some of our construction capability, which was among the best and has now been further enhanced. We are well-positioned to execute on the \$1.4 billion in wind farms that we have embarked on.

Jim Oosterbaan will describe for you what we have done and what are doing to keep our fleet performing as one of the best in North America. An example is our availability of 93% on average over the last four years. Through our acquisition, divestiture and development activities we have not

only retained a moderate and young fleet attributes, we have enhanced them. Our average age of fleet was 13 years at the time of the IPO. And now it's less than 12 years, 30 months later.

The quality of our portfolio has been greatly enhanced while achieving a more rational diversification. We have a more focused geographic footprint and fewer technologies. The number of facilities that we have an interest in has gone from 31 at the time of the initial public offering to 15 today. The strength and focus of the portfolio will be further enhanced when we divest of the remaining two small hydros and complete our four wind farms. As you see from this chart we maintained a geographic focus described during the IPO.

A significant amount of the increased geographic and technical focus has come from the divestiture of Capital Power Income L.P. last month. Our average plant size has gone from 60 megawatts to 220 megawatts. We have created a hub in the US North East, which is substantially commercial. These excellent assets are well-positioned to create significant growth and shareholder value in the medium term when the North East market recovers. This is consistent with our objectives when the assets were acquired. The North Carolina assets add to our contracted base of assets and provide a presence in the Mid-Atlantic market. In our very attractive home market of Alberta we now have 53% of our megawatts. We've added 450 megawatts since the IPO, and we are adding another 150 megawatts next year.

This slide demonstrates the changes in our portfolio by geography and its contracted status. Prior to November 2011 divestiture of CPILP, Capital Power had owned capacity in 34 facilities totalling almost 3,400 megawatts, with 47% of the capacity contracted. Today's position includes the net divestiture of CPILP's 18 facilities and one hydro facility, and results in 40% of the capacity contracted. 2014 shows the position when we complete the four wind farms and excludes the two remaining small hydros which we are selling. And the capacity at that point that is contracted raises to 45%. As you can see, we have maintained our significant base of contracted assets.

This chart by megawatt shows our progress in sharpening our technology focus. We have gone from 60% coal, 32% natural gas, and three slivers of technology, to 37% coal, 49% natural gas and 14% wind, when you include our committed development projects. To prudently manage a technology requires a competency in that technology. We have strong competencies in coal and natural gas. We are in the process of building them in wind and solar, which are very similar in nature to the competencies that are required.

As I had said earlier, we have enhanced the age and modern attributes of our fleet since the IPO. The average age of our facilities declined from 13 years to 12 years, over the last two and a half years. A more striking set of statistics is that the average remaining life of our coal fleet is 31 years, and the average remaining life in our natural gas fleet is 25 years; assuming a 35-year life, which is fairly conservative. Excellent assets with many years of contribution to shareholder value remaining.

This chart highlights our operating performance through plant availability. As you can see, it averages approximately 93% over the four-year period, which includes the impact of the current Genesee 3 unplanned outage. As you recall, in 2010 and 2011 we had significant unplanned outages with the LMS100s at Clover Bar. The good news is, an effective lease pool arrangement is now available; and we are in it. If the pool arrangement existed earlier the average availability for the fleet would be increased to the 94-95% range. On the safety front our performance for 2010 was in the top quartile in Canada among our peers. This year we are dramatically improving upon that trend.

I would just touch on Capital Power's financial strength, as Stuart will discuss it in depth later. As we indicated through the IPO, we would maintain our BBB credit rating; and we've done that. We've said we would maintain good access to capital and we have raised almost \$2 billion of long-term capital post the IPO. The public float has increased 170% and the EPCOR interest has been reduced to 39%. All of which is consistent with our messaging at the time of our initial public offering.

Since the IPO we've added almost 2,000 megawatts to Capital Power's fleet. We also have committed projects circled on this chart which represents another 487 megawatts, which will reach commercial operations dates between now and 2014. Each acquisition and development has precisely followed the geographic, technology and financial discipline laid out at the time of the initial public offering.

The combination of this growth, power prices and operational excellence translates into substantial increases in cash flow per share. Our annualized cash flow per share has grown from approximately \$3.15 per share in 2009, on an annualized basis, to a range averaging \$4.10 per share forecast for 2012, for a compound annual growth rate of almost 10% from 2009 to 2012. This is a very visible indication of adding shareholder value.

Looking more closely at 2011 accomplishments, we have an excellent safety performance year and our plant availability is forecast to be 92%. Keephills 3 went into service after five years of construction; again, with a very good safety record.

We are continually enhancing our fleet capability, such as the recent enhancements to Genesee 3 as well as actively managing our fleet risks. With the current outage at Genesee 3 it demonstrates that the LMS 100s at Clover Bar are tremendous assets to have in our portfolio. And backstopping their availability by being in the GE lease-pool is simply very prudent risk management.

As I noted before, we have made very significant additions to our fleet. Again, all consistent with our discipline, including maintaining a balance of contracted cash flows. And of course, the financing activities to support the business has enjoyed very good access to capital. As a result of the equity raised in 2011 the public float was increased, trading volumes doubled year-over-year, and we were added to the S&P/TSX Index.

In summary, we have delivered on our strategy through 2011, demonstrated operational excellence, maintained our strong financial position and objectives, generally met our business objectives for 2010 and 2011, and we have executed consistent with our growth strategy. These activities and our increased focused established an even stronger base for optimizing our assets, prudent growth and creating shareholder value in 2012 and beyond. Now Jim, Bryan and Stuart will now speak to the strong base and outlook for Capital Power.

Jim Oosterbaan:

Good morning everybody, and thanks Brian. So, I just wanted to provide a geographic representation of our fleet and just some of the highlights with respect to what's happened over the last year. There has been certainly a positive shift from an operations perspective with the LP divestiture, as Brian has mentioned. It's given us a real ability to start focusing on larger plants, sharpened our technology focus, as well as much better opportunity to engage management as well as an opportunity to lower our costs as we go forward.

The commissioning of Keephills 3 has allowed us to start to realize some potential synergies with the operation of Genesee 3; those are very similar units. Both with the power island being supplied by Hitachi and we're starting to see some possibilities there as we go forward. New England acquisitions – three young, very well-managed plants. Very competitive heat rates in the markets in which they're competing. And then of course North Carolina – those are assets that are familiar to us. But again we were able to negotiate at 10-year PPA with Progress Energy.

Now Brian mentioned there's a real focus is again really continuing to strengthen our safety performance, provide high availability and thereby providing a strong bottom line performance and contribution to Capital Power. Now with respect to this safer operations, we had a strong year last year.

On the construction side, a very strong performance with respect to the completion of Keephills 3. But what we're starting to do as well is really start to focus now on improving safer work practices at the workplace. We've started something called World Class Safety Initiative; this is something that we've seen implemented in other industries, primarily by DuPont and other companies like that. And, we've been seeing some very positive results. We've gone as far as actually implementing improvement programs at each of our plants that remain and we've seen some real strong performance as a result of that. Driving to an objective by 2015 of having zero lost time accidents. And again that's a very high bar to set for ourselves, but we think that's something we're quite capable of doing.

With respect to our availability, we are just in the process of starting something called the Reliability Program; that's a quantitatively-based exercise where you start to really understand and analyze the cause of your outages, and you start to develop long-term plans to spend your money wisely to make sure that we're maintaining the availability that we're seeing on the coal fleet. And in the case of our natural gas, in trying to increase it from what we see today.

With respect to the competitive maintenance costs, again some are related to that. We certainly have been able to better align our internal expertise as a result of the LP transition, and it allows us to really focus on fleet-wide sharing of best practices with respect to our natural gas fleet, as well as what we're seeing in, before as I mentioned, with G3 and Keephills 3. I'll talk a little bit more again about some of the tangible numbers that we've been able to deliver over the last couple of years to the bottom line as a result of looking at how each of our plants performs and what they can do as far as managing their costs and increasing their revenue contribution to our bottom line. But again, it's something that we will continue to do over the next number of years.

And risk mitigation of course is somewhat tied to reliability. The reliability program really is trying to look to spend a lot more of your money on preventative maintenance as opposed to reactive maintenance. Then of course benchmarking, which I'll talk a little bit more about and then spending some more money on training and development.

Again just some numbers for you, as we look at this TRIF, which is again based on a three-year rolling average. You can see the numbers with respect up to Q3 of 2011, and then we break this up between the total fleet and our US and Canadian plants, again this is post-LP transaction. And the targets that we're setting for ourselves as we go forward again, really with a focus of zero lost time accidents by 2015. It's very, very important to us that we hit that bar, as well as maintaining a safe workplace.

Maintenance costs, as you can see, I mean a couple of things in play here. Certainly as our fleet increases, in addition to Keephills 3, you will see we have some higher maintenance costs just because we do have major outages every couple of years on those facilities. And again, targeting top decile cost performance among our North American peers by 2015.

With respect to availability, with the setback we had in Genesee 3 we were on track to have availability in the range of 94 and 95% for the fleet. But again unfortunately we're probably going to settle in around 92. That doesn't really mask the simply outstanding performance that we've had at G1 and G2 with availability of almost 100% with those assets.

And again with respect to the US plants certainly my objective is that certainly in '12 and '13 is to really try and drive those availabilities higher from what we see today. Again just another comparison that we just wanted to leave with and this is just something that you can pull off the page, but with respect to one way to measure reliability of your units is just to sort of take the number of days between outages. And certainly with respect to G1 and G2 we're well on track, again keep in mind these are 15+ year old plants. The kind of availability performance that we've had this year is something that we want to maintain as we go forward, in very high availability and of course other units in the fleet that we're familiar with. Genesee 3 of course reflecting the outage that we had on November 11.

Now just, certainly some feedback that we've received is we wanted to provide a little bit more information about at the plant level. Just talk a little bit about Genesee 1 and Genesee 2. As I mentioned before, exceptional availability in the years that we don't have outages. But again we will be spending money every couple of years; that's just the maintenance cycle that you have with coal plants, to maintain the type of availability that you've seen.

Reducing outage durations and the costs of outages is something that we're really focusing on and we think we're amongst the best in the Alberta industry anyway, with respect to what we're able to do. We were recently able to increase the capacity of Genesee 2 to 400 megawatts; that's something that just really occurred in the last three weeks, but that was the outcome of almost a couple of years of work. We were able to generate additional contribution from that unit by making some modest changes to it. It's a longstanding plant that we've had, a dedicated workforce. As we all know there's substantial coal reserves well beyond what we require at that site based on current requirements. And we're working right now to increase the capacity of Genesee 1 to 400 megawatts and we're certainly

hoping to complete that by the latter part of this year or maybe even early into next year.

Again, Genesee 3 is a joint venture that we have with our partner TransAlta but it's a plant that's operated by ourselves. Our outage during in 2010 was extended due to some unexpected cracks that we saw in some high energy piping. Again we opted to fix it then and there as opposed to you could let that run for a while, but again our philosophy is to repair those things immediately and thereby minimizing the risk. We've been able to increase the capacity to the grid by 16 megawatts in 2010 and certainly we're very satisfied with the performance up until the outage. And I'll talk a little bit more about the outage a little bit later on.

As Brian had mentioned the Clover Bar peaking facility, when we made a decision in 2006 to make this investment we concurrently also sold off our position in the Battle River PPA to essentially finance that, but it's really proven itself. We saw that the Alberta market was changing in its demand profile and becoming much more of a peaking market, and the development of summer and winter peaks which is something that we haven't seen in the past. Of course the addition of more than 700 megawatts of wind farm capacity has somewhat exacerbated those peaks as well.

And what we've really been focusing on in 2010 is applying more resources to making sure that that plant's availability is getting into the range of 90+%. We put a fulltime plant manager on that, have really focused on putting more resources at the plant as well as joining the GE lease-pool to provide us with additional coverage in the event that we have another outage there. And we're expecting long-term that the availability of these units, the LM100 units, will trend to be greater than 90%. The LM6000s as you know are real workhorses with respect to the GE technology and availability. And certainly well above 90% is not out of the question.

Looking at Island Generation, which is one of our recent acquisitions in the latter part of 2010. Again very strong performance; availability of almost 100% at that facility. A very strong safety performance at that plant, one lost time accident in ten years since it's been in business. Long time thermal PPA with BC Hydro up to 2022. Then again the only large generation plant that's physically located on Vancouver Island; something that certainly was attractive to us as we were looking at this.

Rumford, one of our recent acquisitions from the New England area in Rumford, Maine; well-managed plant, excellent safety record in the range of that of Island Generation. When we took over the plant, you may recall there was an outage that occurred at Tiverton before we bought it. Essentially a blade had liberated, which is a nice way of saying it detached and gone through the rest of the

combustion turbine and essentially shredded it. We were able to take that learning, because we knew the root cause, and we found that we had a similar precondition at Rumford, so we're going to be taking an outage next year to eliminate that risk altogether. And we think there's a very low risk of that happening before we take that outage, but that's going to generate about an additional \$4 million in maintenance costs beyond what we had expected in our business case. Again an example of some of the synergies that expect to see as we go forward, and very well-located in the Western Maine market.

Tiverton, another one of our North East assets as well as Bridgeport are located in good local nodes, good load pockets, and good localized demand for energy. Again very well-run plants, excellent safety records. Tiverton and Rumford have the same, exactly the same technology; they're very similar plants. A lot of information sharing that we've encouraged and is starting to continue as we go forward. These plants are reasonably located closely to each other, so there is the ability to share staff amongst them as well. It makes it easier to manage from a centralized perspective. We have a central technical group that also provides support to this team. And I mentioned before about the additional maintenance costs that we had at Rumford though, as a result of that potential for the liberated blade.

Roxboro is an asset that's familiar to us, and we did conclude a ten-year PPA with Progress as well. If you're following the LP closely you would realize we spent about \$85 million on those two facilities over the last couple of years to ensure that their emissions are in compliance with the current and expected federal legislation. Certainly the CSAPR rules have had some impact on the facility. We expect it's probably about a \$4 million per year impact and that's assuming a fairly conservative or high price for offsets which you can purchase for these facilities. We've also spent a lot of time looking at the management of the plant and we have brought in some more experienced people; experienced with the biomass markets in the state. And we're starting to see some very early indications of what will be possible there in the long term with these facilities.

Just a quick overview of our major outages that we have planned for 2013 and 2012. These are, with respect to Genesee, the units that you see there are part of our regular outage cycle. So no surprises there from our perspective. Outage days are very comparable and very competitive to what you would see from our peers in the North American industry. In the case of Genesee 3 you see the CPC portion of that. The Roxboro, we're just doing some boiler maintenance; again a planned outage with respect to improving the performance, capacity and capabilities of that plant.

Again we want to emphasize our philosophy on maintenance is that we will do regular maintenance. We will not take any shortcuts. Certainly now we're trying to balance that; we're trying to drive to higher levels of availability and trying to find that tipping point between that and your costs structure. And that's a real focus again of the reliability initiative I mentioned earlier, is really that we will be able to spend a lot more time being able to describe that team next year with respect to that. But the objective is to make our costs in the top decile by 2015 in the North American industry while having similar availability from all of our plants.

Rumford, Tiverton, these are again just regular outages. The Rumford outage I mentioned before again that's just to deal with that issue of what's called the stator vane and making sure that we deal with that going forward. Tiverton is again just a combustion turbine inspection, I would call it just normal course types of activity that you would expect to see in these plants as they go forward. The Bridgeport outage in 2012 is just pertaining to a fleet bulletin that we received from Siemens. In the operating world that's just code for something that you really need to do when they send it along to you. So again not unexpected.

And we schedule these outages strictly for the North East plants in low price periods and there are really no concerns of finding the specialized labour that you need to conduct those outages.

Now to talk a little bit more about value creation. Now again, really focusing on trying to drive a change in our operating culture, and again trying to drive tangible bottom line and incremental contribution. So over the last couple of years we have been setting targets for our operations teams with respect to targets. They're tied to the incentive programs, whether it's through increased revenue or better management of costs. We had a \$6 million target for 2011 which we expect that we will hit or exceed. And we certainly are establishing a target of \$7 million for 2012. This is all to again, while maintaining our high standards that we have with respect to maintenance, but also are again focusing and maintaining that level of availability that I mentioned before.

Now just to provide you with a few examples. So with respect to one that's really how we use coal at the Genesee plant. And the first example that we've really been able to make some changes to the way that we burn the coal through burners; to essentially, take the same amount of coal to create 390 megawatts as it did to create 381 megawatts in the past. That results not only in fuel cost savings but also reduced wear and tear on boilers, which again allows us to extend the life and reduce costs of subsequent maintenance outages. And changes to the mining process, that's working with our partner Prairie Mines who does the mining for us. This is

about making sure we've got the right kind of coal in the right pile at the right time. Because the quality of coal that does come out of the mine face is variable. It's not all of the same quality and then what you're essentially trying to do is establish stock piles so that you can blend the coal and maintain the same heat content as you go forward.

We will co-fire with natural gas when the price is right. Again then there's some opportunities to do that this year in Alberta, and things like being able to look at coal on a real-time basis as it's going into your plant and then being able to change the mix; that's the purpose of the analyzer and that's what that does. And of course I mentioned that coal stock pile.

We have a 25 megawatt dragline out there. If you ever have an opportunity to come out and take a look at it; very, very large piece of machinery. But a very large consumer of power, so what we're able to do is we're actually able to start to build stock piles in the mine so that we can turn the unit off when we have peak price hours. And then we turn it back on; and I know it sounds simple, but it does generate value to the bottom line. We're expecting that it will generate about a million dollars worth of savings... or has generated a million dollars worth of savings to the end of November, and with an average price of about \$16 less than you would see if you were just looking at the average pool price.

The excess generation I mentioned earlier, that we've been working to increase the capacity that we have at the plants. And again this is goes right to the bottom line from our perspective. It's something that we've been able to do recently with G2. If you're sort of following the web page you'll know that the MCR, which is something that shows up on the pages, was increased to 400. And essentially that's when you're allowed to sell that amount into the pool. There's a lot of work that you need to do to get to that point, and that's proving it out with the AESO obtaining additional transmission capacity and all that which we've been able to do. And we're certainly targeting to do something similar for G1; certainly we will have it in place by 2013, but are pushing to see if we can complete that by the end of this year. We'll see.

And then the idea is that we wouldn't be running that incremental capacity all of the time. Because again what happens then is you end up, when you run at that higher level of output you increase the potential for more erosion in your boiler. So you really are trying to do it at times when there are peak prices in the market. So again, we would've done that recently when we had some higher prices at the end of November. You may recall there was about a four or five day period there so we would've seen that unit was running. G2 would be running at that level at that time. And that's how we would expect to see that going forward. That incremental capacity would almost considered peaking capacity from the point

of view if you're looking to try and assess the financial impacts of that. And again, the idea really being to, when the prices are at their maximum, then the unit would be producing at its maximum.

Now just to talk a little bit about the G3 outage update again. We're well on track to having a very strong year with respect to availability at the plant. As I mentioned before, this is a joint venture asset that we have with our partner TransAlta. We're still conducting the root cause analysis to determine exactly what happened. But we did have a loss of power to some of our key control systems in the unit that resulted in a turbine trip that resulted in some damage to some of the generator bearings. So it's essentially the bearings are probably about this big; they're not the bearings that you might think of if you're doing home repairs, but so they're very large pieces of equipment. And we're now just looking to repair those bearings and certainly looking at other components that may have been affected by the outage. They expect that we should be able to conclude a root cause analysis by closer to the end of the month, and still looking at a potential return to service on January 1st. Expected costs for the repairs are around \$11 million, but insurance will reduce that cost to about \$4 million I'm giving you the 100% numbers that means that 50% will be split with us and 50% with our partner.

From a portfolio perspective, at the time we did this slide it was probably no negative impact as a result and so I'm very clear, that will be dependent on what happens to the pool prices over the next 20 days to the end of the month. And again, it's showing the value of the Clover Bar units. Essentially we've been able to turn those units on when we need to essentially replace that lost production. We lost about 225 megawatts, we now have 250 megawatts of capacity at the facility.

If we are to grow certainly one of our things that we need to be good at is integrating assets from an operations perspective into the fleet. We've been able to do that with four plants in the last year; Island Generation and the three Northeast facilities. Now also there is an integration required with respect to the Rumford and the Roxboro plants. So that's underway right now. But again, we've been able to meet all our closing deadlines which were pretty stringent. And in all cases we were able to completely take over all the service providers that were involved with the servicing of those Northeast assets.

As we look to going forward we're really trying to build on our track record as a consistent operator as our fleet continues to grow. We have a strong record of performance with respect to availability of our plants, our safety record, the costs of maintaining our plants. We've been really focused in the last year of changing our approach, changing our focus in the way that we do business. Our focus continues

to be on safety, availability and managing our costs. And so we're very clear, that's not code for that we're going to start cutting maintenance expenditures to increase our bottom line. Quite the contrary. Again we're very comfortable that we can drive out costs while still maintaining or enhancing our availability; again maintaining the high availability that we've had this year in Genesee 1 and 2, and increasing the availability that we have on our gas-fired fleet.

Certainly again we're targeting top decile cost performance and availability, zero lost time incidents all by 2015. We certainly have been continuing over the last year to assemble a pretty experienced leadership team to execute on this. Another focus that we're bringing of course, through the reliability program that I mentioned before, is increasing focus on applying analytics and technology to making the best decisions that we can with respect to the trade-offs that you always have between maintenance and availability.

And again our goal is to improve our bottom line performance. So that concludes my comments, so I'll turn over to Brian.

Brian Vaasjo:

Thanks Jim. And before I get into Darcy's presentation, I'd like to say it's about time that the accountants took over engineering. In terms of Darcy's presentation, one of the starting points in the discussion of it is what we've been trying to achieve over the last couple of years. Certainly, as you all know, growth is a very significant part of our value proposition. And being effective builders is an extremely important element of that. And that's one of the reasons why a few years ago we were able to add Darcy to our executive group.

He brings with him some very significant and unique strengths in our industry. Firstly, he has 30 years of experience on the engineering side, as opposed to the owner side. In fact, he specialized in EPC delivery. And one of the things that I can say and he couldn't say – because he's a very modest individual – is he's had a tremendous career of very successful projects. He was responsible for the top sides of Hibernia. He was President of a company called Lockerbie & Hole-a very, very successful Alberta company - that did a tremendous amount of work up in the oil sands. He moved to WorleyParsons and actually was the project manager that actually pulled Albion Sands out of the mud and got it back onto a profile of a very effective execution, from a construction EPC standpoint.

So very, very strong history and it's because he's had that history and skill sets, when he looked at what we were doing at Capital Power, was very confident that he could, with what was very much a strong competency at the time, could build that into a competitive advantage. And what he has done so

far, and what he talked to you about last year, was some of the ways in which he had intended on creating that competitive advantage for Capital Power. And today I'll go through basically the status of where we're at and what he's done and how we've been able to move forward on that agenda.

Last year, we have demonstrated as Capital Power, and basically the project delivery side of EPCOR for the last number of years, that we have a very strong competency in construction. And turning that to be truly a competitive advantage involves a number of elements. Today I'll talk about some of those elements and how some of those competitive advantages have been realized. And how it is actually differentiating us as CPC. I'll also talk about the execution on three projects in a bit of detail; those activities in 2011. Those being Keephills 3, the Quality Wind project and the Halkirk project, which the last two wind farms are under construction.

Firstly, in talking about Keephills 3, as you know it has been recently completed and commissioned. And as you recall, it is a 50/50 joint venture with TransAlta. It reached its COD September 1st of this year, after four and a half years of construction. The power island – and this is important now and in the longer term – is identical to Genesee. It has the same high pressure, supercritical boiler and the same high efficiency turbines. So from a sparing standpoint, from a maintenance standpoint, from having identical units in a fleet, it's got some very significant benefits that some of them we're realizing now; and certainly we expect to realize in the future.

For Keephills 3, as with Genesee 3, Capital Power was responsible for the construction of the plant. At this point we're still finalizing the costs and still have some settlement activities with some of the contractors. But we'll be finishing that very close to the Capital Power's budget of \$955 million. As you know, and as Darcy had discussed with you last year, it was being built and the significant amount of the construction took place during the overheated Alberta labour market. And in 2009 we had raised our targeted budget amount up to \$955 million. As Darcy went through with you last year, basically the performance of major projects that were being constructed during that time period, the overall experience was about a 40% increase in budgets.

As part of our process of going through and looking very critically at that project in terms of what had happened, what dollars were involved, what were the root causes, we did look at in more detail a number of projects in Alberta, actually over ten, that have been completed during the same time period. And they averaged being 47% over budget. When you do the math on Keephills 3, again from a Capital Power perspective, it's about 17% over budget. So our perspective is, given the extreme market conditions in which it was constructed, we believe that that is outstanding performance particularly

from a competitive standpoint. I also want to point out again an absolutely excellent safety record. In fact, the last 3.2 million person hours of work was completed with no lost time accidents. Which is phenomenal from a construction standpoint.

As we finished construction and as we were talking to you last year at this time, we were very confident in terms of the schedule associated with the completion of the project. One of the key elements of commissioning that still needed to be done was what's referred to as steam blow. And effectively what steam blow is taking the boiler up to pressure and effectively blowing it out and trying to blow out anything that was there during construction, any small pieces of metal, filings, whatever could go through a high performance turbine and hurt it. And the way you achieve this is again by pressurizing the boiler and through temporary piping that bypasses the turbine, blow it out.

Generally speaking, this is about a three week exercise. And in our case, steam blow took three and a half months. And there was a couple of reasons for that. One was that we were working – due to the contract with Hitachi – to a much higher standard than had typically been utilized in industry and higher standards that had been exercised at Genesee 3. The other element was in an investigation after the fact. We came to the conclusion that what we were seeing as metal in the steam blows was actually coming from the temporary piping that was installed by Hitachi. So in fact the boiler itself was very clean as we were going through the process, but it just wasn't showing on the tests.

So when we started operations and continued the testing process once we had terminated steam blow, and did subsequent testing in terms of how good the quality of steam was, we found that it was actually pristine. The boiler was in excellent, excellent condition. There was no signs out of the ordinary at all of any excess metals. So again, unfortunately it took us three and half months to get to that point. But at the end of the day what's being delivered is an excellent unit with no metals, no issues with the condition of the facility whatsoever.

There were also two benefits associated with that exercise. One is that we did find – because we continually looked at the boilers to see what may be creating what looked to be a metal showing up. But we did find a restriction, or a constriction, in one of the pipes that in time, over the life of the facility, likely would've resulted in an unplanned outage. So one of the benefits was that we did find this anomaly and was able to fix it. The other thing was that you can appreciate over a three and a half month period - as you're running a unit up and down from the boiler standpoint, and the people who are operating or at the wheel so to speak were TransAlta operators – gave them a tremendous opportunity to

get to know and be familiar with the operations of the boiler. So that ended up being a positive aspect of basically being in purgatory for three and a half months.

So we've had a very successful handover to our partner TransAlta, who's now responsible for the operations. We're continuing to go through our formal close-out process, finalizing manuals and as well as drawings, and one of the things that we have always done, but we're actually going into more depths now, is looking at lessons learned. And we're finding – as you can appreciate on a project of this magnitude – a significant number of lessons learned. And almost all of what we've learned has already been incorporated in what we're doing from a process standpoint; what we're doing from a contractual standpoint on the projects we're dealing with today. In fact, one of the things that Darcy has initiated is that they are now keeping an ongoing legend of lessons learned as they go through a project, to ensure that anything that's learned is quickly transferred into any other of our activities.

The general take-away as it relates to Keephills 3, an excellent, excellent asset that has been operating extremely, extremely well, the Keephills 3 facility is showing again no signs of any metal showing up in the boiler. The run-up of the unit, the balance of the testing, was phenomenal. It's just turning out again to be an outstanding unit and a great addition to both ours and TransAlta's fleet.

I'd like to talk now about creating that competitive advantage that Darcy spoke to you of last year. So right now we are working on four wind projects. And very few developers today have the knowledge and the experience and the understanding that we have associated with wind projects. And it's not that we've seen a number of wind projects; it's actually how we look at them and what we do. Unique to owners - and this is very important to appreciate. We actually get in and do some very detailed engineering. We do some very detailed understanding of everything from miles of roads to volumes of cement required, to a lot of the testing on the geotechnical side. From the standpoint of knowing essentially what a contractor would know when they're bidding EPC. And our perspective is from that standpoint we can ensure that the bids are coming in where they should be; recognizing volumes of hours and what the costs to the contractors would be.

The other significant benefit of that is that we're able to go through, even though it's on an EPC basis, we're watching the contractors very closely. We are well-manned at all of the sites, observing, ensuring that what we want and what we need is actually being delivered by the contractor on a cost effective, low-risk basis. The other thing in fully understanding the projects to the degree that we do, is we're better able to allocate risks. Even though you have EPC contracts, often some of the risks are borne by

yourself through negotiations with the contractors; and I'll talk about one very specifically as we talk about the Quality Wind project.

So from our perspective, in terms of understanding and what's referred to as cataloguing these projects, we have a very strong base of knowledge on which to deliver the projects that we have in place, and as well to develop further projects, further wind projects. We're able to very quickly and very confidently cost out, understand and basically engineer any of the wind projects that may come forward. We're actually applying that same depth of understanding and technology and discipline to both solar today and to peaking facilities, so that we can utilize those technologies in the Alberta market and in other markets going forward.

So when you look specifically at how we are improving the process, we're doing it at each stage of construction. When you look at the pre-construction side, as I just spoke to, understanding the project to a very, very detailed level; using sophisticated estimating systems; using the data that you have trapped and have maintained over time; and using what's again referred to as these catalogue plants, allows us to deliver these estimates on which to base bids on. But also to carry forward the precise level of information that can ensure that we have good, solid bids from EPC contractors.

On the construction side, we've standardized our processes to create the way in which we approach every project. And we had a very strong process to begin with in the past, and through collection of learnings from different experiences we've been able to significantly enhance the standardization of those processes and make them much more robust than they were historically. We've made, in addition to Darcy, we've made other changes to our construction group and our engineering group, which has been very, very positive. And lastly, from a risk standpoint, we have a number of formal processes in place to assess the construction risk; both in terms of when estimates are developed, when we're making commitments associated with that, and as we go through a project. A very, very sophisticated process again of knowing, understanding the risks and providing adequate contingency to cover off those risks.

So when you apply this to wind development in a little bit more extensive way, this basically flow charts the key elements of it. So first and foremost, one of the issues particularly with wind has been the robustness of wind data associated with projects. And as we've discussed in the past, on all of the four wind projects that we have underway, we've had very good, solid wind information. And then the next element is the proactive permitting and in combination with that, landowner engagement. We philosophically – and this goes back a number of

years – have an approach of getting out to landowners, getting out to the communities early. And in fact you would find in experience in Ontario, with our RFPs we've been involved in here, that we are typically the first ones out talking to communities.

And when you're looking at the wind development in particular, you're dealing with often a number of different landowners. And we've spent considerable time with those landowners ensuring that where we are siting both the roads – which are necessary for access to the wind turbines and the turbines themselves – are the best available spot for meeting our needs and also can meet the concerns and needs of the particular landowners. We're generally considered to be a very good neighbour, and again, a lot of that comes from working very effectively with our landowners. And certainly the detailed engineering work and the detail around siting and the different technologies that you can utilize to optimize the different construction activities, and the specific choices of turbines, takes a considerable amount of work. It takes literally hundreds of studies on particular properties to ensure that you are using the best technology and it's placed at the particular right spot.

Certainly price is important when you're considering what technology you're going with, whether it's Siemens or GE or Vestas. But also the overall lifecycle cost and the yield of the particular turbines is also extremely important. So, there are a number of these factors that go into the execution of a construction plan even when you're doing it substantially on an EPC basis.

So, when we apply these principles and look at the two projects that we have under construction, firstly the Quality Wind project, as Darcy went through with you last year, we did an extensive amount of preparatory work in advance of field construction on this project. And it's resulted in some very positive outcomes which I'll speak to you about in a few moments. And just to review, Quality Wind is the project in Northern BC, Tumbler Ridge, 142 megawatts, a \$455 million project. And it is being built in a very remote part of British Columbia. It's got some very unique weather conditions, very short weather window.

From a civil standpoint the ground conditions change throughout the site and one of the differences between it and the typical wind farms that you find particularly here in Ontario is that we have to build the roads. We've got 45 kilometers of roads that we have to build as opposed to using the roads that are available in more populated areas. And this is very important when you look at the allocation of risks between us and the EPC contractors. So, as you can appreciate was something like geotechnical, we didn't have an opportunity to do a lot of extensive geotechnical

work, and until you specifically site the turbine, doing it generally in an area it doesn't work. You have to do it right where you're specifically putting the turbine.

And that is the type of risk that a contractor shouldn't take, because if you push that onto a contractor they'll consider the worst case and they'll attach a margin onto it and that will be very expensive for you. What we've done in that case is we've taken on that risk. We had done some of our own work and on balance believe that from a cost perspective and from a management of that risk, when it comes about, it's much better in our hands than in the contractors. And other risk in that case that we took on as well is the First Nations risk. And again, we are better to manage that both from an overall cost perspective and from the standpoint of these are long-term relationships that are important to us. And again much better managed by us than an EPC contractor. So, these are two pictures of construction that was taking place this summer. These are the conditions under which we're trying to build roads. And you can appreciate that it has been somewhat of a challenge although, as I'll get to in a few moments, we've been very successful at it.

So, just in terms of a general update, the construction period is over two seasons. We've just completed season one and we are very much on schedule. The key for this year's construction was roads and foundations and the turbine foundations were about 95% complete, 77 of 79 are in place. And the roads are effectively done other than we've got some final gravelling to do, seeding and so on. And here is a picture of what those roads look like. So, you can see they're not little paths, they're very extensive roads. And they're roads that have to be utilized over the next 25 years to service the turbines and provide effective access.

To the right are towers for the transmission system. And 87 of 99 poles are complete. So, we've got a little bit of work to finish off next year but we are in excellent, excellent position to complete the project. In fact we are ahead of schedule and under budget. Initially we had said that it would be complete by the end of next year; our current COD date is November 1st of 2012. And from a budget standpoint it's tracking, and our forecast is tracking well under budget. So, we expect it again to be complete under budget and early from the initial projections.

And these are two pictures. One is of the actual formation of the base on the far right. And on the left hand side is where the actual pedestal is being cemented in so that eventually that will all be covered in dirt and all you'll see is some areas which to attach the turbine too. So, that project is in excellent shape.

When we look at the Halkirk Wind project it's very much different. It's 150 megawatts and it's in east-

central Alberta in basically flat farming country. We weren't the original developer, so a number of the elements of it we've taken over and we've made some significant improvements to the project since we've taken it over.

Originally, we had said that the project would be finished in and around the end of the year. Certainly we're on track for it to be complete before Christmas. And I'll speak to that a little bit further in another slide. The terrain is much, much simpler than Quality Wind, very flat, we don't have to build roads, we just have to build access from roads to the turbine sites. We had the opportunity to do extensive geotechnical work and effectively we've been able to pass on a lot of risks onto the EPC contractor; and from a prudent standpoint, from our perspective. This is just a picture of a shop that we've acquired and we're building an O&M facility there. And we'll soon complete that facility so we can utilize it for construction.

Here's just a quick picture of actually the construction of roads. You can see that they are much simpler. And again these are access roads to the field. What is on the critical path right now for the completion of the project is the actual transmission build by the local transmission provider. And recently through some advance work we've done and also the work by the local transmission provider, it looks like they may be able to have our connection completed two months earlier. If that is the case we can absolutely accelerate the project to meet those two months. So, depending on their timing, we can accelerate the project. So, we certainly may be able to come in well before our current expected date of sometime before Christmas.

Another element of this construction and the way it differs from Quality Wind is during the winter there's very little activity going to take place on Quality Wind because everything is under a number of feet of snow. Here not only will we continue the roadwork through the winter, but we'll actually start pouring foundations. The contractor will be putting a batch plant in place with cement in January.

And one of the other unique elements of that project is that the arrangements with Vestas were such that essentially this project was taking over equipment that was previously going to a different project. And as such this is a picture of towers that are being offloaded at Halkirk. This is November and this is a delivery of 17 towers. And so both the towers and the nacelles will be available and with the foundations being built through the latter part of this winter. In May when the road bands come off we'll be able to start erecting the turbines right then.

So, just in terms of the highlights of our 2011 construction, Keephills 3 was completed, a very significant accomplishment and one that we at Capital Power are very proud of. Safety record both

for Keephills 3 and for Quality Wind have been terrific. When we look at the timing and/or cost of both Quality Wind and Halkirk, they are trending certainly under budget. And from a schedule standpoint we're moving them ahead as quickly as we can. And certainly expect on both of them well in advance of the original schedule and we're still working to move Halkirk ahead even further.

From a risk management standpoint, strong risk management in place and certainly expect that we'll be able to bring these projects in again certainly under budget and ahead of schedule.

And with that we move now to Bryan DeNeve.

Bryan DeNeve:

Thanks, Bryan. Good morning everybody. So, I'd like to cover four areas today. Just to start with a brief overview of the business development function within Capital Power; speak to some of the highlights of industry trends in our target markets; go over some of our current opportunities and future activity; and then just do a recap of our business development activity in 2010 and 2011.

So, you've seen this map a couple of times already this morning. I just wanted to focus on a couple of elements of it. First of all is just the location of some of our business development resources as well as other resources to support that activity and commercial management of our assets. So, we recently have opened our office in Boston. We have our Vice President Commercial Services East is located there. He also has two senior business developers that we have hired earlier this year. They both have over 20 year's experience in the eastern markets. And we also have a commercial manager with similar experience located in that office. We've also started to build out some of the support areas on the regulatory side and also on the development engineering side for future activity in that area.

The other office that we're starting to build out is our office in San Diego. We moved one of our senior developers from Calgary to San Diego. It wasn't too hard to convince him to make that change. But we also have a senior developer located in the desert southwest, again two individuals with well over 20 year's experience in development in the power industry. And then we do have two senior developers located in Toronto and one will be located in Edmonton.

The other item I just wanted to mention is you'll notice our target markets are very similar to what we had last year, with one addition that is the province of Saskatchewan. We added Saskatchewan to our target areas primarily because of its close proximity to Alberta. And as Brian spoke to, our construction engineering group is primarily located out of Edmonton. To the extent we do development in that province we have very close proximity. Also

Saskatchewan is a very fast growing economy and also SaskPower has had RFPs for natural gas and currently has an RFP for wind development. So, it does provide that opportunity for long-term contracted assets.

So, in terms of our framework for distant growth, we like to use this diagram which kind of illustrates the various dimensions of it. So, certainly we start with looking at merchant and contracted. So, we try to keep a mix of 40 to 50% contracted EBITDA for our portfolio, merchant making up the balance. That's a very important criteria for us because it's essential to maintaining our investment great credit rating.

The other dimension you'll see on this picture is the "develop and acquire". So, the way we're structured is we look at opportunities both on the development side from greenfield, bringing them forward to the point that then they're taken over by our construction engineering group which Brian just spoke about or from the acquisition side. And what this does is depending on where we are in the business cycle and what we see happening in markets, there may be more opportunities on the acquisition side that fit for us, or we may want to focus more on the development side. And as I'll get to in a moment, we're certainly more focused on the development side over the next year or two.

So, when we take that picture then and we start with the outer circle, we start with geography. So, as you saw in the previous slide we're very specific about our target markets and very disciplined in terms of only looking at opportunities that fit with those target markets. And that's primarily because we want to drive the synergies both from a trading and operational perspective, but also being able to build up that critical mass necessary to manage risks from the regulatory and political side for our portfolio.

As we move in we then look at technology. And as Brian mentioned really we have focused on four technologies on the thermal side, coal and natural gas, wind and we recently added solar. But within those elements we also have hierarchy of what types of equipment we'd like to focus on. So, on the wind side three out of four of our projects are using Vestas turbine technology that creates economies of scale with that vendor and a good long-term relationship. So, when we look at a wind opportunity if Vestas equipment is associated with it, that would be considered a plus for that opportunity. But certainly we will look at other technologies if they're better fit for that wind regime or that project in particular.

So, moving in from that, then we have our financial criteria. And certainly that criteria covers a range of elements. So, we start with our target unlevered return. We basically target 8% as the minimum for a contracted opportunity, 11% for a merchant. But those are our minimums; we obviously are striving to

take those opportunities that exceed those targets. But in addition to that we're also looking for those opportunities to be accretive on both an earnings and cash flow basis. And we also look at what those opportunities, what they mean in terms of some of our other metrics such as cash flow to debt, such as interest coverage given that's the rating agencies – those are elements that they tend to focus on as well as some other criteria.

So, once we find the opportunities that kind of fit within that framework of criteria: geography, technical, financial, we then have a target zone; we refer to as a target zone. And, the task of our business developers are really to find the opportunities that fit within those criteria but optimize shareholder value.

So, one of the technologies that we have added is solar, and it's interesting Brian touched on this. Solar, there's a lot of elements that are common to development of wind projects. So, certainly relationships with vendors, how you approach the contracting of that opportunity, acquiring sites, developing sites, permitting stakeholder relations, relationships with First Nations, all those elements there's a lot of commonality. And you can take your process and your templates and apply it very effectively from wind to a solar development. So, that is one of the underlying strategies. But the other elements of solar when we had taken, earlier this year, a close look at it is it is a technology that not only has very rapidly declining costs, but also rapidly improving efficiencies.

So, certainly when we look at wind it's going through stages of technological development, but solar is moving through it faster. And in the US southwest which has a very strong solar resource, we're seeing wind projects now that are lower cost on a dollar per megawatt on a per hour basis than wind. So, certainly we see it as becoming the lead renewable in that market, and with the strong renewable portfolio standards in the US southwest we would see solar making well over half of the renewable development in that region.

So, certainly given the US southwest is part of our target market, it made sense for us to add solar as one of those technologies that we'll be pursuing. Just one element though is with the theme of discipline and trying to remain focused on certain areas, we have been explicit that from hydro and biomass, those are technologies we won't be pursuing from a business development perspective on a go forward basis.

So, I'd like to just touch on some industry trends we are seeing our target markets. So, starting off with wind opportunities, in the short term, and I say short term, in the next two to three years, we do see less wind opportunities on the horizon for Capital Power. That's driven by a few factors. The first is there's a

lot of concern over electricity rates in Ontario and BC. So, in particular with BC we see the Government there probably stepping away from renewable RFPs for a period of time. And as you're probably all aware of course here in Ontario they are reviewing the Feed-in-Tariff program. We don't believe that will stop the opportunities for renewables, but certainly there's going to be adjustments made to the program. But, there will still be some wind opportunities in Ontario; we just think it will slow down for a period.

Merchant Wind in Alberta, we don't believe is economic unless there is a long-term contract for renewable energy credits. In the US southwest and northeast we're also seeing very limited good wind sites available due to issues around transmission access. The other elements we're seeing is the system reliability implications of wind is starting to be better understood. And certainly the need for peaking resources to supplement it and also some growing stakeholder concerns which of course are very highlighted here in the province of Ontario. The other trend which I spoke to you on the last slide is we do see solar as a growing opportunity particularly in the US southwest where it's a very strong resource.

So, just moving on the acquisition side certainly for contracted acquisitions competition for those assets, particularly of course through an auction process, is very fierce. We've seen a lot of competitors enter the market, certainly from the Asian side. But we're also seeing a lot of private equity firms that are refocusing their portfolio away from merchant to contracted. Companies such as High Star have been very aggressive out there. And we're seeing companies like Enbridge starting to move aggressively into the power sector, and certainly an example of that is their recent announcement to acquire the Topaz Solar project.

Other acquisition activity we have seen recently in our markets is ECP of course acquiring the Liberty facility in US Mid-Atlantic. We've also seen LS Power acquire the NextEra portfolio. And that's an example where they focus primarily on the contracted elements. RISEC was actually part of that portfolio was acquired by Entergy. And, RISEC which is very similar in size to Bridgeport, our valuation of that facility was slightly below what Entergy paid for that facility. And certainly when you look at what was paid by Entergy it's very similar after you do some adjustments for differences in the plants to what we paid for Bridgeport, Tiverton, and Rumford. Certainly on the acquisition side though we do see some owners are waiting for some of the environmental uncertainty to play out in which case we'll see some more assets probably coming to market in 2012 if that certainty firms up.

So, in terms of market opportunities, the tightening supply demand balance in Alberta will create

merchant development opportunities in the province. We see that being on both the combined cycle as a mid-merit facility and potentially becoming baseload facilities to replace the retiring coal fleet, but also the need for additional peaking resources. And Jim Oosterbaan had mentioned we're seeing very high price volatility and part of that is being driven by the amount of wind in the province. But also just outages when the market gets as tight as it is in Alberta, plant outages do result in a lot of price volatility.

As I mentioned earlier, in Ontario we see continued development of renewable, but of course at lower FIT prices. In BC we see contracted thermal opportunities primarily associated with the LNG build out on the coast. And solar and natural gas peaking opportunities in the US southwest. So, the implications of these industry trends for Capital Power is that we're going to be focusing primarily on our contracted opportunities coming from development projects as opposed to acquisitions. We're going to be very judicious in terms of competitive auction processes for contracted assets. We'll look very carefully on whether we believe we will be competitive and have a reasonable opportunity to acquire those assets. But as you will see in a moment a lot of our focus is on development to fill out the contracted side.

And we see in the shorter term that our development focus will start to shift to natural gas and solar. And a lot of the natural gas opportunities are coming as I said in the peaking side. So, in the US southwest we're starting to see RFPs start to materialize for the addition of peaking plants. And one we're looking at currently is located in New Mexico. One of the outcomes of this is we're going to be taking our model that we've developed, as Brian mentioned, on the wind side from a development perspective and taking that and apply it to the natural gas and solar development side. And we see limited acquisition activity in 2012. And part of that is driven by our business development resources being focused on the development opportunities, but also as I mentioned we're going to be very careful in terms of which processes we actually participate in.

So, I'd like to move to speak to some specific opportunities we currently have in our pipeline. So, I'd like to start with the Capital Energy Centre. This is a request for proposals that are being held by the Long Island Power Authority. They're looking for a gas fired generation under a 20-year offtake agreements. So, we do have a site located on Long Island that we're developing and participating in that process. The facility would be approximately 400 megawatts with an expected capital cost of \$600 to \$800 million. We expect the RFP awards will be in Q2 of 2012 with the signing of a PPA towards the end of 2012. That opportunity would have a COD of 2016.

The second development opportunity we have underway is called the Sun Valley Energy Center. This is a site that we're developing, it's located about an hour west of Phoenix. And we have a large number of acreage under lease that will accommodate the development of 300 to 450 megawatts of solar voltaic power. This is targeting RFPs we see in 2012 from Arizona Utilities. However this site is also situated in a location where with a projected future transmission development it will also be able to access the California market. The solar development at that site we would see being done in phases. So, we see these RFPs coming out in 30 to 50 megawatt size chunks. That will allow us to develop in a measured pace, but certainly looking to build out eventually the entire site of the full 300 to 450 megawatts. The projected capital cost of the full solar development at the end of the day would be somewhere in the region of \$900 million to \$1.1 billion.

The other thing we're doing at that site is we are permitting it to be able to develop combined cycle or a peaking gas fired facility. So, we've approached this in this manner for a couple of reasons. The first is, there are synergies and development costs to cover the permitting both for the solar and natural gas. But as I mentioned we're also seeing the need for peaking kind of moving in lockstep with the addition of renewable power. So, as we see solar RFPs and wind RFPs continuing, there will also be a need for peaking supply and so this site will be ready to respond to those RFPs in tandem with the renewables.

The third opportunity is the San Diego Energy Centre. So, this is a site that we're negotiating a lease with the City of San Diego located on the outskirts. RFP for this opportunity would be expected in Q1, 2013. This site could accommodate up to an 800 megawatt combined cycle facility, but certainly depending on what characteristics or configurations RFPs are looking for, the size would be adjusted accordingly.

So, other areas of focus on the business development side, so I'd just like to walk through, at a high level our various target markets and what we would see our focus would be from the business development perspective kind of looking out in time. So, in terms of BC we do see wind development coming back there but it will be sort of in the back half of the next decade. We do have some sites in BC that we're continuing to develop and get ready to be available to bid into our RFPs as they come out by BC Hydro. The other element is combined cycle opportunities, and again that's to support the anticipated development of LNG facilities in northwestern BC.

In Alberta with the tight supply demand balance there we see combined cycle and peaking development. We're looking closely at combined

cycle opportunities and are also looking at sites that can be available to add peaking supply in the province. Jim spoke about the Clover Bar Energy Centre and how developing that opportunity certainly has been very beneficial to us and Alberta certainly will have a need for additional peaking capacity.

On Saskatchewan we do see potential wind development in that province under long-term offtake agreements. Ontario wind development we see more in the back half of the next decade. And this is primarily just because of the thermal and solar opportunities that we already have in place. We don't see us starting to add a lot of additional wind development in Ontario for a period of time. And certainly on the thermal side in Ontario we do see a delay in need there just because of the current oversupply in the province.

In the US northeast and US mid-Atlantic we see ourselves continuing to look at contracted and merchant acquisition opportunities. So, certainly as you heard a lot about last year, those markets are ones that we're wanting to build out the hub concept where we get a critical mass of 2,000 to 3,000 megawatts that we can then optimize from a trading and operational perspective. And we also see opportunities for some combined cycle and peaking development particularly in the US mid-Atlantic where certainly they're closer to supply demand balance. And then the US southwest is an area that we'll be focusing primarily on solar development and combined cycle peaking development. We see limited acquisition activity in the US southwest. Part of that is just driven by a lot of the uncertainties around being able to re-contract existing facilities with the distribution companies in California. If some of that uncertainty was to be addressed or processes and rules put in place to increase or start to reduce that risk, we may see more acquisition activity there.

So, just moving to a recap of our business development activity in 2010 and 2011, just to recap on 2010, so we had the acquisition of the Island Generation facility. That acquisition closed in Q4 of 2010. There's 11-year offtake agreement with BC Hydro. And our actual EBITDA from that asset has exceeded expectations to date. Brian spoke to you, the Quality Wind project. That project of course is well under construction and to date the expectation is it's going to come under budget and be ahead of schedule. It has a 25-year offtake with BC Hydro. And then we have the Port Dover and Nanticoke project which we do have a FIT contract with the Ontario Power Authority.

And I'd just like to go into a bit more detail of the status of that development. So, in terms of Port Dover, Nanticoke, or PDN, we filed our environmental approval application in June of this year and we expect a decision will come out in Q1,

2012. That decision has been delayed a couple of months primarily due to some changes that we had to make in locations of turbines, some of the collector system and some of the roads. That was driven by some changes Hydro One had done, but also driven by some of the findings on the archaeological studies. So, that is sort of normal course business, but because in order to make sure we've ticked all the boxes properly we will be having another open house for that site in January, and we believe indications from the Ministry of Energy is there will be no issue in getting the approval in February or March.

However, the other thing that we expect will occur is there will be an appeal of the environmental approval. And we saw that happen with Suncor's Kent Breeze project which there was an appeal. The indications we've received is that these appeals will be heard, because of the sensitivity of wind development in the province. However, we do expect that decision will be upheld as it was in the case of the Kent Breeze project. But what that appeal does is it does add six months to the development timeline. So, as a result of that we've shifted out our expected commercial operation date for PDN from Q4, 2012 to Q4, 2013. Now, that will have minimal impact on the overall economics of the project. Certainly we don't have a large amount of capital invested yet in the project, so it just shifts it out in time. And we've also negotiated flexibility within our turbine supply agreement with Vestas and also with our EPC contract to be able to accommodate that one year delay without any impact on the economics of the project. The project is still expected to deliver unlevered returns exceeding 10% even with that new commercial operation date.

So, the other element of the PDN project which I thought I would share is when we acquired the project from Tribute the parcels were interspersed with NextEra's project. So, what this picture shows is the parcels that we acquired, Capital Power, which is the green. And then the blue parcels which was NextEra. So, as you can appreciate, getting environmental approvals, developing collector systems and constructing roads with this type of layout would require significant coordination with NextEra. And we get along with NextEra okay, but it would just be a lengthy process. So, one of the things we did is we completed a commercial arrangement with NextEra to do a land swap.

So, what the land swap has resulted in is we switched parcels with them, so we're now consolidated in the lower left below that grey band. And so we have those parcels along with the piece over in Port Dover, which is to the left. And NextEra is above into the right of the grey band. And what that has done is it's greatly facilitated the execution of the project and also made the prospect of going

through the environmental approval process a lot more efficient.

So, moving to 2011, you heard Jim speak to the plants that we now have in the US northeast which include the Rumford plant, Tiverton in Rhode Island, in Bridgeport in Connecticut. These plants have a combined capacity of over 1,000 megawatts and the acquisition price was approximately \$670 million.

We also announced the acquisition of the Halkirk Wind project which we had acquired from Greengate. It was partially developed. That's 150 megawatt wind project located east of Red Deer. Brian gave an update of the status of construction of that project. The interesting thing about that project there's two characteristics of this project that made it very attractive to Capital Power. The first is that it has a 20-year offtake agreement with PG&E which is a distribution utility in California for renewable energy credits. And that 20-year contract provides fixed revenue or firms up 40 to 45% of the revenue for the project with the balance coming from sale into the Alberta deregulated market.

But the other key characteristic is that this wind project is located in central Alberta while the bulk of the existing wind projects are in southwestern Alberta. And one of the elements in the Alberta market is that if the wind is highly correlated it will all generate at the same time, and you bring that supply on it tends to drive down the pool price. So, you'll see wind in Alberta will only capture a certain percentage of the average pool price. The benefit of the Halkirk project is it's not highly correlated with the wind regime in southwestern Alberta. So, it will capture a higher percentage of the average pool prices than other existing wind projects in the province.

The third announcement in 2011 was the partnership with Samsung and Pattern to develop the K2 Wind Ontario project. This project was formerly known as Kingsbridge II. It was mentioned last year. It was a project certainly we would've preferred to develop 100% ourselves, but Samsung had the transmission access and was ahead of us in the queue, and certainly it made sense to develop a partnership with Samsung. So, in exchange for Pattern and Samsung were receiving two-thirds of the leased land, they provided the FIT contract and the access to the transmission system with the Bruce-Milton line going in. So, it will be a 270 megawatt wind project of which we'd own one-third. Of course it's got a 20-year PPA with the Ontario Power Authority at \$135 per megawatt hour. We expect to submit the environmental approvals in Q1, 2012. And the COD is expected in 2014. We expect to commence construction early 2013.

This project with the partners we have just executed the definitive agreements. And certainly the development of the project is shared amongst the

partners. So, Capital Power is responsible for getting environmental approvals and stakeholder relations. Samsung will be managing the construction and Pattern will be managing the financing and the turbine supply arrangements with Siemens. This project will be project financed, so it won't be financed off Capital Power's balance sheet.

I'd like to just turn to the expected performance of the US northeast assets. When we look forward in 2012 our expected EBITDA from those assets is 51 million. This is \$19 million less than what we had originally projected in our business case for 2012. So, the reasons for the lower expectation at this point is \$8 million reduction due to the Connecticut tax, \$4 million reduction due to higher O&M costs, which Jim spoke to earlier. And we believe those are the prudent costs to incur in 2012. And a \$7 million reduction due to lower expected spark spreads in the US northeast market. And those lower spark spreads are driven by the slower recovery in the North American market relative to what we had built into our projections when we originally looked at those acquisitions.

Now, certainly looking beyond 2012 we expect that EBITDA will recover to what we initially expected in our business case by 2014. And that's due to several reasons. The first is that the Connecticut tax is scheduled to end July 1st, 2013. So, it was put in place for a two year period. We expect the O&M costs are going to recover to our original expectations, so that \$4 million increase is just a situation for 2012. And we expect spark spreads are going to recover by 2014. So, when we look back though and take into account the lower short-term spark spreads and the effect of the Connecticut tax, our projected returns on these assets still exceeds our target of 11% over the life of the facilities.

Just to summarize, our development and acquisition activity has been in-line with strategy. Over our first two years our development activity has consisted of 65% of it has been contracted assets and 35% on the merchant side. We've established a hub in the US northeast with over 1,000 megawatts of generation assets. Our projected unlevered returns from our activity over the first two years are 9 to 11% with a weighted average unlevered return of 10.6%. So, you can compare this to our targets of 8% for contracted and 11% for merchant. And with two-thirds of those projects being contracted, our target would've been 9% and we've achieved 10.6% or exceeded our target by 160 basis points. Of course those unlevered returns are also well in excess of our weighted average cost to capital.

Our estimated committed capital for 2012 is \$750 million and that is less than what we did this year. Part of that is just driven by we have a lot of resources right now devoted to longer term development projects. The performance of Island Generation has exceeded expectations. The New

England assets in 2012 and 2013 are slightly below expectations, but are expected to recover by 2014. On the wind development side construction engineering work is expected to result in lower capital costs, as Brian spoke to you, and we also expect those projects to come in ahead of schedule.

Those four projects under development are expected to add 15 cents on an earnings per share basis accretion and a similar amount on a cash flow accretion per share basis during the first two years of operation. And the associated EBITDA with those four wind projects will be \$150 to \$160 million. Thank you.

Jim Oosterbaan:

I'm Jim Oosterbaan; I'm just going to talk about our portfolio management activities. Just start with some overall market observations. Just again our view with respect to gas prices that certainly are put in the middle of the consensus. Low and stable gas prices continuing for a while, shale gas production continuing to have the same impact on prices as we go forward in the downstream markets. I think Marcellus – the last time I checked it – was up to about 5 BCF a day of production. So, we're starting to see the impact of that resource on the northeast supply demand balance.

So, nothing surprising here, continued macroeconomic uncertainty, all this you're very familiar with I'm sure with the work that you do. The only thing I would mention though, the Alberta economy is continuing to ramp up. Brian had mentioned earlier that there was a peak construction period that we encountered in 2007 – 2008 and we're well on our way being back to there again from the point of view of growth and demand for employment. You may have seen a recent statistic, that Edmonton created 45,000 jobs this year which is actually the most for any city in Canada. So, just another indicator that the Alberta economy is well on the way to ramping up again.

And certainly our economic growth in Alberta is going to reflect that. I'm just going to do a just a drive by of each of the markets that were involved with – again I think everybody has their slides, so you actually may be able to read that. Certainly the New England market with respect to long-term fundamentals continues to be an attractive market for us. We're looking at demand growth in the range of sort of 1% sort of the next five to ten years. We expect to see some retirements of the existing generation stock through this period. We're expecting that the Connecticut Yankee facility will be retired in the 2016 – 2017 time period. And certainly the imposition of the recent EPA rule, particularly the MACT rule and emissions is going to result in another 300 to 600 megawatts of generation retirement in the same period as well though.

Certainly some of the risks of course to that perspective would be the timing of the Connecticut Yankee retirement. If that does extend to the latter part of this decade then that certainly will have some impact as we go forward. As you can see our capacity price outlook again is pretty much similar to the consensus market and the same thing with say our view on mass hub prices. New York market is simply stable from that perspective. Bryan DeNeve mentioned sort of LIPA is looking to retire some of its existing assets and there's a call out now for about 2,400 megawatts of new energy located primarily in their franchise area. And there are about 300 megawatts of steam-fired generation is actually going to be retired in 2012 and certainly another 560 megawatts of coal-fired generation that we're looking to retire, another 300 megawatts of older gas-fired, oil-fired capacity. Again you're starting to get a sense and that's in 2013, some significant retirements coming up.

They're still driving to an RPF standard of 30% by 2015. We think the state is unlikely to achieve that because of pricing but as you're aware there are certainly a number of plants being added, Empire, Astoria, Bayona have all been added to the mix bringing newer capacity on. So, the key is the forecast view in this market is the retirements. The Governor is pushing for the retirement of the Indian Point Nuclear facilities in New York. We're assuming that that's unlikely to happen at this point, but if he is successful then certainly you'll see a tightening of the supply demand balance in the New York market.

PJM as you know, coal heavy market certainly has much more exposure to the EPA regulations than in perhaps any other market in the US. And again what we're seeing here is we're expecting that over part of the next five years a 20 gigawatt retirement of coal-fired generation in this market simply because of the cost to retrofit those assets to comply with these new standards is just prohibitive and will result in their retirement. Now, with respect to demand growth, again fairly modest demand growth in sort of the 1%- 1½% range over the forecast period. In this case it's sort of out to 2020. You certainly have seen some recovery of capacity prices reflecting the recent EPA announcements and the upcoming sales of **Brandon Shores** and some of the excellent assets that are currently on the market will probably likely establish some new benchmarks for a cost of capacity in those markets.

In the California markets Bryan mentioned – Bryan DeNeve provided a very good synopsis of our views with respect to that. But again demand and growth in sort of the 1%- 1½% range over the sort of next 10 years from our perspective. Northern California will be well supplied well into the next decade where you will see some demand tightness is likely in southern California, particularly in the San Diego gas and electric franchised area. As a result of that, transmission does become a significant concern

with respect to California being able to meet its RPS standards. With the real focus on developing most of this capacity in state it will be necessary to develop an additional transmission capacity and we think that's where they will reach their challenges. So, and that will have some delay.

Western Climate Initiative will proceed with the Cap and Trade bill that was passed will have some impact on power prices as the cost to compliance has become factored into the pricing for power in that market. And of course they're always looking at the market design. At this point we're expecting that the move to a bilateral capacity market there will be some further opportunities for generators to contract directly with the market, with the LDCs. One significant risk is, what's the impact that once-through cooling on generators in that market? We're suggesting it's about 16 gigawatts, it could have some impact of being shut down. Given the size of that capacity reduction we think that's probably unlikely, but still the risk that we flagged going forward.

Talking a little bit now about the Alberta market, again we're looking at continuing significant growth in oil sands capacity capability, averaging 6 to 7%. That will likely be supplied through "inside the fence" generation as it has been in the past. There is an opportunity that maybe as you move the smaller development, smaller developers, modular development that is being certainly tested right now, they're more likely to look to the grid for supplies from host generation. So, this is sort of a trend that we're watching quite closely.

There will continue to be, we'll just call it, GDP growth which is just really the follow-on effects of significant investment in the industrial side of the market. So, growth in the residential, small industrial commercial segments of the market again which will accentuate the development of the peaks that I was mentioning to you earlier; the summer peak and winter peak. That will become more of a demand phenomenon in Alberta than we have seen in the past. As well the current Capital Stock Turnover regulation is currently appearing in the first version of the Gazette would suggest there's going to be significant risk of coal plant retirements as you move to the end of this decade starting with Battle River 3 in 2016 and then there's the steady progression of coal plants that would retire at that point as they're reaching the end of their useful lives.

Reserve margins continue to tighten through this period. We expect that you'll see more periods of higher and significant price volatility as the market grapples with outages. So, the outages are also just a reflection of the general overall age of the fleet in Alberta, it's trying to come up to 40 years on average. So, again you will see increasing outages as a result of that and again those periods of volatility will also be there as well.

Just talk a little bit about how we're managing our portfolio in the northeast. From a capacity perspective all three assets are sold forward into the capacity market to May of 2015. They did participate in the earlier series of capacity auctions prior to their acquisition by Capital Power. And on the energy side we're about 50% hedged through a PPA that's primarily solely held on the Bridgeport asset. Now we have been active in this market for a number of years prior to acquiring this asset and certainly as we're going forward we're expecting that we're going to be able to certainly generate some portfolio returns and to contribute to the bottom layers as we move forward.

And certainly we'll be putting resources in place to focus on origination activities and looking to sell say long-term contracts to end users, customers in that market. And that is almost a market that has a penchant for retail competition, so there is certainly an opportunity for us to pursue. We certainly have some market segments in mind as we go forward.

Certainly there's a lot of complexity in a portfolio as you look to integrate it. There's a lot of work just being able to get to the point of being able to trade on the assets. Settlement systems, risk management systems all have to be brought to bear, ensuring that you're able to have the same levels of controls that you have in place on your other parts of your portfolio as you would with these new sets of assets. We've been pretty successful in being able to do that. That happened and we were able to displace existing service providers; we had two of them, one for the Bridgeport asset and then one for the Tiverton and Rumford assets. And again we've been able to move them out in pretty short order with some significant annual savings as a result of that. Really over a 90 day period we're successful in doing that. And again as I mentioned earlier, our expectation at least initially is over the next couple of years looking to generate an additional \$3 to \$5 million to the bottom line as a result of the supplemental trading activities that we have.

Then again the markets are different. It's just with respect to that the Alberta market versus the New England market. Volatility is much much lower in New England than it is in Alberta, though there are periods of volatility, it's generally weather driven in New England market. Much more a complexity because it is a nodal market in New England than what you would have in Alberta which is a simple pool market. Then again there are a number of larger players in Alberta that hold market share that can impact price. And again the size of the New England market is such that there really isn't the dominant player deck and that can impact price also because of the nodal structure, that's not possible. And there's a lot of liquidity in the New England market just because of its size, the number of

counterparties that are active, whereas in Alberta it's more moderate.

Just talk a little bit about where spark spreads are going again. New England is a spark spread market. We hold natural gas-fired generation here, so again the spark spread is what's important. We purchase very efficient plants. Again with heat rates in the low sevens, and as you look at these markets on a go forward basis it's that efficiency with respect to other stock of generation in the region that's really important. And again these assets are certainly in the lower third of the market with respect to their efficiency.

If we look at our Alberta position going forward into 12 and 13 from the point of view of where we're hedged, 40% hedged for next year average price, in the range of the mid-60s. Again in 2013, 15%, again the price is roughly in the same range though. So, as you can see what we're looking to do is certainly better utilize the value and impact of the Clover bar units and we're getting much better being able to do it, is really take advantage of those periods of price volatility to generate additional earnings for that. You can see examples of that in our Q3 results.

Again as far as market updates for Alberta, our working assumption at least at this point is that Sundance 1 and 2 will continue to remain off. Certainly it's been indicated by TransCanada the hearing around that, the arbitration process will kick off in Q1 of next year with a decision likely to follow in a quarter or so. But again we think despite the outcome of that the units won't be returning to service. They've been off for more than a year now and if those units aren't being maintained - and we don't know if they are or they're not - but it's very difficult and costly to try and return those units of service. We've had additional capacity come on through Keephills 3 as Bryan had mentioned 450 megawatts of base load generation. Then you're seeing more generation certainly being contemplated in being added with Shepard coming on in mid-2015, 800 megawatts of gas-fired generation, Halkirk, Bryan mentioned before.

Certainly as you look at the market going forward, the expectation is that price volatility – those periods of price volatility are likely to continue. Certainly the MSA has allowed the generators to recover lifecycle costs from their investments and that's sending the right signals because again your... and prices being where they are, forward prices in the \$70 - \$80 range is around the cost for replacement generation.

So, again I know there's certainly some concerns around the Alberta market structure, but it is working from the point of view, it's starting to incent the construction of additional generation. It has worked in the past. If you look at the volume of gas-fired generation that has been added in the province, again all at the risk of developers, nothing at the risk

of the public purse. And we expect that the existing market structure will continue.

There was a recent conference last week for all industry participants who were certainly quoted as supporting the current market structure. That also included IPCA which is the large industrial power users association. So, there's always – and there is a very, very competitive market to sell long-term contracts to the large industrials when they're prepared to contract if they wish, and then what you've got simply is a gap in price expectations, which is again the signs of a market working between the buyers and the sellers of power.

We talked a little bit earlier about Clover Bar, and what impact does it have on us. And it's a very significant impact. We've been taking steps to improve its reliability, this year we'll focus on that from the point of view of applying resources directly at the plant level. We joined the GE lease pool, all which is then designed if we do have another outage to reduce the duration of the outage. Essentially what the lease pool does, you can bring a new engine in and you literally swap it out. That can be done in about three days or less. So, and then usually when the two days for the unit to show up from wherever it might be in the lease pool. So, again that really starts to bracket the types of duration of the outages.

So, an example with respect to how Clover Bar sort of fits into our portfolio, as you can see here with respect to the result to the total portfolio. In this example is listed in the top in the purple line, the composition is the coal units in red and blue and then Clover Bar which is in green. And as you see changes in the output profile of the coal units, you see changes in the output profile of Clover Bar. And essentially that allows us to essentially ramp up the units as we need to take advantage of any outages that we see. And this is what has effectively happened with the G3 outage. Again about 225 megawatts of output that's been lost and then we've been able to essentially wrap up Clover Bar to offset that outage.

Anytime you have a trading function there's always just a question that's appropriate and should be asked whether it's appropriately managed, whether the risk tolerances that you have. And I continue to sort of provide some comfort to our investors that – and it is well managed, we regularly have it reviewed by external third parties to confirm that the controls are in place and they are appropriate. It is a Board level issue that we talk to the Board quarterly on what we do in respect to our trading strategies and controls. We have a lot of oversight to the more than 60,000 transactions that we do every year across all the markets that we're involved with. Our record speaks for itself as well; we've been doing this for more than 10 years without any kind of issue with respect to that.

Just with respect to how we look at that. We use a value at risk approach simply based on cash flow after we've met all our fixed obligations and key variable obligations. We have an intertwining limit structure with stop loss limits as well as daily, weekly, monthly, quarterly and annual limits. So, all those work together to really make sure that as we try to manage our risk and generate income from a speculative activity that it's a well-managed process, a documented and transparent process that we use. We have a corporate risk management group, not surprising, but they sit on the floor with the trading team, they monitor every transaction. So, again we're very comfortable that we've got a very well managed process as we go forward.

Certainly a push that we've had over the last number of years is really again to improve the use of analytics to improve the quality of decisions that we make with respect of managing our portfolio. That's been something that we've invested some millions of dollars in. And the latest manifestation of that certainly is a new energy trading risk management system. Just almost at the end of a multiyear installation of that, it's an allegro system which is again one of the industry standards, likely to go into service Q3 of this year within the budget that we have for about \$9 million is the cost that we have. And what that allows us to do essentially will allow us to support expansion of our business into our existing target markets.

With the current platform that we have it's very difficult to extend it much further than what we have right now. With the use of this system it simplifies and reduces the cost of adding subsequent assets as well as broadening the products that we trade in as we go forward. We are comfortable we're progressing well with respect to applying analytics again as we go forward. We expect that this part of the business will continue to make a positive contribution to managing risk, which is first and foremost responsibility, as well as generating additional bottom line income from speculative activities also. So, that concludes my comments. I'll turn it over to Stuart to talk about financial matters.

Stuart Lee:

All right, thanks Jim. We've heard this morning the discussion around business strategy and what I'd like to talk about is the financial strategy that really supports the business strategy of the company. And I'll start kind of going around the different components of our financial strategy starting with investment grade credit rating, again a view that we want to maintain a BBB-mid credit rating fundamental to our corporate strategy. It's important not only for access to the debt capital markets, it's also important from our perspective for equity investors as well. It really demonstrates a moderate financial risk profile. And if you're looking at stability of dividends over the long term believe that those

two go hand-in-hand, a moderate risk profile consistent with a BBB credit rating and long-term stability of dividends.

Other components of it is really managing refinancing risk. Part of that comes down to ensuring we have well-spread debt maturities and I'll get into that in a couple of slides to show that and how we're very well positioned in our opinion regarding overall refinancing risk. Financial flexibility, and if you look at the way we're structured and the way we finance different projects, hopefully through the course of the next couple of slides you'll understand why we think we're extremely well positioned and have lots of financial flexibility in our overall balance sheet to finance projects going forward and to utilize different forms of financial products in our capital structure.

Stability of dividends very important to us. In addition to that you'll see over the course of the next few minutes that our cash flow profile is strong and considerably improving with new projects that have come on line including Keephills and some of the wind projects. And our outlook particularly with the strengthening of the Alberta marketplace and our ability to grow dividends over time, there's very positive momentum associated with that. Economic discipline, Bryan DeNeve has gone into some detail around how we look at projects and economic discipline that we bring to that. I won't get into a lot more detail on that.

And then finally managing forex and interest rate risk; with the acquisition of US assets earlier this year you'll have seen us put in natural hedge in the form of US placed debt as a component of that risk mitigation. On the interest rate you would've also seen us use some financial products; we did a bond forward associated with that transaction. It did settle out of the money and ended up having a short-term impact on our financial results. But over the long term, over the course of those assets, over the course of that debt we did absolutely achieve what we wanted to and that was locking in the interest rates consistent with our acquisition economics. And, those are the types of instruments that we use on a go forward basis to manage interest rate, FX risk, etc.

Moving on to the next slide, looking at what our overall balance sheet looks like today, where we expect it to be going forward. You'll note that our target long-term debt to cap ratio is in the 40% to 50% range. And that's been a consistent target that we indicated back on the IPO and every year since. And that remains kind of our long-term view of where we expect to be. You'll note that where we're actually at has been in the mid 30% range and the obvious question is well, why have you chosen to be under-levered, why not move up to your target range of leverage and enhanced earnings for investors. And I think the key part of that story is we've been in a very heavy development mode, we've spent a

billion dollars on Keephills, we currently have a billion four under development with the wind projects. And associated with that our cash flow metrics are impacted from those development projects. And so to maintain the type of credit rating we're looking at we've deliberately under-levered ourselves in the short term to maintain the appropriate financial discipline.

As we go forward, and you'll see it on the next slide as we talk about what our cash flow projections look like, you'll see we're entering into a period where we are starting to meet those financial metric objectives that have been set out by the rating agencies. As the wind projects come on over the next two years, in fact we'll start surpassing those projections and they'll need to step in and use that additional leverage to finance those projects. And as a result you'll see that we have a lot of positive momentum on the EPS side going forward by being able to use some of that additional leverage. Bryan DeNeve had mentioned the fact on the wind projects we expect that the accretive EPS on those is about 15 cents from those four projects. That's really using a capital structure that's theoretical using both equity and capital on those projects. Our view is, and I'll get to it in a few more slides, is most of that will be financed using debt and some of the capacity on the balance sheet and some of the additional cash flow that's generated out of the business. And as a result we'd expect those projects to in fact be more accretive than that based on balance sheet capacity and cash flow that's been generated out of the business.

If you look at our peer group traditionally in the 50% to 60% leverage range, so an important part of our story is that we do have this structural component within our overall financial structure today that will allow us to drive earnings going forward that may be not available to other folks in our peer group. So, speaking to some of the financial metrics I want to talk to you a little bit about the DBRS metrics that have been put forward as well as S&P, where we expect to be against those metrics. Critical for both those are both looking at cash flow to debt as well as your EBITDA interest coverage or funds from operation interest coverage. So, for DBRS you'll not a target of 20% FFO to debt and EBITDA interest coverage of four times. In 2011 expect to meet the cash flow to debt metric, slightly short in 2011 on the EBITDA interest coverage but expect in 2012 to absolutely meet those and surpass those.

For S&P they look at it slightly differently. They look at FFO to debt. They do make some adjustments in particular they look at adjustments regarding our Sundance offtake on the PPA there. And so makes some adjustments regarding the imputed debt associated with that imputed interest. As well they look at an FFO to adjusted interest. And recently you will have noted through the course of this year that they would've adjusted those targets up to 20% FFO to debt and 4.5 times interest coverage. In

addition you will have seen this year that they would've through their ratings, effectively reaffirmed the BBB-mid rating but moved us to a negative outlook with a view that we had to meet their new financial targets within the next two years.

The important story from our perspective is if we look at where we expect to be in 2012 we do expect to meet those targets in 2012. What you'll see in both the FFO and the adjusted interest bar charts in 2012 is a light shaded blue and that's actually associated with some of the discussions we're having with S&P around the way they calculate that adjustment and what those possible outcomes are. But our expectation is that we will meet those expectations in 2012 and certainly as we move into 2013, those continue to improve and we'll be well in excess of those targets.

Brian Vaasjo earlier mentioned the fact that we've raised over \$1.9 billion since the IPO. In fact all of that financing activity has taken place over the last 13 months. So, you can appreciate I have a fairly tired corporate finance department. Many of the folks in this room have been very supportive in those successful outings and so I would like to thank a number of folks in this room who have participated and led those transactions. I would say if you look at the track record it's been a very successful outing over the last 13 months. And I'm hoping that the next 12 months won't be quite as active. Included in that was two primary offerings, equity offerings that CPC did earlier this year as well EPCOR sold down in two different tranches, a portion of its interest. In total almost \$900 million of equity raises and an additional 37 million shares are now in the public float.

Last year at this time in December of 2010 we would've introduced preferred shares into our capital structure. A very successful offering, 4.6% yield when those were put out. We do expect we'll continue to use preferred shares in our capital structure on a go forward basis continues to be very well received, lots of appetite in the Canadian marketplace by Canadian investors for that type of product and from our perspective very cost effective capital. And finally, \$900 million in successful debt offerings, two MTNs in Canada and one US private placement of senior notes earlier in 2011.

So, the equity offerings that I mentioned on the previous slide have had a pretty dramatic impact on our public float and liquidity in the stock. We moved on the IPO from about 22 million shares that are outstanding, 56 million that EPCOR had, so represented about 72% interest by EPCOR. That's moved down to 39% with a balance 61% now being held by the public float. As a result of those equity offerings we've seen a significant improvement in liquidity of the stock. If you look at the overall trading volumes associated with our stock it's about two times 2010 levels and about 2.7 times the levels we

saw in 2009. So, a pretty significant improvement in liquidity. Adding to that is the fact that we were added to the TSX Composite Index earlier this June, which has supported some of that additional liquidity. But it's also helped to broaden and deepen the institutional investor base.

So, as we look forward to 2012 particularly with the recent offering that EPCOR just made we do expect to see increased liquidity and trading volumes as we move into 2012. In addition to that folks who have had a chance to read the press release this morning we did announce that we are introducing a DRIP, a dividend reinvestment program beginning January 1. And do think from an investors point of view that provides additional opportunities to monetize your investment and to reinvest your dividends in Capital Power.

A couple of different ways we look at managing refinancing risks. So, one obviously is maintaining an investment grade credit rating. Secondly we have very strong liquidity, we have \$1.2 billion worth of credit facilities that are outstanding, very little of which is utilized currently. But the third way is making sure that we have a well-spread out debt maturity profile. And you'll notice over the next three years no significant debt maturities through that period.

In 2015 we do have \$300 million of MTNs that come available and we also have \$113 million of credit facilities that mature at that point in time. We were successful this past year in extending our credit facilities from a three year to a four year term and we would expect in normal course that that would roll on an ongoing basis into future periods as we progress through the calendar year.

I talked about cash flow generation; it's something that's very important to us as a management team. Quite frankly it represents a fairly significant portion of our short-term incentives is ensuring that we're driving cash flow and I think that's consistent with what investors expect and consistent with trying to continue to provide stability and growth in the dividend. Looking at our discretionary cash flow - if you look at the funds from operation almost half of that based on the last trailing 12 months has been reinvested in the business. So, a significant portion of our overall cash flow is available to reinvest and grow the business. If you look at our track record since 2010 on discretionary cash flow which is effectively funds from operation less dividend, less maintenance capex. The discretionary cash flow has grown on average by 17% per annum. And as we look forward going into 2012 - 2013 and out, expect that positive trend will continue with some of the projects that are currently underway.

So, where is that cash flow being spent? Here's a snapshot of our expected capex based on a number of the projects that Bryan DeNeve earlier discussed.

In particular the wind project, the four wind projects that are currently under construction or development, and our expectations for 2012 and 2013 spending. And you'll note approximately about \$560 million worth of capex spending in 2012 with a follow on of about \$219 million in 2013. And as Bryan went into detail on, most of this is all long-term contracted wind assets, provides very good stable cash flows through excellent counterparties, expected EBITDA coming out of these projects is in the neighbourhood of \$140 to \$150 million dollars. And certainly as we look at the expected returns on these as Brian Vaasjo mentioned, they come in under budget those returns will be well in excess of our hurdle rates.

Sustaining capital expenditures, as we look at the profile for 2012 we have two turnarounds of Genesee versus one in 2011 and therefore you see our capex moving up from \$34 million to \$50 million. Other plants would include the New England facilities as well as North Carolina. So, you see a bit of a pickup in some of the other plants. In addition there's some additional maintenance at the Joffre facility in Alberta in 2012 versus 2011. The other major component on this is the Genesee land expense; you see fairly significant expansion of our land mines, our mined lands in the Genesee area. Would expect that capital expenditure profile will diminish over the next couple of years. We've made a fairly significant expansion of that land profile over the last several years and we have significant capacity for coal over the next 40 years for the life of those Genesee facilities. So, we would expect that to drop in the next couple of years.

So, with those capex plans I guess the question is how do you expect to finance those? This really gives a view of the sources and uses of cash moving into 2012. Expected funds from operations in the \$380 to \$420 million range, so a significant portion of our overall funding for those will come out of cash flow from operations. We do expect that we'll need about \$350 million worth of financing in 2012. Our expectation is that's going to come from long-term debt and potentially from preferred shares. As we look at our overall balance sheet and capacity we wouldn't expect to see any primary issuances of equity absent an acquisition, based on the spending profile for 2012.

In addition to that we've announced previously the fact that we're in the process of selling two of the small hydro facilities in British Columbia. We would expect that to close at some point in 2012. In addition we did end up with some portion of Atlantic shares coming out of the CPILP divestiture and will expect to monetize those in 2012.

Jim had talked a little bit before about our Alberta position. His numbers are slightly different. My numbers really look at the coal base load position. So, he had mentioned the fact that the overall

position about 40% hedged into 2012, I will show 50% just on the base load position. So, not looking at necessarily hedging the natural gas exposure that we have, that will run when it's economic to do so. And so if I just look at the overall coal base load position we're running into 2012 about 50% hedged. So, you look at the contracted base load, the long-term contracted base load that we have in our portfolio which is 40%, 45% of EBITDA. You add in the hedge piece in our merchant portfolio and there's a significant portion of overall cash flow that's effectively locked-in for 2012.

In addition to that we have maintained exposure to the Alberta marketplace. Obviously we like the opportunities in Alberta and historically what you would've seen is us coming in to given a year a little bit more hedged than we are coming into 2012. As we came to 2010 we were effectively 100% hedged on a base load position with a view that the Alberta marketplace likely had little upside. 2011 coming into the year we're about two thirds hedged with a view that there was certainly some upside. Unexpectedly some of the supply came out of the marketplace in 2011, we've seen a lot more volatility and upside than we expected. And as a result coming into 2012 we've left the position a little bit more open to capture some of that additional opportunity.

In 2013 - 2014 obviously those positions decreased and as a result the sensitivity analysis that we've provided, that sensitivity analysis shows increasing exposure to the Alberta marketplace in 2013 and 2014. And I would comment if you look at the supply side of the Alberta marketplace the next really significant supply addition is in 2015 with the expectation that Shepard comes online in 2015. So, do we like that exposure, absolutely? We like the profile that we have and the opportunity in the Alberta marketplace moving forward.

In New England a little bit different market as opposed to looking at just the overall impact of power prices, it's really driven by spark spread. Most of the generation in the area is natural gas and therefore natural gas is on the margin the majority of the time. And therefore as we look at our spark spread sensitivities we provide some guidance around that. We do have hedges in place in 2012 and 2013 particularly for the Bridgeport facility. And therefore you'll see the sensitivity increases in 2014 as those hedges roll off.

Important though also to mention that in New England 40% to 45% of the EBITDA comes out of capacity payments. Capacity payments through that period of time are effectively at the floor, in around \$3 per KW per month. And so as that market continues to recover, as Bryan mentioned, expect that probably would be in the 2016 to 2019 period, do expect that we'll see rising capacity payments

and the ability to capture the upside associated with that.

Just so stepping back and looking at the overall financial outlook for 2012 versus 2011. A number of different moving pieces associated with the two years. Obviously we'll have a full year of operations from Keephills 3 versus four months in 2011. We'll have a full year of operations out of the northeast facilities as well as North Carolina. That will be partially offset by the fact that we have two outages at the Genesee facilities expected in 2012. And in addition to that we will have divested of CPILP which would've been in our financial results for ten months this past year.

We do have expected wind capacity additions both for Halkirk and Quality Wind. As Brian Vaasjo discussed Halkirk could be as late as Christmas or as early as beginning of November. So, it will have some, not a significant impact on 2012 results. But potentially they add a couple of months of earnings and cash flow. And then one of the biggest drivers obviously is Alberta power prices and our open position and the fact that we do expect to see a rising power price environment in Alberta and our ability to capture additional prices in 2012.

So, after 15 minutes of lead in I'll get to the punch line. This is our guidance for 2012. On an EPS basis fairly significant growth looking at EPS in the \$1.50 to \$1.70 range. Cash flow per share which is equally meaningful to us in the \$3.90 to \$4.30 per share range which is based again on a funds from operations expectation of \$380 million to \$420 million. And then again that translates into a dividend coverage ratio in kind of the mid-two range which is another important metric that we track as an organization.

Looking at the trend from IPO through to 2012 you'll see relatively robust EPS growth and cash flow per share growth. The cumulative average growth rate about 10% on EPS, normalized EPS, which is consistent also with the cash flow per share growth.

So, just as a wrap up from my section, I think we do maintain very strong financial discipline, have a very strong balance sheet and ability to lever that balance sheet as we move forward with our growth projects. We're committed to maintaining that BBB-mid credit rating. We've taken action to try and protect that. We have been very successful in financing, so over the last 13 months we've demonstrated our access to the capital markets very successfully. Cash flow per share is very visible. We have a very good track record of driving cash flow per share. As we see projects coming in online in 2011 with Keephills; 2012, the two wind projects, another wind project in 2013; you'll see that that growth rate will only accelerate.

From my perspective as I look at the reporting one of the comments we got back from a number of different investors is complex reporting particularly with the CPILP structure in place. With that now cleaned up I think it goes a lot more easy and transparent with respect to our results. And quite frankly from a management focus will allow us to focus on some of our core assets. So, it will drive a big positive for the organization. So, as I look at the prospects for the company going forward into 2012 – 2013, I expect that we have a very good opportunity in front of us to deliver shareholder value. And as I look back over the last couple of years I think the guidance that we've provided has been pretty consistent with what we delivered and expect that I'll be standing here next year talking about how we delivered it in 2012 as well.

So, with that I'll turn over to Brian Vaasjo.

Brian Vaasjo:

Thanks, Stuart. Jim, Bryan and Stuart have just gone through and described our expectations around 2012, but also why we're extremely well positioned to deliver on our results after 2012. I'd like to take a few minutes to just summarize some of the points that they've made and add a few of my own observations. So, we have been delivering on all of the components of our strategy since the initial public offering. And we are very well positioned to keep delivering on the same strategy for 2012 and beyond. We have worked hard at being open and transparent as to what we are planning on doing and what we have also done. Since the beginning we have been identifying our corporate priorities and have reported on them quarterly as we made progress through the year. And for 2011 priorities we'll be addressing those when we speak to our 2011 annual results.

With regards to 2012, here are our corporate priorities that we'll be reporting on as we go through the year. First in terms of our operational priorities, our plant availability target is 91% and that includes two planned turnarounds at the Genesee facility. Maintenance capital of \$108 million that Stuart just described, and as we've said before we looked at that number in terms of what the facilities need. And in the event that we do have things come up during the year which we need to address them, we absolutely will. And we may at that point reduce perhaps some of the discretionary spending or we may spend over that amount. But to be clear we will always spend what our facilities require. And when we looked at total maintenance and operating expenses we see those falling in the range of \$215 to \$235 million.

Turning now to our corporate priorities that relate to development and construction, from that standpoint we're going to very much be focusing in on our four wind farms. Completion of Halkirk and Quality Wind projects on time or earlier at or below budget

amounts. Now, we'll reach full notice to proceed on the Port Dover and Nanticoke and the K2 wind projects through 2012. And as Bryan indicated we will continue to pursue significant development and some acquisition opportunities throughout the year.

Looking at our financial performance, Stuart just went through these parameters so I won't repeat them. But, these are the ones that we'll be discussing with you throughout the year. And one point to make is that when you look at the change from 2011 to 2012 over those parameters, they represent increases from 10% to over 20% in those measures, so a very significant change year-over-year.

A few months ago we solicited some anonymous feedback from the sell-side analysts and from our investors in Capital Power through a perception survey. Firstly, I'd like to thank all of those who participated in that survey. The information that we received has been very helpful. And just to discuss some of the issues that came up and some of our own observations as it relates to the investor positioning. The first thing is when we went through the IPO process one of the significant issues that we were facing was a relatively small public float. And we got that feedback pretty consistently from investors. But also there was some uncertainty around – I'll call it – the hangover of EPCOR Utilities and their ownership position. Since then the public float has grown by about 170%. And the EPCOR position has decreased and now it's sitting at 39%. So, some very significant positive elements associated with that.

However, to achieve that required a number of equity offerings, and from our perspective probably not quite enough time for those issues to be seasoned in the market and the full value of Capital Power shares to be reflected in the ongoing trading values. In respect of growth there's certainly been a misinterpretation of what we've considered to be our targets or objectives and what we also refer to as our growth estimates. We had a significant challenge through 2011 convincing investors in the market in general that we weren't growing just for the sake of growing. And despite continually describing that even from as early as the IPO and in 2010, stating that those were reflections of what we thought we could do in the marketplace as opposed to those being hard targets in which executives were actually potentially compensated on.

So, we continue to have that challenge through 2011 and as such something we've continued to try to ensure that the market understands that those are and do represent only estimates as to how successful we will be from a growth perspective in any particular year. Now, once we had achieved a number of the growth opportunities in 2011, we also ran into the issue or concern from the market in terms of are we able to absorb those particularly in

light of the sale of Capital Power Income L.P. And, as Jim has described both on the operations front and on the commodity trading front, we fully have those opportunities and operations in-the-fold and are very comfortable with how they're operating and certainly how our commodity portfolio group is dealing with those new responsibilities.

So, very, very pleased with how the integration of those activities have gone.

And then as Stuart mentioned from a results standpoint, certainly the complexity of our results has been an issue to the market. And again certainly with the sale of Capital Power Income L.P. that should significantly reduce the complexity of our financial results. The other thing as it relates to results; this is our own observation, is that certainly particularly the Alberta market has some volatility associated with it. And we do a tremendous amount of trading in that market and risk management associated with our trading positions. And we believe and strongly believe that when you look at our results on a quarter-to-quarter basis it's not really a true indication of the performance of the organization. And it takes a bit of a longer-term view over at least a couple of months, if not a year on a rolling basis, or whatever you might choose to better make an assessment as to the true value generation associated with holding Capital Power shares.

So, in summary, I would like to make the following observations. Firstly, Capital Power is delivering on its strategy. We have consistently delivered on strong operations averaging 93% over the past four years. Inclusive of 2012 cash flow per share has grown significantly and it's positioned to grow even more with the completion of the wind farms and other initiatives. With anticipated 2012 results, increased liquidity and a dividend reinvestment program, Capital Power shares are positioned well to deliver total shareholder return that is greater than the median of our peers. Thank you and I'll now return the mic back over to Randy for questions.

Randy Mah:

Okay, thanks Brian. Okay, we're ready to start the question and answer session. For the benefit of those listening on the webcast please ask your questions using the cordless mics and state your name and company name as well. So, we're happy to take your questions.

Juan Plessis:

Juan Plessis, Canaccord Genuity. This question is for Brian Vaasjo. With respect to your acquisition opportunities, I know that you pointed out that there's limited acquisition activity expected in 2012. But for the past let's call it six months or so you've mentioned that you're looking at another potential acquisition that could close by the end of this year somewhere in the range of \$200 million. Has that

opportunity passed or are you still actively pursuing that?

Brian Vaasjo:

That was a very specific opportunity that we were looking at and actually had gotten down to the eleventh and a half hour. And upon final review it did not meet our financial criteria. So, we discontinued pursuing that asset opportunity.

Juan Plessis:

Okay, thanks for that. And this next question perhaps is for Bryan DeNeve. With regard to the guidance you've given for earnings and cash flow, can you tell us what your assumptions are for the New England plants, the Tiverton and Rumford plants, with regard to spark spreads and utilization of those facilities?

Bryan DeNeve:

In terms of my presentation I'd spoke to earnings and cash flow accretion for the four wind projects as they're developed. Certainly, Stuart is better able to speak to you what the assumptions are embedded for the northeast assets in terms of the projections.

Stuart Lee:

Juan, on the spark spread basis I think expectations are around \$15, is the spark spread expectation. And again it varies by plant, but on average that would be kind of middle of the range. And as far as actual capacity, again it ranges by facility. So, Rumford, for instance, would be kind of in the mid-30 range. And you move up to Bridgeport which is kind of in the mid-60 range. And that's fairly consistent with our expectations that we would've utilized on the acquisition.

Juan Plessis:

Thank you.

Andrew Kuske:

Andrew Kuske, Credit Suisse. I think the question is for Brian. How do you think about the company's capital market positioning? As you really are a little bit of a hybrid, you're not truly a conventional utility or an infrastructure player with a very high payout ratio and low earning volatility. You've got good runway in the Alberta power market, a considerable amount of open exposure in the years ahead. So, more of a commodity play on that side, are you trying to really split the fairway down the middle and be partly commodity exposed and then with a good stable base of cash flow and earnings generation from projects?

Brian Vaasjo:

Your general characterization is right on the money. The fact of the matter that we try and will be maintaining that stable base of cash flow is what supports the dividend much like in a traditional utility the cash flows from the utility activity. So, certainly see that that base of cash flow will be maintaining

investment grade credit rating, maintain the dividend profile and certainly see a tremendous amount of upside associated in the near term in Alberta. And certainly in the medium term in the northeast market that can create very significant cash flow and may well end up with such a thick base that may well be able to contribute to our confidence around additional dividend growth.

Andrew Kuske:

So, as a follow up. Does that positioning within the capital market give you really a lower cost to capital when you target the US market in particular versus the IPPs and really incumbent players in the US?

Brian Vaasjo:

Certainly it will provide us with a lower cost of capital on a go forward basis. But again the way we look at any of these opportunities whether they be an acquisition or development, we look at them more from a theoretical basis, and what is the appropriate cost of capital for that kind of opportunity. And that's why we differentiate between merchant and contracted opportunities otherwise if we were basically utilizing our cost to capital on the merchant side we could be buying up everything in sight and say that it meets our cost to capital. But we think it's more prudent and makes much more sense to differentiate between different classes of assets and make adjustments based on more of what is the appropriate cost to capital associated with that opportunity.

Andrew Kuske:

Okay, thank you. And then if I may just on the business development side of it, what are you thinking about for the break even cost of solar from a total return standpoint to the company? What do you really need in a marketplace whether it's on a merchant basis or on a PPA, in particular with the prices of poly coming down so dramatically and being able to install a capacity at much lower levels than we've seen in the past few years?

Bryan DeNeve:

Yeah, so in terms of where cost to solar is in the US southwest, we do see that under the current tax benefits that the Federal Government is providing, that's going to start reaching the \$100 megawatt hour and start going below that in the not too distant future. When we look at opportunities, if we're assuming the construction risk we would expect to achieve unlevered returns in the 8% - 8½% range.

Linda Ezergailis:

Linda Ezergailis of TD Securities. This is a question probably for either Stuart or Brian. With respect to your discussions with the debt rating agencies, how do they view the need for a DRIP in terms of how long it might stay turned on or what are your views on that? And I guess, the second part of that question is, can we assume that once you've kind of hit those S&P credit metric targets that there might

be capacity to grow the dividend after that point? Thoughts?

Stuart Lee:

Okay, so maybe I'll speak to both those. I don't think the DRIP was in response to specific expectations from either one of the rating agencies. From our perspective if you look at our growth profile, if you look at how we'll be funding projects on a go forward basis, there's a need for some level of equity and a DRIP quite frankly makes sense in putting that into the overall financial plans. And from an investors perspective it provides optionality and we view that as a positive for investors. So, really not driven from any specific concerns coming out of either one of the agencies. And the second part of the question was?

Linda Ezergailis:

Dividend growth.

Stuart Lee:

Dividend growth. And again on dividend growth it's not let's hit the cash flow metrics before we do anything associated with the dividend. That's not something that is necessarily of a concern. From a dividend growth perspective it's really just getting the cash flow to a level that supports that growth. And given where the projects are at, and what's expected to come online over the next year or two, and given the expectations around strengthening of the Alberta marketplace, particularly what we've seen over the last year, we're pretty well positioned on a go forward basis to look at that in the next couple of years.

Linda Ezergailis:

And I realize that's a Board decision, but how might we think of the preliminary thoughts on that in terms of payout ratio as a percentage of earnings or cash flow or would you expect it to grow a pace with the cash flow growth or in some other way?

Stuart Lee:

So, we don't have a specific policy and haven't developed a specific policy that targets at here's the tripwire where you increase the dividends. So, it's not set on specific expectations that if you're at 60% of earnings or 30% of cash flow, all of a sudden you trip onto a ratchet in the dividend. But absolutely, when we came out on the IPO, when we looked at our peer group the view was let's be competitive with our peer group. And traditionally that's in the 60% to 70% of earnings range. And expectations on a go forward basis is as we grow cash flow per share, as we grow earnings per share, that the dividend will keep pace with that.

Matthew Akman:

Thanks. Matthew Akman, Scotia Capital. I guess Stuart, to keep you on the hot seat here; I want to ask a few questions about guidance for next year. and trying to get a little bit of what's driving the

upside from \$1.25, in 2011 to midpoint \$1.60. First I guess just on G1 and 2, is there any downdraft that you're factoring in for lower kind of embedded ROE on the PPA contracts, or where does that issue stand?

Stuart Lee:

So, we will absolutely factor in expectations around both indices and the fact that indices will get adjusted as well as the returns. So, that's been factored back into the expectations for 2012.

Matthew Akman:

Okay. And I guess that's probably going lower in 2012 versus 11 given the Government bond yield index?

Stuart Lee:

Absolutely correct.

Matthew Akman:

Okay. Coal costs can you give us an update there with what's happening with coal costs overall in the fleet in Alberta directionally?

Stuart Lee:

Coal costs are relatively stable, I mean, there's small increases and it relates to capex programs associated. Again from our perspective the Genesee facilities we're 50% owner in the mine facility along with our joint venture partner. And effectively the cost of our coal is almost like a regulated rate of return going back to the partners. And so a big driver of the cost associated with that are, one, operating costs, and secondly capital costs. And we do see some pickup in some of the capex that's been spent on the mining operations, but overall the increase in coal cost is relatively small.

Matthew Akman:

And, sorry, just the last one on achieved pricing, I know your guidance embeds \$74 spot, your hedge prices are a bit lower than 11. We saw very high spot pricing this year. So, on achieved pricing for the commercial portfolio do you expect to be kind of flat or slightly up?

Stuart Lee:

We would expect to be up. So, let me just kind of break down you're seeing going from \$1.25 guidance this year to in the range of \$1.50 to \$1.70 next year. So, a fairly significant pickup. One of the things that impacts 2011 is the fact that embedded in our normalized earnings – and I know a number of the analysts would have added this back – is the fact that there was a negative bond forward impact of about \$13 million, there's a pension adjustment of about five. So, if you normalize for those items which we didn't, but I know a number of analysts did, you see slightly higher expectations in 2011.

The other thing is we entered into this year we had a significant portion of our base load hedged. Q1 and

Q2 if you look at where pricing went we didn't capture all that upside through the first two quarters. And, I mean, I'll be the first one to say that we underperformed where we expected to in Q1 and Q2 this year. Q3 you did see the results of capturing a lot of the Alberta value in our return. And as we look forward to 2012 a view that we can capture more of that upside than we have over the first three quarters of this year.

Matthew Akman:

Do you attribute that to a hedging policy or trading or do you differentiate that?

Stuart Lee:

Well, hedging comes back into the views that the trading operation takes. I mean, they are risk mitigators first and foremost. Jim tried to explain the way we view our trading operation. And again our outlook coming into 2011, as there was some upside in pricing but maybe not as much as we've seen, and a lot of that has to do with some supply dynamics in the market this year. And so, one, we came in with a higher hedged position, secondly particularly in Q1 our position was flat and at times short. And as a result our Q1 results with the volatility we saw reflected that. One of the things we do learn from what's happened in the marketplace and if our Q4 position was similar to where it was in Q1 where we were tight in respect of our overall position, with the G3 outage it would've had a significantly more negative impact than it otherwise will because given the tightness in the marketplace, we've opened up our position to allow for some of the type of outages that we've seen in the marketplace.

Matthew Akman:

Can I just ask one last question on the same topic. Can you quantify the amount of trading profit in your guidance at all, or is it just sort of mixed in with your hedge portfolio? Do you split that out?

Stuart Lee:

So, consistently we've said in other calls is generally we look at our trading operation. First and foremost it's really there to be a risk mitigator. And so we don't attribute a lot of our earnings expectations from our trading group. And that's a little bit different than some of our peers. Traditionally what we would've expected of about 10 cents of earnings coming out of the trading operations and what we would attribute into our guidance would be that level. Year to date, if you look at 2011, as I mentioned Q1, Q2 we didn't hit those. And Q3 we were quite successful. As we look forward to 2012 what's embedded into the budget is that level of expectation.

Matthew Akman:

Okay, thank you very much.

Robert Kwan:

Robert Kwan, RBC. Just first on the Canadian coal regulations that have been gazetted here. What's your view on that because on the one hand as a major coal operator you want to fight that as hard as you can, on the other hand if you just take a foregone conclusion that something's coming in, you probably want pretty much what's been gazetted, so where are you standing on that issue?

Brian Vaasjo:

So, we've actually been very active on that file and meeting with Government and industry in the province pretty frequently over the last nine months or so. And from a very broad standpoint the industry generally welcomes it. The reason being is that at some point in time we know that there will be some action taken around carbon. And what this does is it provides industry with some certainty, it tends not to be significantly painful, I'll say, in the short term as opposed to something like a carbon tax. Keeps values with corporations and in provinces as opposed to importing and exporting them. So, there's a whole bunch of positive attributes associated with this approach.

From our perspective as Capital Power, we see it very much as a rational approach to phasing out - I'll call it - this generation coal facilities. And again from our standpoint we see that given the age of our fleet, it provides us with some significant upside in the longer term because if you go out 20 years from now there will be very few coal facilities as we've just described; coal costs are low and the capital has already been spent. So, we would have a very, very low cost of production; the lowest cost of production in the Alberta marketplace eventually. So, we see it as very positive, but again industry sees it generally as positive as well.

And just another clarification, not precisely the way it's currently gazetted, there's a lot of discussion around for it to be more effective in terms of balancing costs to consumers, the value for existing generators and meeting the federal objectives. There needs to be a little bit more flexibility in it and there's different views as to what that flexibility should look like. But certainly our understanding and expectation is the Federal Government as it puts together Gazette 2 will incorporate some significant amount of flexibility around that.

Robert Kwan:

And what kind of flexibility are you looking for?

Brian Vaasjo:

So, actually from our standpoint as Capital Power, some of the flexibility actually helps future development of carbon capture and storage. But there are a number of players and provinces who are looking at greater flexibility to actually, for example, instead of shutting down facilities on a very specific set of dates, that you would instead be able to bring down plants at different points in time

that would reflect that same profile. So, you'd look at it more on a fleet basis as opposed to a specific plant basis. It's those kinds of flexibilities that industry is looking for and provinces are looking for to, just better manage. Again, meeting the federal objectives, but doing it in a different way with greater flexibility.

Robert Kwan:

Okay. The next question is just on your Alberta potential expansion. I think the front end date you gave as 2015, is there something specific that you're working on, are you potentially looking at a joint venture with somebody else on one of their plants?

Bryan DeNeve:

No, nothing specific at this point in time. Certainly the front end of 2015 just lines up when our new development will first materialize beyond Keephills 3 which of course was just commissioned.

Robert Kwan:

Just the last question on hedging. You've got, as you pointed out, a lower level than normal. A lot of that is driven by the power price. I'm just wondering has there also been a change of thought just given what happened during 2011 to better think about unplanned outages and where you're hedging as such that you can capture the price spikes that do occur when plants go down?

Jim Oosterbaan:

Yes.

Robert Kwan:

So, structurally we should expect lower hedging going forward irrespective of the question?

Jim Oosterbaan:

Hedging is always done by your view of the market. So, I'd be reluctant to go beyond next year. But, I mean, based on our view for next year you have a pretty good perspective on that. Now, whether that represents a permanent shift in our philosophy I would be reluctant to say at this point, not because we've made a decision, but because the trading strategy always evolves over time.

Robert Kwan:

But I guess just based on the first part of your question, structurally where you might've been close to 100% hedged on the base load for coal and PPAs in the past, is that a level that you would probably feel uncomfortable with going forward even if you had a somewhat negative view on the market?

Jim Oosterbaan:

Well, again if forward prices – if you're able to lock in at a price that you felt was delivering a satisfactory return to the market we'd give serious thought to that. But the other factor as well, we've become more comfortable with the operation of our Clover Bar plant and as we move forward being able to

wield them. And some of the steps we've taken to reduce what we think are some of the upsets that we discovered, that we had this year and are paid for as a result of that. So, going forward it's safe I would say it's unlikely that we'd be going into the beginning of the year as highly hedged as let's say 90%. But I wouldn't mind going much more than that, all I can say is that it evolves with respect to your view of the marketplace.

Robert Kwan:

Okay, thank you.

Randy Mah:

There's a question in the middle here.

Jeremy Rosenfield:

Yeah, Jeremy Rosenfield, Desjardins. Just on your outlook for the Alberta market, and here the question is probably for Bryan. When you think about expanding the sort of natural gas-fired plants that you could put into place, do you think about either expanding existing assets or new build opportunities? What sort of size would you put on maybe a new capacity if you had to think about a number?

Bryan DeNeve:

Well, certainly a couple of years ago when we looked at the Alberta market before the Capital Stock Turnover regulation was in play, we saw as probably 400 megawatts being sort of the right size. When you look at the annual growth and demand off the grid it's sort of in that 300 megawatt range. But certainly with the retirement of the coal facilities, that's moved up to the 800 megawatts is probably the size you'd look to put in place at least over that period from 2017 out to maybe 2025 - 2026.

Jeremy Rosenfield:

And then just thinking about that size and what the market could take based on where the fundamentals are, what do you think in terms of either developing that 100% Capital Power or doing that in terms of a joint venture with another developer so that you can possibly share some of the risks associated with a new project?

Bryan DeNeve:

Yeah, we would give consideration in doing it jointly in a partnership. Certainly our joint venture agreement with Transalta on Genesee 3 and Keephills 3 has worked very well. And part of the strategy behind that joint venture was to diversify the development risk and some of the merchant exposure at those facilities that were developed. So, we certainly would give that some consideration.

Jeremy Rosenfield:

Maybe just one last question. In terms of the merchant versus contracted aspect, obviously in the Alberta market it's tough to get a contract, but do you think it might be possible to sort of contract a

portion of that capacity out based on arrangements with existing participants and seeing where demand is growing and, you know, so rapidly definitely in the oil sands and that sort of thing?

Bryan DeNeve:

Yeah, we certainly do. Jim had mentioned in his presentation that are starting to do a little bit more focus on the origination side. But in the past we've also had arrangements where like, for example, on the Sundance PPA we have a partnership with the syndicate, we refer to them and they include DOW and three companies out of the pulp and paper industry. And that is the type of arrangement where you can get long-term agreements with large industrial customers to take on some of that exposure. But also there are of course retailers out there that also provide opportunities for some strategic partnerships around that.

Michael McGowan:

Michael McGowan from BMO Capital Markets. I just have a question on your earnings guidance. You give a range between \$1.50 and \$1.70. You also give a power price assumption. Just what are some of the swing factors that drive that range, is it power prices or something else?

Stuart Lee:

The swing factor is obviously power prices could swing and then it really swings the range as opposed to kind of the number. But unplanned outages obviously have an impact. You could have impacts from additional capacity factors in the facilities; Clover Bar is a good example. We would've had assumptions built around capacity factors at Clover Bar which could be higher or lower based on volatility. So, it's not just the function of the power price itself, it's also a function of the volatility in the marketplace. And part of that is, as I mentioned, in Matthew's response, our expectation is that the trading operation could add 10 cents of earnings, and quite frankly you could have a plus or minus associated with the performance of that group.

Michael McGowan:

Thanks. And just a question about the potential developments in British Columbia. I guess you are pursuing some new generation associated with potentially LNG, can you talk a little bit about the type of opportunity and maybe the size in terms of dollars and capacity?

Bryan DeNeve:

That's a pretty tough question right now. So, it's a question that's being asked by a lot of the entities that are involved in building out the LNG capacity there. So, certainly depending how it gets phased in and the timing, we could see an opportunity in total there that could range anywhere from 500 megawatts to 2,000 megawatts. So, certainly a lot of it also depends on just the permitting process and

how BC Hydro views that development; how it should take place. So, they're going to play a key factor in terms of the staging of supplying that need.

Michael McGowan:

Thanks.

Randy Mah:

Any other questions? One in the front here.

Dominique Barker:

Hi. We're hearing from some producers that they're looking at contracting some of their natural gas directly with utilities and certainly we've heard it from other utilities. Is that something you would consider particularly in the northeast US?

Jim Oosterbaan:

Not out of the shoot, but longer term we would. I don't think it will be an immediate priority for us. We're comfortable that there's significant amounts of supply that are available particularly through the Marcellus set that we can more easily acquire through the open market as opposed to actually trying to buy reserves from somebody.

Matthew Akman:

Thanks. The question is Ontario, I think Bryan you mentioned that Ontario maybe you'd be slowing down a little bit which is understandable, things are a little bit up in the air. There's also been some politics around what's gone on here and I'm just wondering how you protect yourself from some of that, for example, on the Samsung especially? I think the Auditor in Ontario has flagged a lot of stuff around renewable and particularly the Samsung thing. So, how do you protect yourself in the event that there's a change in tone at the province on allowing Samsung the access to the grid or any of the other benefits that has been promised there?

Bryan DeNeve:

Well, certainly a key milestone in terms of the risk for both K2 and PDN was the changes that were made in August where the termination for convenience clause was amended in the FIT contract.

So, to the extent there is a change there politically and the willingness to honour those current contracts I think the parties – we will have recourse and then in the case of K2 along with Samsung and Pattern to be compensated for a change of that nature. However, we believe sort of the outcome of the election sort of showed that on balance there's the support to continue the course. Certainly, the job creation that's out there, although it's debated a lot, there are upsides there. So, our view right now is especially those existing FIT contracts will be honoured and will play through to construction.

Randy Mah:

I think that's it for questions. Brian, some closing comments.

Brian Vaasjo:

Thank you very much Randy and I'd certainly like to thank you all for being here today and participating in our third Investor Day. And certainly thank you for your ongoing interest in Capital Power and as part of our thanks for attending this and through the good graces of our turbine supplier Vestas, we have got a wind farm of little turbines out there that please take one on your way out.

And as we make progress through the year you can look at it and think of Capital Power and how you want to invest even more. So, thank you very much and we'll see you early in the New Year and as usual we'll continue to be very active in coming out to Ontario and likewise Vancouver and Montreal and through the US and talking to investors and analysts around Capital Power, and keeping people generally posted as to what we're doing and what we see as the outlook for both 2012 and beyond. Thank you very much.

Randy Mah:

Okay, I believe we are the last company among our peers to host an Investor Day event, so hopefully you guys can take a break now and enjoy the holiday season. Lunch is ready in the back room; hopefully you can stick around and join the management team for lunch. Thanks again.

[End of recorded material]