Capital Power Corporation
Third Quarter 2013 Conference Call
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OPERATOR:
Welcome to Capital Power's Third Quarter 2013 results conference call. At this time all participants are in listen-only mode. Following the presentation we will conduct a Question and Answer session. Instructions will be provided at that time for you to queue up for questions. I would like to remind everyone that this conference call is being recorded on Monday, October 28, 2013 at 9:00 A.M. Mountain Standard Time. I will now turn the call over to Randy Mah, Senior Manager Investor Relations. Please go ahead.

RANDY MAH:
Good morning. Thank you for joining us today to review Capital Power's Third Quarter 2013 results, which were released on Friday, October 25th. The financial results and the presentation slides for this conference call are posted on our website at www.capitalpower.com. Joining me on the call are Brian Vaasjo, President and CEO and Stuart Lee, Senior Vice President and CFO. After our opening remarks we'll open up the lines to take your questions.

Before we start I would like to remind listeners that certain statements about future events made on this conference call are forward-looking in nature and are based on certain assumptions and analysis made by the company. Actual results may differ materially from the company's expectations due to various material risks and uncertainties associated with our business. Please refer to the cautionary statement on forward-looking information on Slide 2.

In today's presentation we will be referring to various non-GAAP financial measures, as noted on Slide 3. These measures are not defined financial measures according to GAAP and do not have standardized meanings described by GAAP and, therefore, may not be comparable to similar measures used by other enterprises.

Reconciliations of these non-GAAP financial measures can be found in the Management's Discussion & Analysis for the Third Quarter of 2013. I will now turn the call over to Brian for his remarks, starting on Slide 4.

BRIAN VAASJO:
Thanks, Randy, and good morning. I'll start off with a review of the significant items in the third quarter.

On August 28 an agreement was reached with Emera on the sale of our three US Northeast plants for $541 million dollars US. This transaction is expected to close before year-end and subject to regulatory approvals. The net proceeds from the divestiture will be used to fund our investment in the Shepard Energy Centre and ongoing capital projects.

Also, on August 28th we announced that we will be refocusing our merchant power activities on the Alberta market only. This results in the winding down of our commodity and energy trading business activities that are outside of Alberta; a process that will be completed before year-end. It also involves the closure of our West, East, and natural gas trading desks. The refocusing of our business enables the company to operate a leaner core business and is the best way to create immediate and long-term value for our shareholders with less risk. We believe high-value investment opportunities exist for Capital Power in the attractive Alberta market and expect our investments in the Shepard facility and the future Genesee 4 & 5 (formerly known as Capital Power Energy Centre) to deliver improved and more stable returns for our shareholders.

Turning to Slide 5 – in addition to the refocusing of our merchant business we have implemented an enterprise resource planning system designed to streamline and integrate the processes of the company. In combination, these initiatives have resulted in an expected reduction of approximately 160 full-time employee positions in 2013, excluding 60 employees associated with the sale of the New England assets.

If we go back further to the time period from April 2012 to the end of 2013, we expect a reduction of 238 full-time positions, including New England employees, which is a 25% reduction in the total workforce.

Entering 2014, we expect to have approximately 700 full-time employees, which I believe is the approximate size necessary in this organization to continue to manage and improve the performance of our assets and prudently capture those growth opportunities that make sense for Capital Power.

Moving to Slide 6, EPCOR completed a secondary offering of 9.6 million common shares on October 10th. As a result, EPCOR's indirect ownership has been reduced to 19% from 29% and they may only elect two of Capital Power's directors, compared to the four previously. The public float shares for Capital Power has grown to 80.6 million shares, which represents a 15% increase compared to the end of 2012 and should help improve trading liquidity for the stock. As communicated by EPCOR, we continue to expect them to sell all or a substantial portion of their remaining interest in Capital Power over time.

Turning to Slide 7, Capital Power's financial performance in the third quarter of 2013 exceeded our expectations. We reported normalized earnings of $0.72 per share, which increased significantly from $0.55 per share a year ago. The financial performance benefitted from higher Alberta power prices that averaged $84/MWh, compared to $78/MWh in the third quarter of 2012. The highlight was our Alberta contracted plants, Genesee 1 & 2, which benefitted from a combination of its 99% availability and a 30-day

rolling average power price of $98/MWh that generated higher availability incentives revenues. Stuart will provide more details on our financial results in his comments.

Slide 8 shows the third quarter operating performance of our fleet with respect to plant availability compared to the third quarter of 2012. Overall we achieved an average plant availability of 97% this quarter, which is unchanged from the 97% availability in the third quarter of 2012. Of note, we had 98% or higher average availability from all three contracted plant segments in Alberta, Ontario, British Columbia, and North Carolina.

Our Alberta commercial plants had 96% average availability. This includes an average availability of 93% at the Clover Bar Energy Centre. One of the units had a maintenance outage that was scheduled during a low power price period from late-September until the third week in October. With the rescheduling of the maintenance during the low power price period there was no major economic costs from the outage at Clover Bar other than for the maintenance cost itself.

The Halkirk Wind facility had 89% availability in the third quarter, below expectations, due to a warranty outage related to circuit issues. After the first nine months of the year we have achieved an average plant availability of 93%. There are no major scheduled outages planned for the rest of the year so we are on track to meet our full year 2013 availability target of 93%. I'll now turn the call over to Stuart to review our financial performance.

STUART LEE:

Thanks, Brian. On Slide 9 I'll start off by providing a financial update. With respect to the sale of the US Northeast assets, we recorded a pre-tax impairment charge of $6 million dollars in the third quarter, based on the transaction sales price. When the sale is finalized later this year we expect to record a gain, including approximately $51 million dollars from the accumulated foreign exchange translation gains; subject to changes in foreign exchange rates. Overall, we expect a pre-tax gain in excess of $50 million dollars at close – subject to foreign exchange rates and tax finalization.

Also in the third quarter we have recorded a restructuring charge related to the various cost-savings initiatives. This involves pre-tax restructuring costs of $12 million dollars over the second and third quarters related to work force reductions and efficiencies in operations and maintenance spending.

We expect annual cost savings of $25 to $30 million dollars, representing approximately $22 million in G&A savings and $8 million dollars in savings from operations. The cost savings consists primarily of employee compensation, including benefits, less margins from the discontinued trading operations.

Turning to Slide 10, On September 30th we completed the final tranche payment for the Shepard facility. The second tranche payment of $325 million dollars to ENMAX was for the remaining 25% interest in the Shepard facility and Capital Power now owns 50% of the Shepard project.

By using our existing credit facilities to finance the second tranche payment ahead of its due date in the first quarter of 2014, we realized interest cost savings on the Shepard project. We plan to repay amounts owed on the credit facilities with the proceeds from the New England asset sale expected later this year.

Turning to Slide 11, I will quickly recap the financial performance for the third quarter. As Brian mentioned, the third quarter financial performance exceeded our expectations. Revenues and other income were $380 million dollars, down 4% from the third quarter of 2012. The Alberta commercial plants and portfolio optimization segment had 10% lower revenues due to lower production from Clover Bar and an unplanned outage at Sundance. The lower revenues were partly offset by higher revenues at the Alberta contracted plants, which benefitted from nearly 100% availability at Genesee 1 & 2 and a high 30-day rolling average power price of $98/MWh for the third quarter that boosted incentive revenues, as highlighted by Brian.

Adjusted EBITDA, before unrealized changes in fair values, was $150 million dollars in the third quarter, up 4% on a year-over-year basis due to the strong performance by the Alberta contracted plants and portfolio optimization segment that I mentioned.

Normalized earnings per share were $0.72 in the third quarter, compared to $0.55 last year. Funds from operations were $122 million dollars, down 5% from a year ago. And cash flow per share of $1.23 per share was down 6% from $1.31 per share in the third quarter of 2012.

A few noteworthy items in the third quarter include:

- No further depreciation expense recorded on the New England assets as they are now classified as Assets Held for Sale.
- Restructuring charges of approximately $9 million dollars recorded in the third quarter as a result of the decision to exit the Northeast US market and other portfolio activities and to refocus our merchant power business on Alberta. On a year-to-date basis, the total restructuring charges incurred were approximately $12 million dollars.
- Lastly, an income tax adjustment resulted in a $5 million dollar decrease in income tax expense.

On Slide 12, this slide summarized our financial performance for the first nine months of the year. As you can see there are positive year-over-year changes in all financial measures. Revenues and other income were $1.07 billion, up 3% compared to the same period in 2012. Adjusted EBITDA, before unrealized changes in fair values, was $381 million, up 7% on a year-over-year basis due to strong performance in the Alberta commercial plants and portfolio optimization segment. Normalized earnings per share of $1.35 were up 27%, compared to $1.06 per share for the same period last year. Cash flow of $3.13 per share was up 3%, compared to $3.05 per share in the first nine months of 2012. Overall, the company's financial performance in the first nine months of the year is ahead of our expectations.

Slide 13 shows our Alberta commercial portfolio hedge positions for the fourth quarter

2013 and for 2014 and 2015. Our hedge positions for all these time periods have increased compared to our previous disclosure in the second quarter. For the balance of 2013 we're 81% hedged with an average hedge price in the mid-$60/MWh range. For 2014 we are at 92% hedged with an average hedge price in the high-$50/MWh range and for 2015 we're 77% hedged in the mid-$50/MWh range. These average hedge prices are relatively consistent with the forward prices in the comparable time periods. For 2013, for every $1/MWh change in the Alberta power prices, the sensitivity is a $2 million dollar impact to adjusted EBITDA.

I'll conclude my comments by providing our financial outlook for the remainder of 2013 on Slide 14. Based on our positive year-to-date results with Alberta power prices averaging $90/MWh in the first nine months of the year, compared to $58/MWh assumption used to develop our 2013 financial targets, we expect full year 2013 financial results to exceed our annual guidance of $1.20 to $1.40 for normalized earnings per share and $3.80 to $4.20 for cash flow per share.

For 2013, growth CAPEX estimate has been revised to $969 million dollars from the original $635 million dollar estimate, due to the early payment of the second tranche for Shepard in this third quarter from the original due date in the first quarter of 2014. The sale of the New England assets is not expected to have a material impact on 2013 normalized earnings per share and cash flow per share. With EPCOR's indirect ownership falling below 20%, EPCOR has the right to call the outstanding long-term debt payable, which was approximately $342 million dollars at the end of the third quarter. We do not expect the debt to be called however, if the debt was called we view it as a positive as it would provide an opportunity to reduce interest costs and extend the term. I'll now turn the call back to Brian.

BRIAN VAASJO:

Thanks, Stuart. Starting on Slide 15 I'll provide a status update on our 2013 corporate priorities. Our operational targets, including average plant availability of 93% or greater, which reflects the scheduled maintenance of Genesee 1 and Keephills 3 that were completed in the second quarter. As mentioned, there are no further major outages planned for the rest of the year so we are on track to meet the plant availability target.

We have targeted sustaining maintenance CAPEX of approximately $105 million and maintenance and operating expenses of $225 to $245 million. After the first nine months of the year we continue to be on track to meet these annual targets.

Slide 16 outlines the development and construction targets of our two wind projects in Ontario. The construction of the 105-MW Port Dover and Nanticoke Wind project is almost completed and is on track to begin commercial operations later this year.

For the K2 Wind project our objective was to receive the environmental approvals this year. This objective was met when the project received its renewable energy approval, or REA, from the Ontario government in July. As expected, the REA was appealed through the Ontario Environmental Review Tribunal. This process is now underway and we expect a decision from the tribunal early in 2014. As noted previously, we do not expect this

process to interfere with our goal of having K2 Wind begin commercial operations in the first half of 2015. In fact, we anticipate beginning construction activities early in the coming weeks.

Finally, the construction of Shepard Energy Centre is progressing well for commercial operations in 2015 and is on track to meet the $860 million budget target.

In closing, Slide 17 highlights our third quarter year-to-date performance versus our annual financial targets. Normalized earnings per share are $1.35 year-to-date, compared to the annual target of $1.20 to $1.40 per share. Funds from operations are $310 million year-to-date versus the annual target of $385 to $415 million. And cash flow per share of $3.13 year-to-date compared to the annual target of $3.80 to $4.20 per share. As Stuart indicated, based on our positive year-to-date results we expect full year 2013 financial results to exceed our financial guidance for normalized earnings per share and cash flow per share. I'll now turn the call back over to Randy.

RANDY MAH:
Thanks, Brian. Peter, we're ready to start the Question and Answer session.

QUESTION AND ANSWER SESSION

OPERATOR:
Thank you. I'd just like to remind everyone on the phone – if you'd like to ask a question please press '01' now, thank you. Our first question comes from Paul Lechem of CIBC. Please go ahead.

PAUL LECHEM:
Thank you, good morning. Just on the…your power price expectation for next year and your hedged position of 92% in the high-$50's. When we look at recent…like, in the last few weeks here…what's been going on in Alberta hasn't been as, maybe, quite as weak as feared with the return of Sundance A. Just wanted to get your thoughts or view on your hedged position, the 92% number and the pricing as well, given what we're actually seeing in the markets. Is the tone out there is, maybe, as bearish as it used to be or do you feel it may be upside to prior expectations?

BRIAN VAASJO:
So certainly Paul, as we look at it on a go-forward basis, the forwards for next year are not moving up as much as one might expect given the recent increases in prices, actually realized prices that we've seen in the province. We continue to believe that the forward prices are generally in line with our expectations.

Having said that there certainly is some upside in the Alberta market given some of the instability with the coal units. As we've said before, we have a tremendous amount of upside associated with the gas units and what is reflected in our hedge position is that of our fixed length, that being substantially the power from the coal units. So, we're pretty comfortable on continuing with our view on the $58 range and hedging our fixed length at prices around that and, in the event there are some price excursions that are very beneficial next year, we intend on capitalizing those with our natural gas and wind assets.

PAUL LECHEM:
Ok, thanks. Just in your MD&A, when you talk about the Alberta commercial plants you do

mention you had some losses on your trading related to portfolio optimization activities. Can you, maybe, quantify that? What caused it, what kind of level out that was at?

STUART LEE:
So, Paul, that's just strictly looking at the fact that we would have sold forward a significant part of the position, base-load position, coming into the quarter and that would have been sold forward in the kind of, mid-to-high $60/MWh range. And, obviously, spot prices settled considerably higher than that and so, on that position that was hedged you would have recognized losses associated with that and that's what's reflected in that area.

PAUL LECHEM:
Ok, gotcha. Last question, just about K2 – Brian, you mentioned, I think, that construction could start in the coming weeks. Can you give us a sense of when the capital is likely to be needed to be spent, the $291 million, on that project? When do you see that being deployed?

STUART LEE:
So, on that project, as you are well aware, most of that is expected to be financed through project financing – other than the equity portions put up by each of the partners. We expect most of that to be funded in early to mid-2014, the balance from our perspective, and project financing to be in place, probably, late Q1/early Q2 of next year as a lot of the substantial spends start to happen.

PAUL LECHEM:
All right. Thank you very much.

OPERATOR:
Thank you. Our next question comes from Juan Plessis of Canaccord Genuity. Please go ahead.

JUAN PLESSIS:
Thank you, good morning guys and congratulations on a strong quarter. You mentioned last quarter that you expect to have a partnership agreement for G4 and G5 in Q4. Can you update us on the progress you're making on that partnership agreement?

BRIAN VAASJO:
Sure. We're making excellent progress. We have a letter of intent in place and we had thought that we might be disclosing who the partner is and some of the broad terms at this point in time and have instead decided we'll wait until later in the year when we actually have definitive agreements in place. So it's progressing very well.

JUAN PLESSIS:
Ok. Still for Q4?

BRIAN VAASJO:
Yup.

JUAN PLESSIS:
Ok, great. Now, with respect to Clover Bar…power prices were higher in the quarter than last year yet you generated only one-third of the power. And I recognize that you had an 8-day outage at one of the units but it appears like you could have capitalized a bit more on the higher pricing with those peaking units. Can you give us a bit more colour on why production was so much lower than Q3 of last year?

STUART LEE:
So again Juan, it relates to what our position was in any particular time and you'll note that July

prices…sub-$60, so not a lot of opportunity to capture any volatility, significant volatility other than in the first couple days in July, in that particular month. And then, September – even though you're well above $100, it was really all of six days where you see production opportunities at Clover Bar. So, it's the function of the level of volatility and the fact it came in a relatively short number of days in the quarter and the fact that it was effectively fired and dispatched around our portfolio position, overall.

JUAN PLESSIS:
Ok, thanks for that. And just lastly here – your hedged position went up for the balance of the year, for 2013, to 81% from 63% for the July to December time frame. Was that due to the addition of new hedges or from a lower proportion hedged in Q3 versus Q4, or a combination of both?

STUART LEE:
Combination of both.

JUAN PLESSIS:
Ok, thank you.

OPERATOR:
Thank you. Our next question comes from Ben Pham of BMO Capital Markets. Go ahead.

BEN PHAM:
Ok. Thank you and good morning. Just have a question about Clover Bar and production being lower. And you've been able to realize above market prices there on your Alberta books so is it mainly hedges driving that $94.00 spread there?

STUART LEE:
It was a function both of the hedges and when they were put on and for what particular months and what months may have been longer, relative to where power prices settled. So, a combination of that and then, obviously, to the extent that Clover Bar and Joffre were fired in the quarter – the types of capture prices that those units had.

BEN PHAM:
Ok, thanks for that, Stu. And then, just on your comments on the EPCOR back-to-back debt. I'm just wondering when the debt matures, if it's called early, do you anticipate to issue the same level of debt or is that an opportunity for you to rebalance your capital structure, perhaps?

STUART LEE:
Again, the debt's not due, Ben, until 2016 and 2018.

BEN PHAM:
Ok.

STUART LEE:
If it were recalled early, I think we would look to refinance it and if it matures within normal course, obviously, I think we would look at existing capital structure in 2016 and 2018 and see what was required. And, I think we consistently messaged that investment grade is very important to us. I think we're well within the parameters of the investment grade rating and, particularly with reduction in risk, I think we are very well positioned. But it's an ongoing review based on capital structure at that point in time.

BEN PHAM:

Ok. And lastly, with respect to your outages for '14, could you give us a good sense of the quarters G2 and 3, sorry, G2 and G3 will come down?

STUART LEE:
G2 would be second quarter, consistent with when we normally take G1 or G2 offline. So, G2 would be second quarter. G3 – typically we take down in the October time frame.

BEN PHAM:
Ok, great. That's it for me, thanks.

OPERATOR:
Thank you. Our next question comes from Andrew Kuske of Credit Suisse. Please go ahead.

ANDREW KUSKE:
Thank you, good morning. Just want to ask a bigger, broader, overarching question on the basis of the philosophy of de-risking that seems to be underway and, in part by selling New England. I'm just looking at your contractual profile over the next couple years. Is this really a function of a bit more of a somber outlook on North American pricing when you look across a lot of jurisdictions and really, the lack of potential growth that can happen on that side of it or is it really just a function of looking at Alberta as your home market, where we are one of the big incumbent players and you see great growth prospects there from a tightening market and just an ability to redeploy capital?

BRIAN VAASJO:
Andrew, it's Brian here. Actually, it's a little bit of all of the above. When you look at North American markets and if you look at the overall decision process, sort of, in three buckets. If you look at the expected supply/demand balance and what drives price you see that in Alberta – strong economy and certainly growing demand and therefore opportunities for growth and stability and price.

When you look at a major event, the expectations in the North American market around the retirement of coal play, you see great uncertainty in a lot of the US markets and, in some cases, the economy…a little tough to take significant retirement of coal. Whereas, you look at Alberta – it's now well established when the latest dates the coal plants will be retiring. So, significant upside and stability from our perspective, from that standpoint.

And, lastly, if you just look at the political regulatory stability, we see Alberta as being extremely stable. Continually, the Alberta Government is supportive of the wholesale power market. It's functioning well so we see that as being very, very positive. And all of those drive us to the point where we think the Alberta market, despite the fact that we're an incumbent, is the best market in North America and that's why we've made the decision to focus our merchant activities here in Alberta.

ANDREW KUSKE:
That very helpful. And, I guess, just a follow-up question? When you look at the Alberta power market and you look at the age of some of the coal plants and then the timeline that they will be coming off…in your longer term modeling for pricing within the market, do you anticipate greater outages from some of the older facilities as they get closer to the end of life and, thereby, giving you greater opportunities to capture price on things like Clover Bar?

BRIAN VAASJO:
As we look out…and we do model our view of forward prices based on, actually a modeling of each unit in the marketplace. And we do increase modest degeneration of availability numbers that, with normal market expectations. What isn't modeled in there are things like extended 9-month outages or 6-month outages, or some of those upsets that, and a number of them we've seen in the market in the last couple of years. Those are difficult to model and from our perspective, represents some significant upsides for us and some upside from a pricing perspective in the market.

ANDREW KUSKE:
So then, just, finally if I may…just a point for clarification. You believe there's a greater probability that you're going to see those upsets as we get to end of life for some of those facilities but you don't formally model them in your internal forecasts?

BRIAN VAASJO:
That is correct.

ANDREW KUSKE:
Ok. That's very helpful, thank you.

OPERATOR:
Thank you. Next question comes from Robert Kwan, RBC Capital Markets. Please go ahead.

ROBERT KWAN:
Good morning. Just wanted to ask, first, a question here about hedging. I certainly understand why you don't want to give, say, monthly profiles going forward, for competitive reasons, but can you help, just, maybe dissect Q3 in terms of the shape of the hedging throughout the month, given July spot prices were low and then progressively we saw the increases? Kind of, where you might have been going in and, especially, in the intra-quarter movements and the hedging profile that allowed you to capture the higher prices?

STUART LEE:
So, Robert, just generally speaking, I think…very well hedged coming through July and more of an open position as we got into August and September, particularly September.

ROBERT KWAN:
And was that a position that you had actually going into the quarter or was it where you had some high hedges but you traded yourself out of that in August and September?

STUART LEE:
So it was primarily the position coming in but there are also some changes within the quarter as well. But a lot of that was position coming in.

ROBERT KWAN:
Ok. And then, just, as we look forward for hedging…Brian, you mentioned that you have spot expectations similar to the forward curves but that you also see some potential for upsides. So, just wondering why you're adding to hedges, then, to some extent as you also lose flexibility in the fleet – particularly around unplanned outages?

BRIAN VAASJO:
So, Robert, it gets back to the point of there may be these…I'll call it upset events, but whether one happens in 2014 or 2015 or whether there's one that 4-months long, or 6-months long, there's a tremendous amount of uncertainty. And, when we

look at our portfolio, we've got the advantage that we've got basically our coal position – which we're very comfortable at this point in time, hedging out based on the forwards and, which are very similar to our view on price. And then, where there are these…I'll call it significant unplanned events…capturing that value with our natural gas facilities and natural gas position and as well with the Halkirk Wind. So, overall we think that's leaving ourselves open for the upside yet significantly protecting ourselves from any sort of downside that may happen in the market.

ROBERT KWAN:
Yeah, I guess just…I was even thinking about it in terms of the flexibility within your own fleet if you had unplanned down time at one of your own plants. I guess it would have to be multiple units because you would have Clover Bar protection for one unit. Whether it's that or Sun C going down and any the material differences between RAPP and the spot.

BRIAN VAASJO:
So, again, I think you've hit the nail on the head in terms of ensuring that you're well positioned with the natural gas units to cover off your particular units going down. Again, when we look at our facilities we've got a significant confidence that our facilities won't be having any of these sort of unplanned events – significant unplanned events—and that's through continually monitoring and our maintenance practices. And the fact of the matter is they are relatively young units.

ROBERT KWAN:
Ok. Just a last question I have is you had the circuit issue at Halkirk and then the turbine fire at Kingsbridge 1. I know they are different vintages and they are separate types of issues but I'm just wondering, are they completely different in your mind or are there any concerns with…I think both are, both Vestas machines?

STUART LEE:
Yes. So I think completely different issues, Robert, and no significant concerns with the Vestas machines. There have been some slight modifications to the operating parameters at the K1 facility on the V80's but no significant issues associated with that.

ROBERT KWAN:
Ok, that's great. Thank you.

OPERATOR:
Thank you. Our next question comes from Matthew Akman of Scotia Capital. Please go ahead.

MATTHEW AKMAN:
Thank you. Stuart, first on the presentation of the numbers; I'm just a little bit lost on adjusted EBITDA. On the tables in the MD&A it was $151 million versus $151 million year-over-year and then on Slide 11 of your presentation it was $150 versus $144. What was the difference in presentation?

STUART LEE:
Off the top of my head, Matthew, I probably have to spend a couple of minutes on it to reconcile it, so.

MATTHEW AKMAN:
Because the adjusted EBITDA numbers are actually different in your tables versus what you

presented in the slides, so…ok, if you guys want to get back, that's fine.

STUART LEE:
So…just one second, Matthew. So, if you look at adjusted EBITDA we come down to $150 in the MD&A as well before marked to market. Right?

MATTHEW AKMAN:
Ok.

STUART LEE:
So, if you go back and look at that slide you'll see the $144 in the MD&A before marked to market, which gets you down to the actual EBITDA numbers.

MATTHEW AKMAN:
Ok. In your adjusted EBITDA do you normalize the restructuring charge?

STUART LEE:
We do not.

MATTHEW AKMAN:
But in your adjusted earnings you do, right?

STUART LEE:
That is correct.

MATTHEW AKMAN:
So there is a difference in presentation between those, I guess?

STUART LEE:
Correct.

MATTHEW AKMAN:
Ok, thanks. I just…maybe these are for Brian on the restructuring, itself. Just to reconfirm from Slide 5 – when you have a bar chart that shows just over 20% from Operations does that mean that you've cut out 20% of your operations outside New England?

BRIAN VAASJO:
No. That…actually, the bar for Operations there includes New England. That's for the whole, the entire 238 positions, which includes New England as well. So, within Operations, approximately 20% of that is associated with the 60 employees in New England.

MATTHEW AKMAN:
Has there been a lot of operations reductions in—other than Alberta?

BRIAN VAASJO:
So there's been an ongoing work by our operations people to, and I'll call it to make very modest reductions at the plant. A significant amount of those numbers comes from, basically, some activities last year where we essentially had a number of experts and basically an organization built around that who were available to deal with the natural gas facilities, the hydro's, and others. And, as we looked at the organization we saw that, there was a duplicate of specialized skills at Genesee and felt that with the reduced amount of need to utilize this specific expertise we, basically, had a fairly significant reductions on the operations side last year. Again, still having the right expertise in the organization but not necessary to duplicate those resources.

MATTHEW AKMAN:
Thank you. My last question on the restructuring is it looks like, I mean, a really big reduction in the marketing business development-type areas. Does that mean effectively that you're, kind of, out of

those areas…other than, maybe, marginal stuff around Alberta?

BRIAN VAASJO:
No, not at all. A significant amount of our business development and I'll say the true business development resources – not including the support around that – is in our Boston office. So, there's a significant difference in the level of resource you need between acquisitions and development of sites in early days. And, so, basically, it is more the fact that to achieve the same objectives, we don't need the same level of business development resources. So it's really nothing more than that, Matthew.

MATTHEW AKMAN:
Sorry, so you've taken the site development guys out or the acquisition guys out?

BRIAN VAASJO:
The acquisition guys.

MATTHEW AKMAN:
Ok. Ok, thank you Brian. Those are my questions.

OPERATOR:
Thank you. Our next question comes from Linda Ezergailis of TD Newcrest. Please go ahead.

LINDA EZERGAILIS:
Thank you. Congratulations on a strong quarter. Just some clean up questions. With respect to the balance of the cost of the Shepard Energy Centre, can you give us some timing as to when those final capital infusions will be made?

STUART LEE:
So, Linda, we expect to be about $700 million dollars spent by the end of this year and the balance primarily through the first three quarters of next year and into commissioning.

LINDA EZERGAILIS:
Ok, thank you. And another clean up question – what sort of effective tax rate should we use for Q4 and 2014 and 2015?

STUART LEE:
Obviously, statutory rate in Canada – primarily the assets are in Canada now – at 25% and effective tax rate in the 22 to 23% range.

LINDA EZERGAILIS:
Great, thank you.

OPERATOR:
Ok, thank you. We have no other questions in the queue for now.

RANDY MAH:
Ok, if there are no further questions we will conclude our call. As a reminder we will be hosting our annual Investor Day event in Toronto on December the 5th. Additional information on the event will be communicated later this week and we hope to see you there. Thanks again for joining us today and for your interest in Capital Power. Have a good day, everyone.

OPERATOR:
Ladies and gentlemen, this concludes Capital Power's Third Quarter 2013 conference call. Thank you for your participation and have a great day.

[TRANSMISSION CONCLUDED]