We will start the call with opening comments from Brian Vaasjo, President and CEO, and Stuart Lee, Senior Vice President and CFO. After our opening remarks we will 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 prescribed by GAAP, and therefore unlikely to be comparable to similar measures used by other enterprises. Reconciliations of these non-GAAP financial measures can be found in the Management’s Discussion and Analysis, dated July 25, 2014 for the quarter ended June 30, 2014. I will now turn the call over to Brian for his remarks starting on Slide #4.

BRIAN VAASJO: Thanks Randy. Good morning. I will start off with a review of the significant events that have taken place in the second quarter and subsequent to then. Earlier this month, Capital Power and ENMAX executed definitive agreements for ENMAX to purchase a 50% interest in the Genesee 4 & 5 facilities. The
joint arrangement agreements involve the development, construction, ownership, and operation of the Genesee 4 & 5 facilities. Capital Power will lead the development and construction of the project and will be the operator of the natural gas facility. The total gross capacity will be approximately 1,000 megawatts (MW) and construction will consist of a two train, one-on-one configuration, with the flexibility to be built in stages, with each train generating approximately 500 MW. The agreement includes an 8-year tolling arrangement, under which ENMAX will purchase approximately 50% of Capital Power’s share of the output for 8 years. This is consistent with our strategy of maintaining a strong contracted base along with a merchant exposure to the attractive Alberta market. Regulatory approvals for the project are progressing well with permits expected to be issued before the end of the first quarter of 2015. Genesee 4 & 5 is scheduled for completion later this decade when additional generation in Alberta will be required to meet growing demand and to replace generation attributable to the retirement of coal-fired units.

Turning to Slide #5, I am glad that a number of you participating in this conference call were able to participate in our investor tour of the Shepard Energy Centre earlier this month and had a first-hand look at the facility. Construction of the 800 MW natural gas combined-cycle facility is approximately 97% completed. The first fire is scheduled in early August with construction expected to be completed by the end of this year. The commercial operation date for Shepard is targeted for early 2015.

Turning to Slide #6, I am pleased that the company has announced a 10% [10 cent] increase to our current annual dividend of $1.26 per share, which represents a 7.9% increase. The dividend increase will be effective with our third quarter 2014 dividend. Capital Power’s contracted cash flow base has grown significantly with the additions of three contracted wind farms since 2012, and will be further enhanced with the scheduled additions of Shepard and K2 Wind in 2015. This dividend increase underlines the company’s confidence in producing a strong, growing, and sustainable cash flow stream, which is based on high quality assets and a robust long-term outlook. We are well positioned to consistently increase the dividend while also reinvesting in growth opportunities, such as the Genesee 4 & 5 project. We believe both are critical components to delivering long-term shareholder value.

I will now review our second quarter results starting on Slide 7. Our second quarter 2014 results were impacted by seasonally weak Alberta power prices that averaged $42/MWh in the second quarter, compared to an unusual $123/MWh in the second quarter of 2013. The higher price in Q2 2013 was caused by numerous planned and unplanned outages and low wind generation. The second quarter results were also impacted by lower generation from the Alberta commercial plants and acquired Sundance PPA, where generation decreased 14% year-over-year.
The lower generation was caused by derates at Genesee 3 and Keephills 3, due to transmission constraints in May, a planned outage at Sundance 6, and a derate at Keephills 3 – attributable to operational issues.

Slide #8 highlights the plant availability operating performance for the second quarter of 2014, compared to a year ago. Overall, we achieved strong fleet availability of 92% in the second quarter, compared to 86%, a year ago. Of note, our owned Alberta commercial plants achieved a strong 97% average availability. At our Genesee 2 facility we had lower availability of 66%, due to the 26-day planned maintenance outage that took place from April 19 to May 14. Through the first six months of the year we achieved a strong 94% average plant availability. I will now turn the call over to Stuart to review our financial performance.

STUART LEE: Thanks Brian. I will start off by looking at our portfolio optimization activities in the second quarter on Slide #9. As Brian mentioned, the average Alberta power price in the second quarter was $42/MWh. Our realized price of $57/MWh was 36% higher than the average power price. However, on a year-over-year basis the $57/MWh realized power price was lower than that $93/MWh power price that the desk captured in the second quarter last year when the average Alberta power price was unusually high at $123/MWh.

Turning to Slide #10, which compares our second quarter 2014 financial performance to a year ago, the second quarter results reflected low Alberta power prices, lower generation from the Alberta commercial plants and acquired Sundance PPA segment, including the impact from the Keephills 3 and Genesee 3 derates, and the divestiture of the New England assets in November 2013.

Revenues were $240 million, down 25% from Q2 2013, due to weaker performance in the Alberta commercial plants that I discussed, and the November 2013 sale of the New England assets. Adjusted EBITDA, before unrealized changes in fair values, was $91 million in Q2 2014 – down 17% primarily due to lower results in the Alberta commercial plants and acquired Sundance PPA segment, that were partially offset by strong performance by the Alberta contracted plants and lower corporate costs. Normalized earnings per share of $0.07, was lower than the $0.27 in the second quarter a year ago, primarily reflecting the Alberta commercial plants and acquired Sundance PPA segment. Although earnings were down in the second quarter, funds from operation of $85 million, which includes the $20 million received from amendments to the Genesee coal mine agreements, were unchanged from a year ago.

Slide #11 compares our financial performance in the first half of the year. The year-to-date results reflect lower Alberta power prices that averaged $51/MWh, compared to $95/MWh in the first half of 2013. They also reflected lower availability and generation from the Alberta commercial plant and acquired Sundance PPA segment, and the divestiture of the New England assets in November 2013. Revenues were $548 million in
the first six months of the year, down 20% from the same period in 2013, due mainly to the sale of the New England assets. Adjusted EBITDA, before unrealized changes in fair values, was $197 million on a year-to-date basis, down 15% - primarily driven from lower results in the Alberta commercial plants and acquired Sundance PPA segment. This is also reflected in normalized earnings per share, which came in at $0.39 compared to $0.63 in the first six months of 2013. Finally, funds from operations of $177 million were down 7% from the $191 million a year ago.

I will conclude my comments by reviewing our financial outlook for 2014 on Slide #12. There is no change to our 2014 annual financial guidance. We expect to generate funds from operations near the mid-point of our $360 to $400 million range, including the $20 million received arising from amendments to the Genesee Coal Mine Agreements. Our Alberta portfolio hedged positions have increased compared to the first quarter. We are now 100% hedged for the last half of 2014 at an average hedge price in the mid-$50/MWh range.

For 2015, we are 86% hedged at an average hedge price in the mid-$50/MWh range, and for 2016 we are 46% hedged in the mid-$50/MWh range. The average hedge prices for 2015 and 2016 are slightly higher than where the forward prices were at, as of June 30, 2014. I will now turn the call back to Brian.

BRIAN VAASJO: Thanks Stuart. I will conclude my comments by providing a brief status update on our 2014 corporate priorities on Slides #13 and #14. The operational targets include $85 million of Sustaining Capex and approximately $165 to $185 million of maintenance and operating expenses. We remain on track to meet these annual targets. Our plant availability, we now expect to come in between 94% and 95%. And, as Stuart indicated, our 2014 cash flow guidance is to generate between $360 to $400 million in funds from operations. With the inclusion of the $20 million received from the amendments to the Genesee Coal Mine arrangements, we expect 2014 funds from operations to be near the mid-point of the guidance range.

Slide #14 outlines our development and construction targets. Construction of K2 Wind started earlier this year and is progressing well, following the completion of the $850 million project financing in March 2014. As I mentioned, construction at our Shepard Energy Centre in Calgary is on track for completion by the end of 2014, with commercial operations scheduled for early 2015. Finally, Genesee 4 & 5 is tracking well with joint arrangement agreements finalized with ENMAX and good progress being made towards our target of obtaining permitting approval in the first quarter of 2015. I will turn the call back over to Randy.

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

OPERATOR: All right. Perfect. So, ladies and gentlemen, if you do have any questions please go ahead and hit ‘01’ on your telephone keypad.
Perhaps we can give everyone a few moments here to queue up. So, it’s ‘01’ now, if you have got any questions…and, actually, quite a few people are joining in. So, the first question is from Ben Pham of BMO. Please go ahead Ben.

BEN PHAM: Ok, thank you and good morning everybody. I just wonder about your other portfolio activities that are not consolidated in Alberta Commercial? I’m just wondering what the contribution is to revenues and costs, just on a relative basis, now with the New England operations not in that number?

STUART LEE: So, for the most part Ben, that’s emissions trading now, which is relatively low on cost. It would be a couple million dollars a year. So, again the delta between EBITDA and revenue would effectively be the cost which is relatively small.

BEN PHAM: Ok, and you’re including that emissions trading in that $58 million portfolio optimization line?

STUART LEE: I’m just flipping to it right now. I believe that’s the case, yes.

BEN PHAM: Ok. And, you’re including that emissions trading in that $58 million portfolio optimization line?

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BEN PHAM: Ok. And, you’re including that emissions trading in that $58 million portfolio optimization line?

STUART LEE: I’m just flipping to it right now. I believe that’s the case, yes.

BEN PHAM: Ok. All right. Thanks for that. And then, could you guys also walk through your expectations for Alberta demand and supply for the balance of the year? You mentioned expectations for low $60’s power prices versus low $50’s. I’m just wondering what the delta is you see there for the rest of the year?

STUART LEE: We are reflecting where forwards are trading at currently, Ben, and so I think that’s a reflection of the fact that Q2 is always your weakest, both demand and power price quarter. And typically we see the highest prices and some of the highest demand numbers coming through in summer. And so, if you look at the back end of the year, and the fact that you see about a $10 lift, some of that is just, kind of, the seasonal nature of the Alberta marketplace.

BEN PHAM: Ok, and lastly Stuart, on the $20 million in-flow on the coal amendments, is there a cash tax associated with that?

STUART LEE: So no cash tax. Obviously, it is subject to tax, but it’s not cash tax, given the fact that we have a substantitive tax shield, particularly for our Canadian entities.

BEN PHAM: Ok great. That’s it for me. Thanks everybody.

STUART LEE: Thanks.

OPERATOR: All right. Our next question is from Andrew Kuske of Credit Suisse. Please go ahead, Andrew.

ANDREW KUSKE: Thank you, good morning. Maybe a bigger, broader question and I will direct it to Brian. Just in relation to how you think the Alberta power market starts to evolve? And I ask the question in part because you’ve got the sale of AltaLink. Clearly there has been transmission issues within the province. Do you think that starts to rectify some of the transmission connectivity issues? And then, what is the ramification from a power generation standpoint?
BRIAN VAASJO: In terms of the sale of AltaLink, I don’t believe that has a significant impact on the Alberta transmission situation. AltaLink is regulated so from that perspective, same standard and same cost as one otherwise would have expected. I think there is probably a benefit associated with it. The new owner has significant transmission skills and may well bring that to bear, which may result in, from a competitive standpoint on some of the new transmission, potentially lower costs.

But in terms of issues around Alberta transmission – they are slowly being resolved, and the derates that we experienced in the second quarter are part of some of the normal activity. But, again, as the transmission grid becomes stronger you can expect fewer and fewer of derate experiences. So, overall, we are pretty bullish on the improvements to the Alberta transmission grid. And it will have a positive impact on generators – other than, of course, the fact that transmission costs are going up. As a result, there is a bit of a trend or expectation that there will be some power being produced inside the fence that might have otherwise been produced outside the fence. That’s a larger strategic issue.

ANDREW KUSKE: Ok. That’s very helpful. And then, just really on the back of the Shepard tour, I guess now two/three weeks ago now…as you approach first fire, could you just give us some insights as to the lessons learned at Shepard and really what you think it means for G4 and G5 from a capital standpoint? And should we expect to see lower costs coming in on those facilities and really better return expectations off of those plants?

BRIAN VAASJO: So, in terms of the lessons learned, and I’ll call it “broader benefits” of participation in building of the Shepard facility. It gives us certainly some current information and current expectations around the build of a large natural gas facility here in Alberta. So that is extremely beneficial to us in terms of understanding productivity etc. Again, associated currently with a natural gas facility. We think that that will have significant financial and potentially even timing benefits associated with the project. In terms of other lessons learned, there’s nothing significant that stands out in terms of the way in which the project has been executed. We think ENMAX has done a very, very good job of project execution.

ANDREW KUSKE: And then just one final one, if I may, just in relation to - obviously the geography of Shepard is just outside of Calgary, versus G4 and G5 being outside of Edmonton. So, are there any issues from a labour standpoint and other factors that make G4 and G5 maybe a little bit less comparable to the Shepard experience?

BRIAN VAASJO: Well, certainly Shepard benefitted from the availability of local labour and the fact that many of the trades folks, if they weren’t working at Shepard would be at remote sites elsewhere in the province. So that’s very beneficial. And we expect to gain the same benefit on Genesee 4 & 5, much like Keephills.
and Genesee 3. We tap into a fairly large local labour market. One of the differences, though, is if you look at whether it be Keephills 3 or Genesee 3, the peak people on-site was in the order of 1,600, whereas I believe Shepard was approximately half that number. So the overall demand for labour for a gas unit versus coal is significantly less.

ANDREW KUSKE: Ok. That’s very helpful. Thank you.

OPERATOR: All right. Our next question is from Linda Ezergailis from TD Newcrest. Please go ahead Linda.

LINDA EZERGAILIS: Thank you. I just wanted to get some updated thoughts on your capital allocation priorities. Given the magnitude of the dividend increase, it appears you have decided to return more cash from shareholders in the form of dividends. Can you comment on how you intend to redeploy your future discretionary cash flow as it pertains to further increases you talked about in your presentation, you want to do consistent increases, maybe you can comment on the timing of that? And then how you’re looking right now at acquisitions versus new asset builds as well?

BRIAN VAASJO: Good morning Linda. Certainly the magnitude of the dividend increase is not related to our outlook for potential capital deployment for projects. We don’t believe that either the size of the current dividend increase or getting on a path of future dividend increases, again, precludes any potential capital investments that would be appropriate for Capital Power. From the acquisition standpoint, as we have talked in the past, although we continue to see an occasional opportunity that might fit Capital Power, we tend not to be competitive from the contracted standpoint. Certainly in Alberta there tends not to be a lot of merchant opportunities that are available. So, we have been aggressively looking at sites and opportunities for development and construction of contracted opportunities outside of Alberta and are pretty pleased with our progress from that perspective.

LINDA EZERGAILIS: And…

BRIAN VAASJO: Sorry – go ahead Linda?

LINDA EZERGAILIS: No sorry, I didn’t know you weren’t finished.

BRIAN VAASJO: No. I’m finished.

LINDA EZERGAILIS: Ok. Can you just comment also on how you’re looking at the potential in the future for share buybacks versus debt repayment? And are dividend increases now preferable over that?

BRIAN VAASJO: So that all depends on economics of the time. I mean, certainly one can’t continually look or execute on share buybacks, but that ends up being a decision made in terms of, well, what is in the best interest of shareholders at a particular time.

LINDA EZERGAILIS: Ok. And just a follow up operational question, you talked about derates at Keephills 3 to resolve operational issues. Can you
just talk a little bit more about your progress on that and how that might look, going forward?

BRIAN VAASJO: Actually, we would just offer the comment that we are pretty pleased with the progress that is being made in terms of reducing those derates, and we are getting pretty close to the end of experiencing any derates. Any detailed questions, I think, would be more appropriately answered by the operator, TransAlta. Again, we are pretty pleased with the progress that is being made there.

LINDA EZERGAILIS: Ok. Thank you.

OPERATOR: All right. Our next question is from Robert Kwan of RBC. Please go ahead, Robert.

ROBERT KWAN: Good morning. If I can just follow-up on the dividend line of questioning here. Do you see room for further increases based on the existing assets, including K2 and Shepard, or is this really fully supportive of what you’d like in terms of pay-out of that cash flow and, therefore, any future increases are going to be more tied to new growth?

BRIAN VAASJO: Robert, in looking at it and certainly in looking at sustainability and the thought of making further dividend increases through time, we looked at our go forward cash flow associated with certainly the facilities that are coming on stream and we have made significant investments over the last couple of years and through 2014, to build a very significant base of contracted cash flow. In fact, if you look at our free cash flow yield we are among the lowest of dividend paying companies. So, from our perspective, with the cash flows that we’re expecting in the near term, there is significant room for additional dividend increases.

ROBERT KWAN: Ok. So, basically, depending on how you want to allocate the capital as you get past K2 and Shepard in service, this really isn’t necessarily based on the current increase where you think the payout ratio could be? You’re comfortable with the payout ratio materially higher?

BRIAN VAASJO: Well, certainly through 2015 and 2016 we see increase in cash flow associated with facilities coming on stream. So, don’t necessarily see the payout ratio getting higher.

ROBERT KWAN: Ok. Just keeping on capital allocation, we’ve seen some pretty strong valuation improvements for power in general, but especially renewables with yieldco valuations. I’m just wondering what your thoughts are on that trend and, specifically, that could create some good asset monetization opportunities? Is that something you’re interested in? Kind of selling some of your renewable assets to crystalize some value?

BRIAN VAASJO: So, I think, as we’ve discussed a couple of times, we certainly recognize and would suggest that there are various, potentially higher values out there for our renewable assets. But we think that with the clarity of the Capital Power investment thesis - the strong contracted cash flow base with the upside of the Alberta market. We think we can achieve over time and in
combination with growing dividends, we believe that some of that valuation will actually start impacting on the share price of Capital Power. Some of it may already be impacting on our share price, with, again, the amount of discussion and emphasis we put forward associated with that contracted cash flow base.

ROBERT KWAN: Ok, thanks. And then, maybe, just a last line of questioning here. There was some disclosure that the Alberta electricity desk booked an unrealized net loss of $17 million during the quarter due to a net short position? I’m just wondering if you can give any colour on that? That seems like a very large number for a trading desk position.

STUART LEE: So, just to be clear Robert. So the desk – and it’s counter intuitive, but if you look at what happens when power prices move up, we end up where the desk is sold forward, you’re marking those contracts to market, and so you end up with an unrealized loss. Economically, quite frankly, we are to the benefit obviously with higher power prices, because what’s not being marked is the length of our generation portfolio. So, on a net basis, economically we are better off, obviously with rising prices. The exact flip side happens, if forwards were to come down in Q3 the desk would realize a net gain. But, economically, you’re actually, because of your portfolio length, not as well off economically. So, it’s a bit counter intuitive – but all you’re doing is marking your derivative contracts to market, but you’re not marking your physical supply. And that’s all that comment is about in the MD&A.

ROBERT KWAN: But Stuart, is this not just—is this not the trading position only?

STUART LEE: So, it’s the trading position that is being marked, right? Not the physical length that comes out of the expected generation from the facilities themselves.

ROBERT KWAN: Right, but if it’s the trading position, isn’t the physical position only Clover Bar and Joffre?

STUART LEE: No. The physical piece is also all the baseload.

ROBERT KWAN: But, if you’re 100% hedged, you can’t back the trading position.

STUART LEE: So, there’s a portion of this is just the accounting treatment only. Not the actual economic treatment, Robert. So, the accounting treatment only is what we are talking about in that disclosure. On the accounting treatment, there is a portion of our sales that we effectively hedge for accounting purposes with physical. But there is still a portion of baseload that, for accounting purposes we don’t take the derivative and hedge it against it. So a portion of those sales actually get marked even though it may be related to baseload position.

ROBERT KWAN: Got it. So there’s essentially some ineffective hedges or deemed ineffective, from an accounting perspective.

STUART LEE: Correct.
ROBERT KWAN: Are you able to give a bit of colour as to how much of that was in that 100% baseload hedge, and how much of it is actually on the trade desk? Because even though it’s unrealized in the quarter, that’s real cash, right if spot settles at forward.

STUART LEE: Sure. It’s real cash, but then on the flip side of it, it’s real cash to the upside on the physical assets themselves, right?

ROBERT KWAN: Right.

STUART LEE: I will take it away. I will take a look at your question, but like I said – the flip side of that is the fact that you’ve got a major economic benefit from the higher prices on the physical assets themselves.

ROBERT KWAN: Yes, ok. Fair enough. Thank you.

OPERATOR: So, there are no other questions at this time.

RANDY MAH: Okay, if there are no more further questions, we will conclude our conference call. Thanks again for your interest in Capital Power and have a good day everyone.

OPERATOR: Ladies and gentlemen, this concludes Capital Power’s second quarter 2014 conference call. Thank you for your participation and have a great day.

[TRANSMISSION ENDED]