Capital Power
Third Quarter 2017 Financial Results Conference Call
October 25, 2017

Corporate Participants

Randy Mah
Senior Manager, Investor Relations

Brian Vaasjo
President and Chief Executive Officer

Bryan DeNeve
Senior Vice President, Finance, and Chief Financial Officer

Conference Call Participants

Robert Hope
Scotiabank

David Quezada
Raymond James

Patrick Kenny
National Bank Financial

Ben Pham
BMO Capital Markets

Mark Jarvi
CIBC Capital Markets

Andrew Kuske
Credit Suisse

Avery Haw
TD Securities

Robert Kwan
RBC Capital Markets

Jeremy Rosenfield
Industrial Alliance Securities

OPERATOR: Welcome to Capital Power's Third Quarter 2017 Financial Results Conference Call. At this time, all participants are in listen-only mode. Following the presentation, the conference call will be opened for questions. This call is being recorded today, October 25, 2017.
I will now turn the call over to Mr. 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 2017 results which were released earlier this morning. The financial results and the presentation slides for this conference call are posted on our website at capitalpower.com.

Joining me on the call are Brian Vaasjo, President and CEO, and Bryan DeNeve, Senior Vice President and CFO. We will start the call with opening comments and then conclude with a question-and-answer session.

Before we start, I would like to remind listeners that certain statements about future events made on this 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 Number 2.

In today's presentation, we will be referring to various non-GAAP financial measures as noted on Slide Number 3. These measures are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP and therefore are unlikely to be comparable to similar measures used by other enterprises. These measures are provided to complement GAAP measures in the analysis of Company's results from Management's perspective. Reconciliations of these non-GAAP financial measures can be found in the Company's third quarter 2017 MD&A.

I will now turn the call over to Brian Vaasjo for his remarks starting on Slide Number 4.

BRIAN VAASJO: Thanks, Randy, and good morning. I'll start off with a review of the highlights in the third quarter. In August, we announced that our second U.S. wind development project, New Frontier Wind, is underway after we executed a 12-year fixed price contract with Morgan Stanley covering 87% of the facility's output. The contract is a revenue swap arrangement involving a fixed volume of generation for a fixed price. The long-term predictable revenues allow the project to secure renewable energy tax equity financing. The capital cost for the project is estimated to be $182 million with Capital Power funding one-third and the tax equity investor funding two-thirds of the cost.

New Frontier Wind, located in North Dakota, will have 99 megawatts of capacity with commercial operations expected to start in December 2018. Once completed, New Frontier will be another contracted asset that will strengthen our contracted cash flow profile.

Turning to Slide 5, this slide compares the availability operating performance of our facilities for the third quarter of 2017 and for the first nine months of the year compared to the same periods a year ago. We had excellent operational performance in the third quarter with average availability of 97%, which was higher than the 96% from a year earlier. In the first nine months of the year, the average availability was 96% compared to 94% a year ago. There are no major planned outages for the remainder of the year, so we are on track to meet our 95% plant availability target for 2017.

I'll now turn the call over to Bryan DeNeve.

BRYAN DENEVE: Thanks, Brian. I'll start on Slide 6 with a review of our third quarter financial performance. Overall, third quarter 2017 financial results were consistent with our expectations. This includes generating $134 million in adjusted funds from operations and normalized earnings per share of $0.28. Alberta spot prices in the third quarter averaged $25 per megawatt hour compared to $18 per megawatt hour in the third quarter of 2016. Our trading desk performed well and captured a 96% higher realized average price at $49 per megawatt hour on our Alberta Commercial assets versus the spot price. This was the result of our trading desk locking in higher prices in advance of the quarter.

Despite the strong trading performance this quarter, it was even stronger in the third quarter of 2016 when the trading desk had realized a realized power price of $70 per megawatt hour which reflected trading gains on a material short position resulting from the termination of the Sundance PPA.

Slide 7 shows our third quarter financial performance compared to the third quarter of 2016. Revenues and other income were $346 million, down 7% year-over-year. Adjusted EBITDA, before unrealized changes in fair values, was $161 million, up 34% from the third quarter of 2016, primarily due to the additions of Decatur Energy, Veresen assets, and Bloom Wind, which was partially offset by lower portfolio optimization contributions.

Normalized earnings of $0.28 per share were down 10% compared to $0.31 in the third quarter of 2016. As mentioned, we generated adjusted funds from operations of $134 million, which was up 70% on a year-over-year basis. The AFFO includes the annual coal compensation that we received in the third quarter.

Slide 8 shows the financial results on a year-to-date basis. Revenue and other income were $885 million, down 5% from 2016. Adjusted

EBITDA before unrealized changes in fair value was $420 million, up 13% for the same period in 2016, primarily due to the new additions to the fleet and partially offset by lower trading gains. Normalized earnings of $0.88 per share were down 7% compared to $0.95 in 2016. Adjusted funds from operations of $272 million were higher than a year ago, primarily due to the new acquisitions, the completion of Bloom Wind and the coal compensation payment.

The increase in AFFO was partially offset by higher CapEx spending and higher finance expense due to the new acquisitions.

Turning to Slide 9, we are recognizing pre-tax impairment charges of $46 million at Southport and Roxboro due to the uncertainty around capital investments that would be required to meet more restrictive sulfur dioxide emission standards. The impairment recognizes the fact that the revised emission standards will likely render the facility's uneconomic once the PPAs expire in 2021.

In the third quarter, we also recognized a pre-tax impairment charge of $37 million for the Decatur Energy generating facility. The goodwill associated with Decatur Energy was primarily attributable to the ability to use previously written down U.S. income tax loss carry-forwards. The $86 million income tax recovery recorded in Q2 2017 from the reversal of the previous written down deferred tax asset more than offsets the goodwill impairment we are recognizing on Decatur for Q3 2017. Of note, there was no cash impact from these impairments.

On Slide 10 I'll review the financial outlook. Our updated commercial hedging profile for 2018 to 2020 is shown on this slide. For 2018, we have increased our hedges from 66% as reported in the second quarter of 2017 to 86% at an average contract price in the high $40 per megawatt hour range. For 2019 we're 45% hedged at an average contract price in the low $50 per megawatt hour range, and for 2020 we're 25% hedged at an average contract price in the low $50 per megawatt hour range. Although we have a significant hedge position in 2018, we still have the ability to capture upside from higher power prices or price volatility from our Clover Bar peaking facilities, Joffre Cogen, and our Halkirk Wind facility.

To conclude, I want to summarize our various financing activities completed this year to fund growth as shown in Slide 11. In total, we have raised just over $1 billion in gross proceeds. This includes $244 million from a tax equity investor, Goldman Sachs, from Bloom Wind; another $183 million from a common share issuance that was used to partially finance the acquisition of Decatur Energy. In August, we raised $150 million from preferred share offering at a 5.75% yield; and most recently we accessed the debt capital markets with a $450 million medium-term note in September that had a 7-year term at 4.284%. We remain committed to maintaining our investment grade credit ratings while strengthening our financing capabilities to fund growth.

I'll now turn the call back to Brian.

BRIAN VAASJO: Thanks, Bryan. I'll conclude our comments by reviewing our year-to-date performance versus our annual targets, starting on Slide 12.

After the first nine months of the year, average availability was 96%. As mentioned, we are on track to hit our 95% target. Our sustaining CapEx was $46 million year-to-date compared to the $80 million revised annual target. We reported $161 million in operating and maintenance expenses after nine months compared to $215 million to $240 million target. Adjusted funds from operations is at $272 million year-to-date and we remain on track to generate AFFO near the midpoint of the revised annual target range of $340 million to $385 million.

To conclude, Slide 13 shows our growth targets for 2017. We completed the construction of the Bloom Wind project ahead of schedule and with construction costs below budget. Our other growth target is the execution of contracts with the output of two new wind developments. As mentioned, we've executed a 12-year contract with Morgan Stanley for New Frontier Wind and progress is being made on our other U.S. development sites. In Alberta, we continue to wait for the outcome of the first call under the Renewable Electricity Program with an announcement of the successful bidders expected before year-end.

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

RANDY MAH: Thanks, Brian. Operator, we're ready to start the Q&A session.

OPERATOR: All right. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

The first question comes from Robert Hope from Scotiabank.

ROBERT HOPE: Yes. Good morning, everyone. Maybe first to start off, on the North Carolina plants, Southport and Roxboro, are there any potential other uses for these facilities post 2021 or should the expectation be that they could be decommissioned then?

BRIAN VAASJO: We continue to look for other basically fuel sources associated with those facilities. Serving Duke Energy is likely the only practical utilization of those facilities. I think as we've said before, one of our difficulties and awkward elements around dealing with Duke is that we're precluded from commencing negotiations until two years before the contract expires. We continue to work to find ways to keep those facilities open, but as obviously our disclosure indicated with prospect of potentially other investment to reduce emissions, it's looking increasingly likely that those facilities may not operate post 2022.

ROBERT HOPE: All right. That's helpful. Then moving closer to Alberta, you're sitting on a number of various working groups regarding the design beyond 2021. Can you just comment on how the working groups are proceeding and whether or not, I guess, the straw models for the market design are coming together as you would have originally anticipated?

BRIAN VAASJO: Certainly, and I think we've commented on it in the past, there's a lot of diverse views going into the working groups and the AESO has constructed them so that they do get a wide range of views. From our perspective, they're moving forward as one would've expected, and certainly the AESO continues to look at the process and modifies elements as it goes forward all with a view of meeting its schedule of having answers by the middle of next year, and we believe that they continue to be on target.

ROBERT HOPE: All right. Thank you. I'll hop back into queue.

OPERATOR: Our next question comes from David Quezada from Raymond James.

DAVID QUEZADA: Yes. Thanks. Good morning, guys. I'm wondering if you guys could just give your updated thoughts on the U.S.

wind market. I know you guys have primarily prequalified projects by way of investing in transformers and I'm wondering what you think about a potential glut of turbines in that market as 2020 approaches.

BRIAN VAASJO: Actually, we're seeing certainly there is more and more, I'll say, excess capacity in the turbine market and we are starting to see what we believe to be a bit softer pricing. As you move forward through to 2020, we'd expected that post 2020 you may well see even softer prices associated with turbine manufacturers.

DAVID QUEZADA: Okay. Great. That's helpful. Then just wondering if you can provide any colour on how the tax equity financing arrangements are going for New Frontier, I guess, given kind of uncertainty in the tax backdrop in the U.S.

BRYAN DENEVE: Yes. We're commencing that process now. We have seen some potential tax equity investors stepping down and some of those are on the insurance side just given the high cost of some of the weather-related issues down in the U.S. But, we're still seeing strong demand from other entities, so, we have a short list. We're commencing meetings and soliciting bids and we'll be looking to getting a tax equity investor in place in the first half of next year.

DAVID QUEZADA: Okay. Great. Thank you. That's all I had for now. I'll get back into queue.

OPERATOR: Our next question comes from Patrick Kenny from National Bank Financial.

PATRICK KENNY: Hey, good morning, guys. Just back to Roxboro and Southport, can you just remind us roughly how much EBITDA those two plants are generating today, and given these assets are relatively small and non-core, just your thoughts on potentially selling those assets earlier and redeploying into longer life assets?

BRYAN DENEVE: Those assets are typically generating in the range of $15 million to $16 million of EBITDA, so, as you say, Pat, it is a very small percentage of our overall EBITDA. We're open to the possibility of potentially selling those assets and Duke may be a potential buyer as an example. But in parallel to that, as Brian mentioned, we are looking at things we can do on those facilities to potentially run them past 2021.

PATRICK KENNY: Okay. Moving over to Decatur, just on the noise with the impairment charge, can you just remind us what the cash tax horizon for U.S. operations looks like now with Decatur and once New Frontier fully comes online?

BRYAN DENEVE: Yes. From a tax perspective, we don't expect to be cash taxable in the U.S. until the latter part of the next decade, but a lot of that's, of course, driven by the capability of being able to use the net operating losses, as well as the step up on the purchase price for Decatur. So yes, the cash tax horizon is quite a way out.

PATRICK KENNY: Okay. Great. One last housekeeping item and then I'll jump back into queue, but just on the EBITDA guidance for Decatur, it's still at $16 million. The Canadian dollar has strengthened a few pennies since April. Is that just rounding or have you found other operating cost savings now that you've been running the plant here for a few months?

BRYAN DENEVE: I would say that we have found some operating savings on operating the plants and relative to our expectations in the business case, so it is performing ahead of expectations. As far as the exchange rate is concerned, the change is affecting the revenue receiving, but we're seeing offsetting gains from our U.S. private placement debt from the exchange rate, so, generally, as an organization overall, we're hedged to FX [foreign exchange] for all intents and purposes.

PATRICK KENNY: All right. Got it. I'll jump back into queue, guys. Thanks.

OPERATOR: Our next question comes from Ben Pham from BMO.

BEN PHAM: Thanks. Good morning. Couple of questions on Alberta. Can you confirm whether you qualified for Alberta RFP Renewable program?

BRIAN VAASJO: Yes. We can confirm that we have qualified.

BEN PHAM: Okay. That's great. Then I also wanted to touch base on more specifically operations. It looks like you've been running Clover Bar peaking facilities in Q3. Did you see peak pricing come back to Alberta or was that something else going on maybe on the gas cycle side? Maybe provide a little bit more colour there.

BRYAN DENEVE: Yes. There's a number of factors that have come into play with the gas-fired units we have in Alberta. The first thing that's happened is the carbon compliance cost has gone up relative to last year, so that's increased the variable cost of coal units. At the same time, particularly in Q3, we've seen very low natural gas prices in Alberta; a lot of it due to restrictions in terms of maintenance and the mainline being able to move gas to the East. Those very low gas prices have dropped gas-fired units lower in the merit order. In fact, we have seen periods where our peaking units, Clover Bar, are lower variable costs in the coal fleet and so have been dispatched.

The other thing we've seen happen is, as you mentioned, there is volatility starting to come back. We've experienced a few hours of pricing up at the $999 range in Alberta and that's due to the strong load growth we've seen so far in 2017, and so yes, we're starting to see volatility start to creep back, which, of course, allows Clover Bar to capture the benefit of those price spikes.

BEN PHAM: Okay. My only other question—just may—just some of those comments you mentioned. Bryan, has that changed in anyway your view on coal-to-gas conversions in terms of timing for Gen 1 and 2?

BRYAN DENEVE: Not yet. We keep a close eye on what forward gas prices are doing. We have seen forward gas prices come down, but probably not to the level that it would change our perspective on the timing of coal-to-gas conversion at this point.

BEN PHAM: Okay. All right. Great. Okay. Thanks, everybody.

OPERATOR: Our next question comes from Mark Jarvi of CIBC.

MARK JARVI: Good morning. Quick question on Decatur given this is sort of one of the first quarters you've seen a bigger impact. I know it's got a tolling agreement. Maybe you can just help us guide to where maybe EBITDA was in the quarter and seasonality on that.

BRYAN DENEVE: Yes. Basically, our EBITDA for the quarter for Decatur is around $27 million and that's in Canadian dollars.

MARK JARVI: Okay. Then just going back to Alberta and your comment about the volatility, just wondering where current prices are and what you're seeing now in volatility in terms of where we might see Q3 into Q4 realized pricing and portfolio optimization revenues trending. Do you think they'll be kind of flat or do you think there's opportunity to go higher in Q4 versus Q3?

BRYAN DENEVE: I believe there's some opportunity to increase on portfolio optimization in Q4, particularly if we continue to see the load growth continue through the balance of the year. Certainly, when we look forward to Q1 of 2018 and Q2, that's where we see a number of factors will be coming into play. There's been announced retirements of two major coal facilities, one retired, one mothballed in Sundance 1 and 2. Also, January 1 we expect the new carbon compliance costs from the Provincial Government to come into effect, which will put upward pressure on prices in the $10 a megawatt hour range.

MARK JARVI: Okay. Then when you think about that upward trajectory, do you guys see that as sort of a step function in the beginning of 2018 or do you see it just a slow sort of rise as people figure out how they're going to manage their carbon credits or different strategies?

BRYAN DENEVE: We believe we'll see a step function starting January 2018 due to those two coal retirements I referred to, as well as the new carbon tax taking effect. The other potential step we'll see will be the start of Q2 2018. At that point, we expect TransAlta will have offer control over Sundance 3 through 6, with a termination of the PPAs on those units. We expect they'll start strategically bidding those units which will increase prices and volatility in the Alberta market compared to the Balancing Pool, which has tended to just bid those assets in at variable cost.

MARK JARVI: Okay. That makes sense. Maybe just going back to the portfolio optimization revenue, you guys didn't really narrow the guidance even though there was only, like, one quarter left and you all are still fairly wide even though you're saying a mid-point. What would maybe make the swings in that? Is it largely the Commercial portfolio in Alberta that you guys maybe are just taking a cautious approach for widening your other guidance?

BRYAN DENEVE: That's a good question. Certainly, it's something that we certainly could've done is look to narrow the guidance, but we didn't specifically put our minds to that. So yes, and the biggest factors, of course, we'll see in Q4 is the portfolio optimization. There are opportunities in Q4 that we can realize, but also how our wind facilities perform in Q4 2017.

MARK JARVI: All right. Thanks. Thanks for taking the questions. I appreciate it.

OPERATOR: Our next question comes from Andrew Kuske from Credit Suisse.

ANDREW KUSKE: Thank you. Good morning. The question really relates to the development portfolio and when we look at your cash flows and just the access to capital markets that you've had over the last year and more. You've got a lot of flexibility. How do you think about just where you can allocate capital and how many more frontiers do you have sort of in the hopper? Obviously, the REP is probably the first thing that comes before year-end where you get news on that, but how quickly do you think you could deploy capital into just other development opportunities?

BRYAN DENEVE: Yes. New Frontier is underway, but, of course, one of the elements of the U.S. wind projects we always keep in mind is once they reach COD, we'll have a tax equity investor coming in, typically around two-thirds of the capital investment. Not a lot of capital requirement on that project.

We do have a pipeline of five to six other wind projects in the U.S. that are continually getting closer to reaching final notice to proceed, but again, those are relatively light on the capital requirement basis when we look at the fact that they'll have tax equity investors.

When we look at if we're successful in the Alberta wind procurement, that'll be a bigger investment for us, but again, COD will be towards the end of 2019, so the capital requirements will be spread out over the next couple of years.

Having said all of that, we're very well-positioned in terms of if the right opportunity came along from an acquisition perspective, given we're generating over $200 million of discretionary cash flow per year, certainly we would be able to look at funding or financing those opportunities, no problem, if they were to come along.

ANDREW KUSKE: Okay. That's very helpful. Then maybe just a follow-up question, and really on both sides of funding, so when you look at the tax equity market, if you could just give us any colour on effectively pricing of tax equity and how that's changed over time; is it more favourable to you or less favourable to you? Then on the other side of it, on off-take, it seems like there's an increasing degree of sophistication among off-takers, but there's also a lot more people seeking off-take from an industrial standpoint. Maybe just sort of wrap around some colour on your prospectives on those things.

BRYAN DENEVE: Certainly on the tax equity front, we've seen the continual tightening of the returns required from tax equity investors, so certainly that's to our benefit. Even though, as I mentioned earlier, we've had some players step aside, we're still seeing increasing competition overall and continual downward pressure on the returns of tax equity investors are willing to move forward on, so that plays favorably for us.

On the off-take side, we've actually flipped things around and New Frontier was the first example where we actually went out to the market and ran a process to see the willingness to pay on off-takes, and we're seeing a lot more of the financial institutions in the U.S. stepping up and competing for that business. That also was moving in a favourable direction for the pipeline that we're developing in the U.S.

ANDREW KUSKE: Okay. That's great. Thank you.

OPERATOR: Our next question comes from Avery Haw from TD Securities.

AVERY HAW: Hi. Good morning. Maybe just a quick question on your updated hedge book; can you speak to the rationale behind the most recent changes, in particular in 2018 and 2020? I'm wondering if you saw value in the forward pricing at the short end of the curve once you decided to lock in, and for 2020 if there was a settling of lower price hedges or if you added additional open capacity. Just wondering what the factors were when you made those decisions.

BRYAN DENEVE: Certainly for 2018, we've been seeing forward pricing that is probably a little bit below where we think things will settle. But, generally, felt it prudent to take the opportunity to increase our hedge percentage in that year. As I mentioned going through the slides, we still have a lot of capacity that can benefit from upward tick in settled spot prices in 2018, with 240 megawatt Clover Bar, our 190 megawatt share of Joffre and also the Halkirk Wind facility. So, we still feel we're in a great position to capture the benefit of some of the bullish factors we're seeing start to materialize for 2018.

For 2020, in the terms of selling forward, we're a lot more cautious there. Given the higher-than-anticipated demand growth, and what we're seeing potentially transpire on the older coal facilities and the announcements on Sundance 1 and 2, we're quite bullish on 2020 and that is a factor that plays into our decision, whether to continue to reduce length in that year.

RANDY MAH: Avery. Are you still there?

AVERY HAW: Yes. Those are all my questions. Thank you.

RANDY MAH: Okay. Next question please.

OPERATOR: Our next question comes from Robert Kwan from RBC Markets.

ROBERT KWAN: If I can just follow-up first on the hedging side of things, is there any material change in the length for 2018 in the trading book? I guess I'm just trying to make sure that you didn't swap length into the hedge book from the trading book.

BRYAN DENEVE: Not sure I quite follow the question, Robert. The percentage hedge that we show there, that's the percentage of the length from our baseload facilities in Alberta which would include, yes, coal assets and Shepard and part of the Joffre facility. That's sort of a constant number and then it's just a question of how much of those megawatts have we sold forward. Yes, there's nothing moving in and out of different categories.

ROBERT KWAN: Okay. So put differently, you're about plus-20 on the year that you're calling hedging. I'm just wanting to make sure on the proprietary trading book, they didn't get long an equal amount.

BRYAN DENEVE: No. No.

ROBERT KWAN: Okay. Just following up on the tax equity side, it sounds like the tax equity trends are still good even, as you mentioned, some have stepped away. But, is the New Frontier power contract contingent on you achieving acceptable tax equity financing?

BRYAN DENEVE: No. No. But we don't view that as a large risk in any stretch just given the degree of interest in preliminary indications of where we'll be able to access that funding.

ROBERT KWAN: Got it. If I can just finish, it's a small delta on the off-coal payment, but I think you booked $50 million in the quarter. I think the expected payment was something a little over $52 million and maybe the larger question is was there a change in the agreement, and if there was, are there any other change in terms that we should be aware of?

BRIAN VAASJO: No. There was not a change in the agreement. As you'd seen the agreement, there was a provision in there for an audit and the government has gone through an audit process and we are discussing a couple of elements. We believe that we will be ultimately receiving the $52.4 million.

ROBERT KWAN: Okay. That's just being held back for the time being?

BRIAN VAASJO: Yes.

ROBERT KWAN: Okay. That's great. Thank you very much.

OPERATOR: Once again, if you have a question, please press star, then one. Our next question comes from Jeremy Rosenfield from Industrial Alliance Securities.

JEREMY ROSENFIELD: Yes. Thanks. Just a couple. First on the wind performance, can you just comment on performance across the segments? It looked like the Ontario wind facilities were a little bit weak and I'm just wondering if there's anything specific there. Then Bloom actually looked very strong, so if there's anything specific that stood out there, just kind of help me out there.

BRYAN DENEVE: Well, for the most part, those are just normal fluctuations we're seeing quarter-to-quarter. We did have some slight curtailments at PDN just managing around the back hill and our permitting, but that wasn't that material. For the most part, it's just normal variances in wind.

JEREMY ROSENFIELD: Okay. Is there any carryover from the curtailment in Q4 so far or was that entirely in Q3?

BRYAN DENEVE: It's Q3.

JEREMY ROSENFIELD: Okay. Then just from a higher level perspective, if you think about future potential acquisitions, do you think there's more opportunity on, let's say, the organic side and the wind development pipeline, or on the M&A side potentially to add additional contracted gas assets just in the near term, if you've seen what's out there and available on the market; some thoughts there.

BRIAN VAASJO: I think as Bryan had commented on, we see the U.S. markets as it relates to the opportunity to hedge new projects to continue to be quite positive, and, likewise, the tax equity side. We see certainly, as we alluded to, continued success in developing wind farms in the U.S. To the tune of next year probably would be expecting the target to be very similar to this year.

On the M&A side, again, continue to see some activity, continue to believe we are competitive. If you look at sort of the number of transactions, we would expect that there would be more new developments versus actual acquisition of natural gas facilities.

JEREMY ROSENFIELD: Have you looked at all about entering even new markets going outside of Canada U.S. to pursue opportunities that may exist elsewhere, or at this point does that seem like something that's more a remote possibility?

BRIAN VAASJO: That would certainly be a remote possibility. Actually, at this point in time I would say you wouldn't expect to hear anything from us in terms of venturing outside of North America. The combination of what we see on the development side in Alberta and the U.S. market and potentially what might be evolving in British Columbia, in addition to the prospect of natural gas acquisitions across North America, we see that within North American strategy should definitely fulfill our growth expectations.

JEREMY ROSENFIELD: Great. Okay. Thanks.

OPERATOR: This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Randy Mah for any closing remarks.

RANDY MAH: Okay. Thank you for your questions. Please mark your calendars for our annual Investor Day event, which will be held on the morning of December 7 in Toronto. More details on the event will be announced shortly. Thank you once again for joining us and for your interest in Capital Power. Have a good day, everyone.

OPERATOR: This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.