Capital Power Corporation - Investor Day 2010 - December 9, 2010

CORPORATE PARTICIPANTS

Randy Mah
Senior Manager, Investor Relations

Brian Vaasjo
President and CEO

Jim Oosterbaan
SVP, Commercial Services

Graham Brown
SVP, Operations

Stuart Lee
SVP, Finance and CFO

Darcy Trufyn
SVP, Construction, Engineering, and
Project Management

Presentation

Randy Mah:
Good morning everyone. Welcome to Capital Power's second annual Investor Day event. My name is Randy Mah, I'm the Senior Manager of Investor Relations. Thank you for taking the time to join us here in Toronto and I would also like to extend a warm welcome to the people listening on the live webcast. Before we begin I would like to direct your attention to the cautionary statement regarding forward-looking information. Certain information in today's presentations and responses to questions contain forward-looking information. Actual results could differ materially from the conclusions, forecasts or projections in the forward-looking information and certain material factors or assumptions were applied in drawing conclusions or making forecast, projections or projections as reflected in the forward-looking information.

Please refer to the forward-looking information slides at the end of the presentation and in our disclosure documents filed with the securities regulators on Sedar, which contain additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projects in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information.

With that out of the way I'ld like to introduce today's presenters. We have Brian Vaasjo, President and CEO. Jim Oosterbaan, Senior Vice President, Commercial Services. Graham Brown, Senior Vice President Operations. Darcy Trufyn, Senior Vice President, Construction, Engineering and Project Management and Stuart Lee, Senior Vice President, Finance and CFO.

Okay, in terms of today's agenda. Brian will start us off with an overview of Capital Power and a review of our strategy. Jim's presentation will cover three segments including an overview of our targeted power markets, a discussion on portfolio optimization and the Alberta power market, and business development opportunities. At approximately 9:40 we will take a twenty minute break. Following the break, Graham will provide an overview of operations. Darcy will then provide an update on construction projects as well as outlining the changes we have made to our construction and engineering processes to create a competitive advantage. And then Stuart will provide a financial overview, and finally Brian will conclude with 2011 corporate priorities and a summary.

As we are covering a lot of material in these presentations, we will hold the Q&A sessions till the end and cover any questions that you may have that was not covered in the presentation. Finally at approximately 12 o'clock after the Q&A we will be having a buffet lunch, so hopefully you can join the senior management team for lunch afterwards. Okay, over to you Brian.

Brian Vaasjo:
Thank you very much, Randy, and good morning. As Randy had indicated, I am Brian Vaasjo. I am President and Chief Executive Officer of Capital Power, a position I have held since the IPO. Prior to that I was EPCOR's Chief Operating Officer and I joined EPCOR approximately twelve years ago as Executive Vice President and Chief Financial Officer. Prior to that I spent approximately nineteen years with Enbridge within various regulatory, financial planning and business development roles. So on to slide six of the presentation material.

Capital Power is a North American independent power producer trading on the Toronto Stock Exchange. Our vision is to be one of North America's most respected, reliable and competitive power generators. The basis of our business model is to generate stable growing cash flows, which underpins our commitment to maintaining an attractive dividend over time, thereby maintaining a continuous access to the capital markets. This allows us to deliver on a very disciplined growth strategy and in turn create growing cash flows. The business strategy and our disciplined approach to growth is unchanged from the IPO, and quite frankly I don't expect it to change in the next number of years.

Moving to slide number seven, the basis of our growth objectives and creating shareholder value are corporate strengths. A large portfolio of quality assets, modern fleet and a very young fleet, with proven operating and construction history, a balance of long-term contract and merchant positions, which underlies the financial strength and access to capital and of course they all form a very solid platform for growth. Based on these strategies, we expect to grow the company to 10,000 megawatts by 2020.

Moving to slide number eight. Capital Power has interest in 32 facilities. 35% of our generation capacity is merchant capacity in Alberta consisting of Genesee 3, our Sundance PPAs and of course our new Clover Bar Energy Centre. As Jim will explain in a few moments, these are very competitive in the Alberta marketplace. 30% of our capacity is Genesee 1 and 2 coal-fired generation plants that are under long-term power purchase arrangements. The credit underlying those power purchase arrangements is the Government of Alberta. 15% are renewable generating facilities in Ontario and BC that have the credits of those provinces effectively underlying those long-term power purchase arrangements. It's overall an excellent fleet of assets and that's partly due to the fact – in moving to slide number nine – that it's a very, very young fleet. On average our assets are only thirteen years old. This is particularly young considering that it's substantially coal and natural gas. As you see, all the assets have an extensive remaining useful life, and it is certainly the youngest fleet in Canada and is one of the youngest in North America.

Moving to the next slide. The age of the fleet and proper maintenance practices gives rise to an excellent operating history. As you can see, all of the years identified here have an availability of 91% or better. The 2008 and 2010 are 91%, and those are due to fairly unusual circumstances. In 2008 was the result of a blade failure on a new turbine, which Graham will speak to in a few minutes. And in 2010 it was a result of one Clover Bar unit that had difficulties during a maintenance activity that was actually caused by the maintenance provider, who has taken responsibility for the cost and insurance has effectively covered most of the lost revenue. Generally, you can expect our availability to be between 94-95%. That is largely based on the number of planned maintenance activities we have at the Genesee facility.

Moving to the next slide, as I indicated earlier Capital Power will enjoy sustained financial strength as a result of maintaining a balance between contracted and merchant generation. This chart shows the current split in megawatts between merchant and contracted portion of the business. It also shows a forecast through to 2012. That forecast incorporates Keephills 3, the Quality Wind project and the Port Dover and Nanticoke project. And as you can see through the near-term we are maintaining that split.

Moving forward to the next slide, maintaining this balance between contract and merchant generation is the fundamental key to our financial strength. We will be continuing to having a strong balance sheet and maintain our BBB credit rating. Over the last few months, $625 million has been raised in the Canadian capital markets through medium-term notes, preferred shares and a secondary offering. We continue to have multi-year committed bank facilities with effectively almost a billion dollars available to us.

Moving to the next slide, a more detailed look at the impact of our contracted strategy is long-term cash flow associated with our power generation facilities. Even at the low point of the merchant power prices which we are experiencing today, 43% [meant to say 50%] of the company's cash flow is discretionary. Put another way, after we have paid debt service, maintenance capital and dividends we still have close to half of our cash flow is discretionary and available for growth and for other discretionary uses.

The next slide is a map of North America. This identifies our target markets. The darker green areas are where we are considering acquiring or building contracted assets. The circled areas are our targeted merchant markets. After months of study and rigorous analysis, these are markets we believe have the most favourable risk/reward balance and the potential for us to establish a very significant position. Jim Oosterbaan will describe these markets in further detail in a few moments. We believe we can maintain this geographic focus beyond meeting our 10,000 megawatt target in 2020.

Moving to the next slide, fifteen. Over the last year we have had very good success in moving towards our growth objectives. We have committed approximately one billion dollars this year to new growth opportunities, which was twice our target. In October we closed the acquisition of the Island Generation facility. We are currently going through the permitting process for Port Dover and Nanticoke wind projects and we have actually commenced construction of a Quality Wind project in British Columbia. All in all an excellent disciplined growth year. Contracted assets all meeting our target rates of return and accretion requirements. Darcy Trufyn will speak to some of these development projects in a few minutes.

On the next slide we have layered onto the growth opportunities in 2010 that we have just spoke to, on top of the projects that were under way at the time of the IPO, notably Keephills and Clover Bar Energy Centre. And as you can see, that's generated growth of 970 megawatts over an eighteen month period. Not shown on this chart is our target of committing a

further $1.5 billion in 2011. We are confident that at least some of these opportunities we are already working on will come to fruition and there are certainly a number of acquisition opportunities out there and we expect that market to continue to be fairly busy. Jim Oosterbaan again will speak to our new business opportunities in 2011 and beyond in a few moments.

On the next slide we are pointing to what is always a fairly topical issue, our environmental strategy. Unlike many organizations, Capital Power is very focused on actually reducing CO2 emissions as opposed to changing business strategy and going towards kinds of operations and activities that don't reduce CO2, but simply change what the companies are doing. We've put a significant amount of funds into research at the university level in projects directly like the IGCC, or Integrated Gasification Combined Cycle project that is currently coming out into the public and providing that information, the effect of a $33 million study, useful to everybody on worldwide basis and of course working with TransAlta and others on Project Pioneer. Other research funding, we have had two things that we are actually quite proud of: participating in an endowment with the University of Alberta for the Canadian Centre for Clean Coal, Carbon and Mineral Processing technologies. Also in association with the University of Calgary, a five year commitment on carbon management in Canada, a focus on a network of excellence. So significant funding all directed to developing technology so that we can actually reduce the carbon footprint associated with coal and other hydrocarbons. In respect to the Government of Canada's new plan as it relates to coal and an eventual shut down of at least the existing technology, we see that as being extremely favourable for Capital Power, particularly with the Genesee 3 units and the Keephills 3 units coming online.

Some other actions that show our commitment is of course the construction of Keephills 3. It will join Genesee 3 as one of the cleanest facilities in North America. New technology that we have recently applied to all the Genesee units reduces mercury by at least 70%, which is a very significant step forward. We have added laser monitoring on Genesee 3, which is actually very interesting technology because what it does for a relatively low cost is it monitors emissions of the stack and allows operations to actually adjust the burner so that it reduces overall emissions. As indicated here, we expect that that alone will reduce carbon dioxide from Genesee 3 by 60,000 tonnes per year. Relatively simple technology, we are the first to apply it in North America on a coal generation facility. And of course our various activities around carbon capture and storage, including the Pioneer Project and the IGCC feed study.

I would like now to move to the 2010 highlights. When I look at the highlights of 2010 and what our expectations were going into the year, I am very satisfied. We delivered on our strategic, operating, and financial objectives. We have had a very good year on construction development and acquisitions. We have executed successfully both debt and equity issues. Our financial performance it's tracking slightly ahead of plan. One of the other things we have undertaken through the year was a strategic review associated with alternatives for Capital Power Income LP. All in all a very solid year.

I will now turn the podium over to Jim Oosterbaan to speak about our portfolio optimization and the Alberta power market.

Jim Oosterbaan:
Thanks, Brian. Good morning. As Brian mentioned I am Jim Oosterbaan, Senior Vice President, Commercial Services with Capital Power. I have been with Capital Power since its inception in the role I'm currently in and then with EPCOR, going back almost ten years in a variety of roles in the commercial management and commodity portfolio management areas. Prior to that I was five years as a consultant in the IT and energy sectors, and before that fifteen years with the West Coast Group of companies in various commercial and regulatory roles. Next slide.

Just some overall comments on the market. What we are seeing of course is continuing environmental low and stable gas prices. As you are aware the US, for the first time in almost twenty years, announced a net increase in natural gas reserves; That is based on EIA estimates. This is again the largest numbers we have seen since 1971.

We expect that that is certainly going to set the stage for continuing an environment of low gas prices. Strong capital markets, as Brian has mentioned. Both ourselves and other participants in the US and Canada are enjoying that, but that does have some impacts with respect to competitiveness for acquisitions as we move forward.

We are starting to see, at least on the ground level, in the US markets that were active in signs of economic recovery in the US. Certainly that, from our perspective, is underway. We are also seeing for the first time since 2008 an increase in power demand in all the markets in which we are active. Granted the increases are modest. Our view of course with some of the fiscal pressures that you are seeing at the state and federal levels in the US is that it will have some impacts on RPS plans, it does have an impact on the level of renewable energy development in the United States.

Of course, with a new Congress coming in January like any progress with respect to environmental legislation, national policies of any type will be pushed into the

post-2012 period, which again does have some impacts at the level we are working at in the US. The last point I will mention on this slide is that certainly we are expecting that the velocity and volume of RFPs in Canada for renewable energy will continue to decline that is just a function of a growing level of saturation in British Columbia, Ontario and other markets. I think probably reached at least for this part of the process our limits on that. We have participated in the recent bio-energy call in British Columbia and are hoping to hear back on results on that soon. In Ontario, the Ontario government has announced the long-term energy plan, but the implementation of that plan we think is somewhat uncertain given the current political flux that you are seeing in Ontario and likely to see a clearer picture once the election has been held here provincially. Next slide.

This gives you an indication the types of federal regulations in the US that are going to be encountered by thermal plants in the United States over the next ten years. Again, this is a study done by the National Energy Reliability Council, but again it just really gives you a map of the types of challenges that we expect to see going forward. Again, I am just going to indicate that these are only federal regulations, certainly not provincial regulations. They will drive the higher cost for existing thermal generation in the United States, and we believe that is likely to force retirements of existing capital stock above natural gas and oil-fired capacity in all the markets in which we are active in. There will be some uncertainty with respect to the implementation of this of course, with the new Congress coming in, but we think going forward in fact there will be some impacts as a result of that. Of course in Canada Brian mentioned the capital stock turnover rule that is providing some policy certainty for us. The retirement of coal-fired plants after a forty-five year basis is something that we are supportive of. And also as we mentioned before, Brian mentioned with the new mercury legislation, we are fully compliant with some of the toughest standards for mercury emissions in North America. Next slide.

Just quickly going through some of our target markets in the US. With respect to the New England markets, you will find it similar across all the markets we are looking at the in the US, there is a greater risk of capacity retiring, especially if you start to look at the age of the fleets in all those markets as well as the potential impacts of those state and federal rules that I mentioned earlier. For example from our perspective, there is 4-5,000 megawatts of capacity at risk with respect to environmental pressures in the New England market. The average age of the coal fleet in New England market is almost forty years old, actually forty-six years old. The average age of a steam turbine fleet – again, that's gas or oil-fired – is almost forty-years old, which is again quite extended for that type of technology. And also I will draw your attention to Salem Harbour, which is an almost 750 megawatt coal-fired plant that Dominion recently announced the retirement of that unit, and we think there is going to be more to come in the New England market. Again, if you were to expect that the states in this region were to execute their RPS requirements, you would looking at almost five gigawatts of renewable energy being constructed over the next ten years, out to 2020. We think that is somewhat unlikely given some of the siting challenges that you have in this marketplace. And demand growth has returned in New England for the first time in a couple years, looking at 1-2% growth over the next few years and with the recent temperatures they had almost a record level of demand in New England ISO despite the demand destruction that has occurred. Next slide.

A similar situation in New York, numbers are only a little bit larger with respect to capacity that is exposed to the impact of higher cost due to the implementation of US federal and state environmental regulation. The fleet is about the same age whether it is steam turbine, coal-fired capacity, nuclear capacity, all sort of in the 35-45 year old range and certainly makes it prone to the companies making a decision, whether or not they make that large investment to comply or do they shut that facility down. Our expectation is a lot of decisions made to shut down. Similar requirements with respect to RPS in this case. 3,000 megawatts of wind for example would be required to have New York state meet its own RPS targets. Again, we think that would be somewhat challenged and again, we are starting to see demand growth in this market as well. Next slide.

With respect to our strategy, we are certainly not focused on the entire PJM market, but for those regions of PJM that we are interested in again, this is more predominately a coal weighted market from the point of view the capacity you have, probably 10-18 gigawatts of coal-fired capacity that we think has had some exposure to retirement coal fleet and in this case is averaging between forty and fifty years of age. So you are starting to get that point again where that investment tipping point is being reached as far as deciding whether or not you will make new investments to comply. And RPS requirements are very significant in this region; almost two gigawatts a year between now and 2020 would be required to meet the requirements of the states within PJM. We think that is somewhat of a challenge. In the case of PJM, they acknowledge exports coming into the market as a means in meeting their RPS requirements as opposed to building in the region. Next slide.

Of course California is another area we focus on. The recent mid-term elections reaffirmed the state's commitment to the 33% RPS target by 2020. Significant amount of uncertainty with respect to environment legislation. Certainly the studies suggest that there is sixteen gigawatts of capacity that's at risk

as a result of having to deal with state regulation with respect to once through cooling. Again, from our perspective model that is going to shut down, but it does highlight some of the challenges within California. Some interest here is that the bulk of the fleet is almost 43 gigawatts, its natural gas-fired, and that has an average age of more than thirty years but almost let's say twenty gigawatts of that has been built since 2000. So what that suggests is the remaining portion of that is much older than twenty-nine years. So again, we expect that you should start to see some pressure and growing pressure for retirements of the existing generation fleet in California. There is talk with the current bill, state Bill 33, to try and move to a cap and trade regime in California. Again, we will see where that goes but as we mentioned last year there is a lot of block and tackling required to set up a cap and trade regime in any jurisdiction: climate registries, proof of compliance. There is an active market for climate reserve funds in California. We are active participants in that market already. We have been buying and selling credits for the last five or six years in various North American and European markets. We are seeing about ten thousand tonnes a day trading now in the CRT market in California. There is one big issue that is out there and looking at using a capacity pricing regime to encourage the addition of new capacity into the market. Next slide please.

Just turning to Alberta, again a market that we are familiar with. We are starting to see again low growth resume as a result of the waning impacts of the recent recession. We are expecting to see growth in the 2-3% range over the next 5-10 years. This is excluding oil sands development; we are assuming that that will be serviced by on-site generation, that has generally been the case in the past. Certainly Capital Stock Turnover rule as it comes into effect will compel retirements of units starting in 2017 and moving into the post-2020 period. Battle River 3, Milner, Sundance 1 and 2, all those units are certainly reaching the end of their useful lives as we move through that time period that I've mentioned.

The Sundance 7 or the Shepard Energy Centre is certainly something that we think about with respect to additional capacity coming into the market. We don't think that it's likely that both will be built. I think TransAlta at their recent Investor Day suggested that they will be looking at some potential discussions with ENMAX so we will see where that goes. That would be about 800 megawatts of production. What you are starting to see in Alberta as well is the type of capacity coming on is generally wind-based, which has about a 35-40% capacity of utilization. The type of growth as well that you are seeing in demand is more traditionally peaky than you would have seen in the past. Alberta is generally an industrial market, 80% load factor industrial market. So that suggests that the type of demand profile that you will see over the next periods of times going out to 2020 will continue to show more peaks as you see a greater impact of residential and commercial load. We have seen some of that. Recently we had a peak day in November; that was just some cold weather and favourable prices. The peak days continue to occur despite the recession in our market. Next slide.

Just to move then to talk a little bit about portfolio optimization and a little bit more about the power markets. Just to talk a little bit about the Alberta power generation stack, this just tries to capture the 12,000, or so, megawatts of generation that we have in the Alberta marketplace and as you can see we are very well-positioned. This is important for some points I wanted to make earlier. Predominantly base load is for the most part either gas or predominantly coal. Mid-merit which is that gold colour is all entirely gas, and that is generally combined-cycle plants and then of course the peaking portion. As you can see the percentages that we have gives you are a sense of the structure or the physical generation portfolio that we have in the Alberta marketplace. Again, we are very well represented in the peaking portion of the market which is important for reasons I'll mention in a second. Next slide.

This just generally gives you a sense of what our load obligation looks like. We do still service large industrial customers in the province, so that gives us an opportunity to lay off exposure and we also do make sales to the RRO procurement process to large, I should say ENMAX and EPCOR through a competitive procurement process. So that gives you a sense of the type of load obligation that we have. The overages of course result of either temperature or seasonal or hourly demand, and then the underages of course result from the same thing. And what we of course have is peaking generation that allows us to meet those overages, and then in the case of the underages we can use the wholesales power markets, essentially, to sell the net. To shape our load meet our exposures going forward though, so physical generation provides us with an opportunity to manage those exposures and that is where the value of the Clover Bar units comes in. Next slide please.

With respect to commodity portfolio optimization, it is centrally managed through a trading team that we have based in Calgary. We generally use the wholesale market extensively to buy and sell to manage our risk and certainly take views of the market and generate speculative income as the opportunities permit. But a fairly – not a fairly, but a very disciplined approach to managing our risks that we have in the marketplace; we have never had a significant error with the ten years we have been doing this. We spend a lot of time on analytics so we invested millions of dollars over the last three years in systems and in people to think to improve our ability to understand the

Alberta marketplace and look for those opportunities to make money and more importantly to manage exposure. We have been doing this successfully really for the last ten years. We have a significant physical capability again with the Clover Bar units; the Mid-merit plant called Joffre that I mentioned earlier as well as base load. Everything allows us to deal with the volatility that we see in the Alberta power market. And we do spend some time again focusing on the very largest industrial customers as an opportunity to layoff exposures with respect to trying to sign long-term deals with them. Next slide.

You can see some of those results with respect to that. We have created value through portfolio optimization activities. Despite the volatility that you have seen in Alberta power prices, we have had very consistent performance through the year as far as our capture price. That $81 that you see in the second quarter which is certainly non-performance from our perspective, is due to a very strong month of May, a combination of weather, transmission and plant outages combined to increase prices. We weren't very happy about that, but that is the nature of the market that we deal with. And as you can see, certainly going forward in Q4 we are certainly hoping that we can continue to maintain that performance. What we have mentioned in previous calls, we generate anywhere at around $0.10 per share from speculative activities and we expect that that level of performance will continue in 2010 and beyond. Next slide.

Just to give you a perspective on what our portfolio looks like out to the 2013 time period. Quickly as you can see across the top, 65% hedge next year, 30% in 2012, 15% in 2013. You can see the hedge prices at which we got those prices locked in at. Again the purpose of the hedging program of course is to design risk. We do have a conservative posture in respect to our risk management policies and what that pushes us to do. Certainly moving into the current year it is to start to hedge up our portfolio and that is certainly something that you will continue to see going forward. Our current year strategy however, can be flexible and that is because of the structure of the generation of the program that I mentioned to you earlier. Having that physical generation, that peaking generation especially allows us a certain flexibility with respect to buying and selling power and buying and selling gas associated with that generation to maximize opportunities for us. Next slide.

Just moving to business development, we have been active in our target markets in the US and Canada. You can see there is certainly a number of trends, I don't think it will be a surprise to a lot of people in the room. Certainly in 2010 we have seen a rebound in the value of utility and IPP M&A activity, back to levels that we haven't seen since 2007. You measure on a total dollar value on the basis of transactions that have been announced. That is certainly a function of a number of factors that you see presented here.

Again, from our perspective there is a tremendous amount of capital in Canada and more so in the United States that is moving has moved from sort of people's pockets to the sidelines with respect to looking to make investments back into the power sector in the US. The creation of the Quantum Capital Group and successful fundraisers by EIF and ECP early this year, are examples of that kind of interest that you are starting to see again also.

There is a focus on contracted assets; the valuations for those have started to rise and real interest in that. Certainly if you look at the assets that are being held by financial players, those represent targets for us that have been targets in 2010 and certainly a target as move forward in 2011. Acquisitions, despite the increase in competition acquisition values are still around half to two-thirds of what it would cost to build a plant. So I would suggest that our focus at least in the near term will continue to be on acquisitions and certainly look to find development opportunities that would result in capital, generating income in the 2015-2016 time periods. Next slide please.

If you look at just some of the facts. So you will see there you can get a sense of the megawatts that are held by the financial players in our various targets markets. More than 4,000 megawatts in New England ISO and then you can read that for yourselves. We are also finding there is a gap between buyer's offers and seller's expectations, that has started to narrow. And then there is the course I mentioned earlier; renewed level of interest of contracted assets and that is on part due to the return to the market, some of the larger international players. The recent transaction by Chubu with respect to the Tenaska portfolio, that gives you a sense of the types of valuations that are starting to re-emerge in the marketplace. The Milford Power transaction, which was a merchant transaction that occurred in the New England market earlier this year. The one thing we mention is that certainly the level of activity we have seen in Canada on the natural gas, or I should say the IPP side is more than we expected coming into the year. With Raleigh transaction, St. Clair which is currently in play, Mont Blanc which is another energy project that is being sold right now, all are in some kind of transaction that we wouldn't have expected to see coming into 2010. Next slide.

Just to check back with you, this is a slide actually that we presented to you last year. This is what we said we were hoping to do. We had some success as a result of that. The PDN project, Port Dover and Nanticoke, we were successful in being awarded a FIT contract for that, a COD in 2012. Quality Wind, we had a similar success with British Columbia and BC Hydro with a COD of 2012. Kingsbridge II is a project that has been

submitted and it was submitted in the last renewable energy call in Ontario. And it has sort of caught up in the economic connection test. That is currently being reviewed. There are a couple of thousand of megawatts of bids that we are waiting to hear back from the OPA on that. Despite the LTEP long-term energy plan being announced by the OPA last week, we still are guardedly optimistic that this project may be successful, but we will certainly wait and see. As I mentioned in my earlier comments we still think there is some considerable uncertainty with respect to the full implementation of this plan going forward.

As Brian mentioned earlier we had talked about Pioneer last year at this time and we continue to be active in that project with our partners. We have a number of sites that we have in place. There should be a future call in British Columbia; about 500 megawatts or so of capacity that we can certainly bid into a future call. We have submitted a bid into the BC Biomass call that was recently concluded. We are hoping to hear back likely in the first quarter of next year. That is likely to be $400 million investment, not the 250 that we have on the slide. We chose to withdraw from the Saskatchewan RFP that was held earlier in 2007 because we couldn't achieve our target levels of returns that we were looking for. So next slide.

This is with respect to the results. We did have a committed capital target of $500 million; we are up to about $1 billion with the acquisition of the Island Generation facility and the PDN and Quality Wind projects that I mentioned earlier. We have entered into a joint venture agreement with Greengate. They are a developer based in Alberta with respect to the construction of 150 megawatt wind farm in central Alberta, but we are awaiting the outcome of some regulatory decisions before we decide whether we can proceed with that. If the regulatory decisions are favourable we are likely to go forward. As Brian mentioned, good counterparties, accretive transactions and again contracted assets. Next slide please.

We have looked at more than fifty projects since last year, primarily in the US target markets that we mentioned. We have a very disciplined, focused approach. This just gives you a sense of where these projects stacked up. We have, again, we certainly have criteria that we share with you and we will share with you going forward. Seven indicative bids that weren't accepted, three final bids that weren't accepted so you can read the rest of that. Again, from our perspective we are certainly working pretty hard to make sure that we are hitting our criteria going forward. Next slide.

This is with respect to that. So because we were successful, Brian decided to triple our targets for next year so thanks, Brian. We are looking at a committed capital target of $1.5 billion. We have some optimism around being successful with that. We have twelve projects in the pipeline right now that are all good opportunities for us. Predominantly acquisitions and predominantly in the US target markets that we are looking at. We continue to maintain our financial targets; 11% for un-contracted assets, 9% (contracted assets). That's an unlevered after-tax IRR target that we are talking about. And of course, because of some of the points I mentioned earlier, project returns may be higher or lower and really focusing on making sure that these transactions are accretive. Focusing on natural gas, but we will certainly keep an eye on coal for the right technology. Generally super-critical, generally contracted, because we are not interested sub-critical, just simply not something that we think would be responsive to the types of regulations that we expect to see going forward. And then just on the next slide.

Just talking a little bit about what we see in 2011. Again, the Kingsbridge II, as we mentioned before, Pioneer, BC Biomass, Halkirk again, all are in processes or are awaiting outcomes. So we are feeling optimistic about Halkirk and certainly BC Biomass. We think especially in the biomass site we have a very cost-competitive proposal; it hits a number of financial and social economic requirements that the BC government will have with respect to what has been mentioned in the call. Then of course we have a good pipeline of opportunities that we can bring to bear on calls that may come for renewable energy or conventional energy in either BC or Ontario markets.

With respect to Alberta, nothing is really planned in the short term. Certainly the price environment doesn't – other than Hallkirk – doesn't support that. With respect to the call in our other markets – the US northeast, California – we are looking at acquisitions in all of those markets. Of course I can't say a lot more than that, we are sort of bound by confidentiality in a number of cases, actually in all cases, but we continue to be active with respect to that going forward though. So that concludes my comments. Thank you.

BREAK

Graham Brown:
Okay, good morning. So start of the second session here. My name is Graham Brown, I am Senior Vice President, Operations at Capital Power. I bring over thirty-five years of operation maintenance, construction experience to the executive team. I've been with Capital Power obviously since inception, 2009, and with EPCOR previously. I joined them in 2005. A lot of history in this province prior to that with the provincial utility, a number of places on the nuclear fleet, the coal-fired fleet and built the green power portfolio back in '98 - 2003. Started life in construction work back for one of the original gas turbine manufacturers in the UK. So over the next 20-25 minutes or so I am just

going to take you through some of the operating results from 2010. Obviously a little bit of forecast, because we have got a few more days to go yet. And also to touch on some of the exciting things we are doing at Capital Power with regards to our operation and maintenance of this fleet.

So let's start with some operating results here. Fundamentally generation pretty much in line with the budget over the course of the twelve months. Although, you will notice some slight changes in availability numbers being affected by a couple of items Brian mentioned earlier around Clover Bar, I will touch on in a moment, and some of the KEG, that is the Keephills, Ellerslie, Genesee transmission system in the west part of Alberta. G1 and G2 pretty solid, volume down a little bit and you will notice that what we actually did with Genesee is we moved one of the outages. I will touch a little bit more on that, but the volume was down principally, we had some transmission constraints as they were upgrading the lines coming out of Keephills for the new unit that is going into service at that point. G3 down a little bit on availability there and a little bit on generation, function of a 10 day extension to the planned outage at the backend of the year. I will touch on that again, also in a moment.

The Clover Bar peaker, one of the interesting things you will notice there is the forecast generation that we have on the budget, we put in place about 45,000 megawatt hours and then you will look across to the next column and you will see we actually made somewhere in the order of 380,000 megawatt hours. This is one of the aspects of having a peaking plant, and as Jim was talking about it back stops our positions, and the aspect here is that with that plant its value to us is that we can switch it on and off really fast and it is there as a reserve. It might make a lot of generation in a short period of time, which will obviously translate into cash for the business. The availability impacted on Clover Bar by the Unit 2 outage, I will talk about that.

And for Island Gen, thrown in full year numbers just to give you a sense. Its capacity factor a little bit higher than what we anticipate going forward to. It was running about 72% on a capacity factor basis, but the reality is with that facility is you will need to keep the availability high and as you will see, the forecast availability for 2010 is close to 99%.

Our renewables fleet principally impacted by the wind regime at Kingsbridge. I have a slide on that later on that will just show some of the impacts and the variations around wind generation. Some of the things that we do in terms of our analysis and modelling before we get into building a wind farm.

The LP generation a little bit off there. North Carolina main impact with lower generation coming out of those facilities as we go through the project. Keephill 3 is on the slide for next year. Darcy will touch on that in a moment, but we anticipate that it will be in service Q2, so it is showing there with a forecasted availability of 96% for next year.

Looking forward a little bit into 2011, Jim mentioned that there will be some impact on power prices as we continue to see the impacts of shale-gas and so forth. So again if you are looking at peaking facilities such as our Clover Bar units, our forecast again for next year would be fairly low generation, but as you can see from the slide, a lot of things can change in a hurry. We had a bunch of issues that head through May with outages, and line outages, and so forth, planned shutdowns. That just created a situation where Clover Bar units because extremely valuable to us.

So let's start with Genesee, a standard shot in the evening. Two major outages through 2010. Start with G2; it was planned for the early part of the spring and as we always do in these situations we are looking to make sure that we can be very effective as to how we execute on these outages. Looking at the labour supply in Alberta at the time when we originally thought we would take that outage, a number of turnarounds in the oil patch - tend to consume a lot of the trades from the union halls - and we decided that we would actually push the outage out a little further, so we actually took it about a month later than where we had originally thought. Did that principally to make sure that we had the labour availability. It was a twenty-one day outage, over 100,000 man hours of work and came in just slightly over budget, a little bit below the $13 million on expenditures. From a safety perspective, no recordable incidents over the 100,000 man hours which is pretty impressive.

A lot of planned work goes into these outages. It's a very short duration, but we go right across the facility. A lot of work on the boiler, integrity testing of the tubes to make sure that everything is in good shape for the next couple years of operation. We changed out the turbine low pressure rotor on G2 and this is done periodically as the little bit of wear that you get on the seals and that puts our efficiency back up on that unit. Valve work – so the actual control valves for the turbine – we do some work on those. Lots of other valves in the plant that get overhauled in this period of time. Generater obviously inspections on that. We upgraded the automatic voltage regulator. This unit has been in operation for close to twenty years and we have done some upgrades there to bring it up to current technology. And then routine maintenance, all of the other things that go into a coal-fired power plant: fans, pumps, conveyors, a lot of work that way.

G3 outage, same planning going into effect. This was a thirty-one day outage that we had planned and the reason for slightly longer on G3 was the fact that we went in to replace some turbine blades on the last row of the low pressure turbine. You will recall in 2008 we did have a failure of a blade at the back end of that unit and we replaced that row of blades, but there was some damage to the subsequent row that we lived with the last two years. We had planned to change those blades out, so a little bit of an extension there.

We had planned for thirty-one days. But in the same way – and I will bring this to a lot of relevance for all of us – you take your car down to the shop and it goes in for its routine service and about ten o'clock in the morning you get that phone call and it says 'Mr. Brown, we have looked over your car and by the way as well as the routine service you need new brakes, probably need the rotors turned. We got a couple of other things: there is a little bit of an oil leak coming off the differential that we should fix while you're here.' So there are always those extra little things that happen and the same way with our outage on unit 3. As we go through we do a lot of testing, integrity testing, and on the hot reheat pipes we checked the welds. This is special material, P91, so we go through and do some integrity testing on the welds routinely. Thirty-six welds that were inspected, we found four that were deteriorating and recognizing this is fairly early on in the life of this unit and we need to keep it going for a long period of time so it was a prudent decision for us to go in and make the repairs. We looked at the impact of the marketplace, low power prices, a very sensible decision for us to do that. Took an extension on the outage of about ten days. Extra cost to us was probably about half a million dollars, as our share of the cost on that unit. Again, prudent decision on that.

The G3 blades, obviously as we went in to replace the last stage; you've got to take the covers off and have a look. The blades that we had the issue with back in 2008, we had replaced them with a slightly high grade chromium blade and after two years of operation they are in perfect condition. So from a fit for service perspective, pretty satisfied with what we saw. We did put some instrumentation on just to make sure, because there is always a number of different factors that we have to look at. On those blades we are checking the actual stresses on the blade in operation, just to make sure we covered that base off. Run some tests on that and we are just awaiting the results.

2011, this year coming up, next unit we will have G1 on outage. G1 and G2 tend to rotate each year such that they go on a two year cycle. So G2 this year, G1 next year; The G1 outage is scheduled for the spring. Again basically twenty-one day outage and roughly $13 million in anticipated cost.

So let's get down to some of the other things we are doing. The Genesee units continue to be top ten performers in the plants across Canada. There are around fifty coal plants, about eighty fossil-fired plants that report; we are always in the top ten with performance. The aspect around that for us is we are always looking for ways to enhance and improve the way that we operate these facilities and the things that we look at. Brian mentioned earlier that one of the things we have done was to put laser technology on the exhaust stack, such that we could manage the operation a little bit more finely tuned on emission controls. The laser allows us to more accurately determine what the levels of our emissions are and we can tune the boiler accordingly. It has been very valuable to us in reducing our emissions profile.

So a few of the other things that we worked on over the course of this year. Computerized maintenance management system called MPACK. It's a process or a system that has been available for quite some time, we have used it extensively. But, it was time for an upgrade on that and we have moved across to a company called Mainsaver. For those in the technical part of the industry, Mainsaver is one of the two top companies on computerized maintenance management systems. We put this in, went into service a few weeks back on Genesee. A slight difference for us, it is actually a hosted application. So we bought a process whereby Mainsaver has their own servers, they are actually down in San Diego, and we just run this as a hosted application across the web. So a little bit different, but what it does for us is it actually reduces our operating costs for that system where you don't have to have your in-house expertise to deal with the upgrades. Anybody with a computer system knows that you can continue to get these upgrades if you want because all of that is done in the background. So it's a pretty seamless process for us. Beautiful application for us to use, it is going to help us enormously with fine tuning our maintenance systems and making sure that we are doing things at an optimal basis.

Moving on, added an uptake on PI which is the industry leading standard for analysis tools. This is an application whereby we feed about 30,000 data points from the plant into this management system to allow us to run trends and analysis for the facility. So when you are getting a lot of data in, being able to crunch that data in a meaningful way and figure out some of the fine tunings you can do, some of the things where you may have had a range that the operator can look at and say `Well, I can run from here to here.' Well, with the improved data acquisition that we have, you can now tighten that range up and extract a little bit more value. Still monitoring the technical applications for the machinery, making sure we are doing things in a prudent, risk-based process. But, the reality is that when you can fine tune to that extent and have good

control you extract more value. So what that has allowed us to do is to look at operating these units at slightly higher output. So the units were basically sitting there, rated at around 380 megawatts and we have been able to increase that to 390 quite comfortably, push that a little bit harder on the units. Also we have now looked at being able to increase that output as needed from a market standpoint up to about 410 megawatts. So you can look at that and say we just gained ourselves another 40 megawatts here for very little cost. When Jim talks about application in the Alberta marketplace, I indicated to you some of the value we have there with the Clover Bar units and the fact that we can turn those on and off pretty fast and pick up on the peak loading, back stop our position when necessary. This is just another application where we have been able to do the same thing. The key element here is making prudent decisions. We are blending our technical abilities with the commercial realities in which we live. We are fine tuning, we are honing and making some money at the same time. Next.

Move onto Clover Bar. So Clover Bar is our peaking facility that we have just in Edmonton. Three units sitting there, all General Electric supplied. One of them is an LM 6000, it has been in production since about 1990. It has gone through various evolutions. Pretty stable technology being lots of them in service. I will mention in a few minutes a couple of conversions that we have done down in the States to move onto that technology.

The other two units, LMS100, this is GE`s new unit. It has been around for the last couple of years. The first one went in at Basin Electric in the states a couple of years back and we had our units in service now from 2009, 2010. A little bit of troubled history with the start-up of these units. From a technical perspective, there is probably only one sort of significant issue. A little bit of cooling design inside the turbine itself that some of the operating temperatures, the profile of the temperature going through the engine, was a little bit different than what GE predicted and they made some modifications and I'll mention about that in a moment. But, the rest of the sort of issues we have had have been more on the quality control, quality assurance side with various items. I'll give you an example of this. The pipe work that connects the lubricating system, there are two or three different lubricating systems around that engine. But the pipe work and just the general layout of that, we had a lot of issues with the connections. A couple of failures on the connections and when you get that you tend to dump a lot of oil around the package and then you go into the cleanup process, you have to redo the connections and so forth, go through the flushes and make sure the oil is still at a very clean integrity level for that type of gas turbine. Suffered somewhat from a number of these from the start of these units. Back in February we were in the middle of changing out some pipe work here, or actually General Electric were in the middle of changing out some pipe work. And as they inspected the engine they noticed the compressor was a little bit dirty. Even though you are filtering the air over a period of time the compressors on these units tend to get a little bit dirty. That reduces the efficiency and so forth, so they went in to do a water wash. You can imagine February or March in Edmonton tends to be a little bit on the cool side, so they had some issues with the water wash itself. As we fired the unit – it was still under their control – they had some failure in the compressor and the turbine rotor. They have replaced those sections that were damaged – they did all this under warranty – and while this unit was out they took advantage or we took advantage of the outage and they did the upgrades on the turbine for cooling that I mentioned earlier. So that unit is good to go for the next few years.

As the fleet has progressed, you know obviously in the early days a unit of that size is pretty hard to test it out extensively unless you have a host site. Some of the issues we have seen, now being able to put those behind us we anticipate that the future of that unit is pretty good. There are twenty units in operation currently. There are three more in commissioning and GE has sold a total of thirty-three, so it is a major unit that they are selling and a lot of their future is based around that. So, they are certainly incented to make sure that everything is operating accordingly. About 48,000 operating hours over the twenty plants and the lead engine has about 12,000 operating hours on it, so that is about two years worth of operating hours. Plant availability for the fleet is about 94% worldwide, which is pretty good for a new engine. I can take you back and look at the 2500 engine; it took them two or three years to get that functional. The 5000 fleet tended to stretch that a little bit further than it was technically capable of going. Moved onto the 6000 fleet, again the same kind of thing over the first couple of years. Some things that even as good engineers as the company is, sometimes things are a little bit tight or fined and they just need to adjust them up. So we are anticipating a good future here for the LMS100 engine.

Note: economic value. The value of that plant as a peaking facility to us, it's one of the things probably that you guys find very frustrating, because it is something very hard to model. You look at it and you say `Well, your planning is only going to produce x number of megawatts.' But, the reality for us is it's there, it backstops our position and we can turn it on pretty quickly. It's a ten minute start up system to full load, so you can have 100 megawatts within ten minutes. It's an excellent unit for us, but it is a bit lumpy when it comes to generating revenue for the company.

Just to touch on Island Generation, this is our latest acquisition, closed the deal October 19th of this year. This is an Alstom unit, it is a GT24B. That's a frame machine in the gas turbine world. It went into service in 2002, basically 275 megawatts of output and a heat rate at about 7560, that's on kilojoules per kilowatt hour. It is contracted with BC Hydro through 2022 and BC Hydro are responsible for providing the fuel for the facility. It is functioned under the contract, but it sits there available for generation and we get paid by virtue of having it available. So when we look at things like a capacity factor, a capacity factor for the plant could be quite low. It could be anywhere from 10, 12, 15, 20%, something in that area. This year it has been a lot higher by virtue of some activity on the island with cable replacements in the north and south end. But the aspect is we get paid by availability, so keeping that availability high is obviously very beneficial to us.

Just on the Alstom units themselves, there are fifty-one units worldwide. It's pretty proven technology. Our maintenance program there, it's a combination preventive maintenance, predictive maintenance. There is a lot of electronic monitoring that is in place. This is a fairly modern unit, very high efficiency. Operating hours are significant so this is one of these things where we talk in terms of equivalent operating hours. So every time you have a start, you add a number of hours into the equation when you take your maintenance. A very skilled workforce; most of the folks have been there since day one in 2002. We do have a pretty good knowledge of this because my VP of Operations for the Canadian Facilities was actually the plant manager at Island Gen when it was being built and through the first period of time under commissioning. So very well aware of the issues.

There were some issues with the facility early on; issues trying to make the heat rate. Previous owners have spent considerable money on making adjustments and changes on that basis and through our analysis and due diligence as we were buying the plant; we believe it has got a very good future, a very solid future for us. On that future, one of the aspects around Island Gen itself is that it sits at the north end of the island, at Campbell River. Total generation requirement on the island is about 2,500 megawatts. There is only about 750 megawatts of generation on the island so this is obviously a very significant point. An aspect also if you happen to live on Vancouver Island is that the likelihood of getting more generation built on the island is pretty tough, so even though we look and say the contract expires in 2022; our expectancy here is that that facility will be there for a long, long time. Very beneficial.

Just to touch a little bit on the integration process, because obviously if you look at our business plan we are in the process of looking to acquire a great number of facilities over the next few years. If you turn the clock back a little bit in the last couple of years, we have actually done a number of different integrations, changing the company around. The facilities in the US used to be in two different buckets, if you will, and we combined those into one bucket. We looked at the processes to go through some slight differences as to how the facilities were operated, how the staffing was set and so forth. So we started at that point and we started developing a pretty sophisticated integration transition process which we have now put into application here for the Island Gen site.

That integration approach, it covers human resources obviously. The IT functions as you bring a facility into the fold, slightly different IT systems. The finance system you have to bring across. Environment, health and safety, all those items and then into commercial and operations. So we have a pretty solid process, we have a dedicated team led by an ex-operations manager that assists the business development folks through the acquisition in the later stages and we also put a transition manager in place, because one of the things when you acquire a new facility is that they generally don't know your company and they don't know your processes. You normally take the staff with it, so what we do is we put a transition manager in there who is very familiar with our systems and he just helps to bridge the process and basically on-board everybody across and do it in an efficient manner.

So turning to wind. Kingsbridge I. Kingsbridge went into service 2006, the springtime. First major wind farm for us as a company. We have had excellent operating results out of this facility. It tends to be one of the flagships in the Vestas worldwide fleet. That is giving you an indication; Vestas has sold a lot of units across the world and the Kingsbridge site is up in the top echelons of their operating fleet. We have a very good working relationship with them. It has matured over the years to the extent that they are our supplier of choice, and Darcy will touch on that in a moment. We have announced that they will be the supplier for Quality Wind and I believe PDN also. It is our preferred machine, and our availability this year exceeded 98%, so very high.

I will just turn a little bit to give you a bit of history here. So one of the things about when you are building a wind farm is trying to estimate and model, just what kind of output you are going to get from that facility. Kingsbridge I is an excellent example of our skilled capabilities here. We did a lot of wind measurements, put towers up, did a lot of assessment, did a lot of modelling and we fundamentally figured out that about 30% capacity factor was what we were going to see and put the facility into service. So it's always good to take a look back after a few years of operation and see exactly where we are. What this chart is showing you is the last four years of operation and the capacity factor that we have seen. The line that goes through

the chart fundamentally indicates that is what we modelled as our 30% base. So the profile fits pretty well, you can see. The first couple of years we actually exceeded our expectations. We were up around 34% output. What that translates into because we get paid by the megawatts – the more megawatts we make, the more we get paid, it's a very simple equation – but we did model on a 30% base. So the last couple of years where the wind regime has been a little bit lower, we have averaged about 29% capacity factor. That is a little bit of the offset. But, if you look at that and you take 29% of the last couple of years and 34% for the first couple of years, you can see we are still over our modelling average. So a little bit conservative on our front, but it's also a case if you build your business case on a slight bit of conservatism there is always an upside for you.

Just a couple of updates of significance on the LP facilities. Two that I will talk about here, North Carolina project which is an $86 million enhancement of those facilities and the Oxnard repower. So in North Carolina we have basically finished the modifications to the facilities. We have been through testing, they are in service, they have been operating on a blend of biomass, tire-derived fuel or tire chips and a small amount of coal. We had originally figured that we would probably run what we called a triple mix so it is a 33:33:33 blend. We have run the operations we have actually moved the Roxboro facility up in terms of the amount of renewable and that is partly to do with maintaining qualified facility status. So we have actually burned about 75% renewable fuel that is both the tire chips and the wood to add into there. The Southport facility, we are running around 45-50% biomass blend. Everything is in service. We have been through slightly different changes and checks to see what would be a good balance for us on the fuel blends. We have a little bit boiler tuning work to do in the early part of next year, just to optimize that out, but things are running pretty well.

Oxnard repower, this is our second extremely successful repower using the 6000 engine into a 5000 slot. Fundamentally you are basically taking out one power plant and putting another one in; a lot of modifications around pipe work and packaging and so forth, but very solid results. A major success for us: a project came in roughly about a million dollars under budget and again this is utilizing our experience from the first one we did at North Island and being able to anticipate some of the rub points and issues and try and change the schedule a little bit to make sure we could get things in the right way. The guarantees that we got from this unit have been met and one of the key elements for us in the California marketplace is running at maximum output and maximum availability for the peak hours between May and September. I am extremely proud to announce that we hit 100% availability and output over that period of time, which maximizes the bonus arrangements we get paid against that contract.

So let me leave you with a few key takeaways. You have seen through the details and the presentation here the continual focus that we have for high quality operation maintenance practices and prudent decisions backed by appropriate risk-based assessments. We are an excellent operator on the fleet that we have; consistent availability that you will see 94-95% and high outputs. But, the big thing that sets us a little bit apart is that we are just not happy to stand still. We are always looking for improving our opportunities; we are looking to see what we can do to optimize our fleet and as you will notice from our previous slides around Genesee our ability to extract a little bit more megawatts out of that process and build that into our commercial arrangements helps to solidify the earnings for the company. Thank you.

Darcy Trufyn:
Good morning, my name is Darcy Trufyn, I'm a Senior VP with Capital Power responsible for engineering construction and project management. I joined Capital Power just over a year ago. As a matter of fact, I attended this session last year but I was a new employee at that time. My background, I last was Senior VP with a multinational engineering company. I have had experience over the past ten years with EPCOR in numerous projects and opportunities where I was providing EPC services, engineering project or procurement and construction services, so I knew EPCOR from my past. My background, over thirty years in construction and engineering, many of those years was project manager. The last fifteen or so have been in a senior management or executive capacity. I have worked on many major and mega projects. Projects like offshore Hibernia and Terranova, oilsands mega projects with Suncor and Syncrude and Shell, and on some major power projects including Genesee 3. My background is from the engineering and construction, not from the owner's side. This is the first time working for an owner. I do think that is advantageous to Capital Power and its shareholders, because I do understand the cost of projects and total project delivery.

Today I am going to be talking about taking our construction group from a core competency – that I will try and explain that we have today and have had – up to where it is a competitive advantage for our company. Construction isn't normally an owner's core competency. Owners are typically in the business of operating plants and on the occasions they decide to grow they hire out that expertise and that comes with some mixed results.

Because of our growth vision, Capital Power has chosen to make construction a core competency, and I am going to tell you how we are going to take that to

be a competitive advantage. So as you can see from this slide, we do have a history of proven capability in the delivery of construction projects, having done about seven plants over the past ten years including both Genesee 3 and Keephills 3. Just as a point of clarification, this may be me. I picked up on something Graham said. The piping he was talking about at CBEC has nothing to do with the construction of the plant; it was internal to the machine and not related to our quality control on site. I'm sensitive. On K3 while we did experience some budget increases. These were moderate in comparison to what the industry has experienced in Alberta, and I know it quite well. In a very heated marketplace, we are nearing completion of our project and I will speak to that later in my presentation but we continue to track well to revised 2009 budget.

Today I am going to tell you how we have this proven construction capability and how we are now going to raise the bar and make it a competitive advantage, and we really believe that is in the shareholders' interest.

Last year I talked about our new organization, but it has really now matured. Some of the things we are doing to take this to a competitive advantage, I am just going to run through some of the points. We did re-organize, and we have combined our major projects with our sustainable capital projects. All of that now reports to me and that's great because we can train and develop our people in the small projects and then bring them up to the major projects. So, that gives us some surety, some confidence that they know us and we know them and plus they really understand our plants and what we need for a plant. We also have significantly enhanced our group with some additional key personnel in some very key areas. Most importantly for me is – This is a key differentiator between us and our peers – we've established a department that is responsible for estimating front end development. We have given that significance, it's a department now. We are in the business of growth and we really need to understand the cost of our projects and we have created a department that is responsible for that that reports through to me.

Our growth vision and ongoing plant work that makes us sustainable so we are very attractive to the outside world to hire good expertise. Typically if you are just doing one-off projects you will just get boomers or mercenaries or whoever and those aren't the people you want; you want long-term people committed to the success of the company, not individual success. So we are very attractive in the world. As far as in-house capability, as I mentioned earlier on estimating we do have now in-house estimating capability. We are using outside resources much less. Mainly outside resources for checks and balances to verify market conditions and those types of things, but internally we have that expertise.

On an engineering side, as we self-perform our own work for sustaining capital, we are growing our own engineering group internally. And some of the things just to dovetail into what Graham said on wind projects, the capacity factors are so critical to the success of the project and we do have an engineering and in-house knowledge that we can... well we don't, we still use outside consultants on doing layouts for these plants. We have the in-house expertise to check and challenge those. I think that gives us a competitive edge.

On standardization we have gone through this last year, sort of a year we knew we were finishing with Keephills and CBEC and the new work was coming in 2011, so 2010 gave us a chance to really get our ducks in a row for the new work. We took a lot of the stuff that had existed through the EPCOR years and especially with such as large geographical footprint lots of things were being done in different ways across the company. We standardized things. I think that is going to make us much more competitive for example. Specifications and details, we have now have one set of specs. So regardless of where we are building, our engineers – whether it's internal or external – know what our requirements are.

On equipment selection, I will speak about Vestas. This is a really classic example of what we have been able to accomplish. The different wind projects we were chasing last year, we had three of these and each had its own differences that make perhaps one machine, one vendor's machine better than another. Once we went through this we really then challenged ourselves, 'what could we do to try and make a package to make it more attractive for us hopefully financially and hopefully for a vendor.' And so we went back to specific vendors once we had gone through the three projects and culled it, and then went back and said 'What could we do if we gave all three as a package.' Two of these are Quality and PDN and the third one is Kingsbridge (II), recognizing that Kingsbridge (II) is still an opportunity. But we did have very good interest in that idea and through the process actually Vestas came back to us, responded favourably. And for us there are some good cost advantages, but in addition there is just the whole execution advantages both through construction and through operations and maintenance long term to have one vendor. So while we didn't go into it believing that Vestas was going to get everything having them, and the fact that they already have Kingsbridge I, that is very good. But we actually went through a process to get there and that's a process that ultimately will prove of value added to our company.

On project execution, we went through and took all the ways of procedures etc this past year. We worked internally and created one way, the CPC way, for

executing projects both large and small. So going forward we have one way, so internally that is a good way of mitigating risk and managing our projects.

On benchmarking, wherever possible we are benchmarking ourselves and our cost against the industry to ensure we are competitive and to focus on those areas and items where we are not competitive. So we are challenging ourselves to get more competitive.

Catalogue plants, this is a proactive thing we are working on. Not to get into too many details, but what we are doing... opportunities typically come up and they come up quickly through Jim's group. With what we are trying to do with catalogue plants, we are looking at standard configurations for different types of plants, be it peaking or combined-cycle plants, but we are actually spending the resources to model and put together the total cost and scope of these types of plants such that when these opportunities come up we have done it sort of in a modular fashion so we can grab these things and with speed we can put these numbers together such that we can respond to the opportunities with a high degree of confidence and accuracy. That to me is a real proactive thing we are doing so we can respond with a great deal of accuracy.

On value engineering, we have brought in expertise to lead in dry-value engineering. That process isn't just to get us to where we win the work at the approval for expenditure phase. We actually have challenged ourselves and our team to set metrics so that even when these projects are approved we are trying to drive more value out of them, hopefully to bring these things under budget through execution.

On constructability and lessons learned, these are other areas where we are seeing real success. I am going to speak to these in some examples in some further slides and just try to show you the advantages that are coming through this.

And lastly on risk management, the message I want to leave you with here is while we are really driving to get the cost out to become more competitive, we are not taking on any more risks. As a matter of fact we are actually taking on far fewer risks and we also have formalized our processes for how we manage our risk such that through the whole phase of project execution we have control of our total risks. Thank you.

So I just wanted to walk through Quality Wind as an example of where, sort of, this is sort of a new capital power. Quality Wind is a 142 megawatt wind farm. This is an excellent site, but because of its location, the weather, the terrain etc it does have its challenges and some corresponding cost premiums. On Quality we have the opportunity to re-price this because our original proposal was non-competitive. So we actually have some to compare ourselves with, and so on the re-estimate what we did with the new organization is we took control of our own destiny. The key is we really internally established what do we want as owners, not having someone else, a consultant, tell us we took of control of that and then we priced it accordingly and we priced it directly with the contractors.

At the time that we were doing this, I was believing that we had to do it as an EPCM. For those that don't know, that is really where we package things up and we manage it. On the [unauditable] formulas or the process we were using, we would contract our work out on a fixed price basis but we would manage it so there is some risk in that in that we are, as managers, responsible for the interfaces between the various contractors. But upon award, we were actually approached by several EPC contractors. And EPC means that they want to provide it as a single source. I was myself a bit skeptical whether these people could be as competitive, but the market has changed and contractors are looking for work. So we did go out down sort of parallel path. One is continuing on as EPCM, but the other is 'Well, could we do it EPC?' We went through that transparently with all involved contractors, and ultimately we got back results through the EPC process that it is actually very favourable to us and we were able to agree on a lump sum contract with a contractor that hopefully is favourable for him and for us in a win-win situation. The net result of that is we have a fixed price going in now for both the equipment and the execution, so we believe we have a pretty good handle on the costs. We believe we have really mitigated a lot of our risk exposure. For example on risk what I am talking about now is that before interfacing between say roads and access to the foundations or for bringing in equipment from the pads, the foundations and then with the erection of the towers, these things we would have been potentially responsible if things didn't fit or if there were schedules issues etc. Well now that is all in the hands of one contractor, so we have really done a good job in mitigating our risk. Now EPC isn't the panacea for every job, but the market right now is very receptive and we are taking advantage of that. But there are areas where EPCM certainly makes sense.

So actually maybe I missed that, but just on Quality the point on that is that we were able to compare our numbers, before and after. We really did show a huge difference in pricing because of the fact that we ourselves had full control of the scope and with that we are able to win this project. On the update with Quality Wind, all I wanted to say on this particular slide is just that because of the extent of work we did on the front end to secure both our contracts for the supply and for the execution, we feel we are in very good shape for this project. We recently began clearing, and the

geotechnical work, and we worked very closely with our local community and we understand the importance of being a good neighbour. Things are going very well and we see that for 2011 we should be building roads and doing the foundations. And then in 2012 putting up the towers and the turbines with COD in the last quarter of 2012.

Port Dover and Nanticoke, it has presented different challenges to us. Our commercial group under Jim has done a lot of work on rationalizing this farm site with the adjacent wind developers. Before our project was quite scattered and we have now consolidated and been able to bring in our project together and that is really going to help us on the execution side and hopefully I'm sure with the other developers it has improved their projects as well. We have gone through a pre-qual and we have substantial interest from the industry on EPC balance of plants. We've gone through and narrowed it down to a select number and we have actually as of last week officially gone out for tender as EPC. So we are going to follow the same model as Quality Wind. Again the market right now is very receptive to EPC and so we will take advantage of that. We think that that is going to result in it being a very good job for our company. Again, although we are at a later stage we haven't started work. We are still waiting for our approvals because of the location and the climate, this construction period can be compressed and we are still expecting Q4 2012 as our COD.

Houston Biomass, I want to use this as another example of us driving our cost competitiveness. This is a 68 megawatt biomass project located near Houston. It's still an opportunity. We, as most of you know, do operate a similar sized facility in B.C. at William's Lake and the key difference between the two is that on Houston we will be using different boiler technology and on the back end, on the air quality system its more complex on Houston, but otherwise the jobs are pretty similar. So as part of our becoming competitive. there was estimating done 2008 and yes, market conditions have changed and we know those changes, but we are able to take all those pages of information and details from 2008 because a lot of work was done in 2008 and then we have regurgitated but we went through a real process of how could we make this more competitive, how could we win this project.

So we did take charge of the estimate ourselves, we worked through our numbers, we went through some major internal challenges in terms of how could make this project cost effective, how could we win the project. We worked with the plant, we took advantage of our knowledge from the plant, we used information in terms of in situ things from the plant. We have drawings to validate our concept for the new plant, so that gives us some confidence. But we also used operational knowledge in terms of mobile equipment etc to ensure that we have a solid concept. Plus we even took lessons learned from the plant and things they would have liked to have seen as improvements with their facility. So all in all we built that in. We were able to reduce substantially the estimate from 2008, but in addition it wasn't just about cutting cost. We actually added in tens of millions of dollars in on things that were either things that we felt we needed or things where we felt the estimate previously was light. But overall, when we cut through the numbers there was substantial total savings. That made us extremely more competitive and as a result we were highly optimistic that this will be a job that we'll win. We are confident that if we win it we will be able to execute it very well.

On Keephills 3, I think some of you I recognize from our tour in July. We are nearing completion. Keephills 3 is the same size of plant as Genesee 3; both are using Hitachi equipment for the power island and that is the supercritical boiler technology and the high efficiency steam turbine. K3 does have a bit larger scope in that there are some items for example, like the mine capital, but essentaily they are the same plants. On the construction side we are basically complete with the exception of some piping insulation and cladding, that is insulation and cladding only. So we are just finishing that up, but we are basically full steam into the commissioning mode. I have noted here December 10th and that date is still holding. We expect tomorrow to be igniting our burners and that is a major milestone for commissioning. In February we will be going through and synchronizing, which means we are on the grid at that point. Although there is still work to be done to get to COD, we will be actually generating revenue. So everything is looking good for Keephills.

I haven't commented today yet on safety, but I would like to mention that our company and my group is committed and focused on safety. We are proud of our achievements, our accomplishments on Keephills 3, the entire team including our contractors, our workforce, with our results. On the safety side our incident ratio is less than half of what G3 was and G3 was pretty good in its own right. We are just now passing 2.5 million man hours without a lost time incident, which we think is pretty remarkable, so the guys have done very well in that regard.

So key takeaways. We believe that with the construction team we have, we are beginning to provide Capital Power with a real competitive edge and the confidence that any growth done through new projects will be done effectively and successfully. We know we have reduced our cost structure, but we also know that we haven't increased whatsoever our risk profile. We can be much more selective at what we pursue knowing that our success rates will be higher. And while these are very early days in our new projects, all indications are extremely positive that

these new projects will be completed within our budgets. Thank you for your attention and I will pass it over to Stuart.

Stuart. Lee:
Thanks, Darcy. As Darcy mentioned, I'm Stuart Lee, Senior Vice President, CFO. I have about twenty-four years of financial reporting and reporting experience, the last seven with Capital Power and with EPCOR. Firstly as Controller starting in 2003. I moved on to CFO of Capital Power Income LP in 2005 and over the last year and a half in my current position. Next slide.

Talking about financial strategy, for those of you who were here last year you will have heard a very consistent message and quite frankly for those of you here next year, I think you will likely hear the same message. Our financial strategy is really built on stability and ensuring that we are investment grade, BBB credit rating with access to the debt market through all the different economic cycles. And with that also is stability of dividends and growth over time. As we touch on and look at our cash flow metrics, you will get very comfortable as we are with the stability of our dividend and ability to grow it over time.

Jim touched on some of the principles we have at looking at acquisitions and development projects. We have a very disciplined approach on how we look at growth. We do have specific target rates for our returns, looking at 11% for uncontracted or merchant opportunities and 9% for contracted assets. Having said that, we do expect that we could be on the plus or minus side of those particular targets and a lot of that is going to be driven by the cost of capital at the particular time that we are looking at those projects, as well as the specific risk on those projects. But fundamental to all those projects is accretion, ensuring that they are accretive to EPS and we would expect that accretion within the first two years of the projects.

We are very effective at managing commodity, foreign exchange and interest rate risks. As Jim mentioned, we have a long history of managing commodity risk within particularly the Alberta marketplace as well as other markets in North America. Foreign exchange, while there is not a large foreign exchange risk associated with the assets that we have in Capital Power Corp. We have managed a fairly significant foreign exchange risk in Capital Power Income LP over the last five years since we have been Manager and have managed that very effectively. In addition to that we ongoing manage our interest rate risk. In a couple of slides I'll talk on liquidity. We do have $1.2 billion in credit facilities, largely all available to us. So we have excellent liquidity as well as well spread out debt maturities. The final point on this slide is just looking at some financial flexibility. Last year when I was speaking to this group we talked about the fact we had financial flexibility to put in hybrid instruments into our financial structure, particularly preferreds.

I think you would have seen the announcement last week that in fact we had executed on that and continue to have capacity to add to that as we move forward. The net net of all this is that we do intend to provide that stability and really looking to maintain ongoing access to cost competitive capital throughout the various business cycles. We invest in forty year assets or longer and we expect to be competitive through all those cycles. In an overheated market there will be times when we won't be the most competitive cost of capital, and there will be other times when cost of capital is very expensive, that we expect that we will be very competitive. But, through all the cycles we expect that we will be able to execute on our growth platform based on that strategy. Next slide.

If you look at our financial ratio targets, again very consistent to what we had outlined last year. A Debt to Cap ratio in the 40-50% range. We would expect to be in the middle of that range over the longer term. As we get into heavy development periods, we may be pushing to the upper end of that limit. As you will note on a de-consolidated basis we are currently at 35% so we certainly have capacity to look at taking on some additional leverage, but as you look at our development pipeline that Jim went through, you will appreciate that there is significant capital spend and we do anticipate using some of our balance sheet capacity to help fund some of those projects. FFO to Debt, looking at Funds From Operations, again a target minimum of 20%. If you look at the trailing 12 month period we are at 24%. And again, in pretty tough economic times if you look at the commodity cycle run today and if you look at the amount of capital that we have currently invested in capital projects generating the type of cash flow that we are from our existing capital structure, again doing quite well on that metric.

Dividends, we haven't had a specific policy with respect to dividends. Expect that over the course of the next year or so we will get into more discussions around setting specific guidelines. But over the long term, certainly when we came out on the IPO our view was that we were looking for 60-70% payout ratio based on earnings. That is very consistent you will see on the Canadian peer group. If you look at the trailing-twelve months we are about 82%, again bottom of the commodity cycle and in fairly tough economic times still close to that range. Finally operating margin split, we have been pretty clear to the market that we expect to maintain a good balance between long-term contracted assets and merchant assets. Those contract cash flows provide the stability to ensure we meet our dividend requirements and fund ongoing operations and then the upside from the merchant facilities. Next slide.

Just want to talk a bit about cash flow. We are quite proud of the type of assets we have and the significant amount of cash flow these assets generate. If you look at our Funds From Operations, if you look at the pie chart up here, about $256 million of a twelve month trailing cash flow and if you look at how that is put to work, about $99 million in dividends. If you look at capex between maintenance capex and others about $28 million, which leaves $129 million of additional cash flow; discretionary cash flow that is being reinvested in the business. What I point out from that is we are at the bottom of the commodity cycle generating that type of discretionary cash flow. And in addition to that, almost 25% of our capital is currently tied up in Keephills. As that project comes on line, as we start to see recovery in the commodity markets, there is a significant upside to the cash flow generation of this business. If you look at our dividend coverage ratio again, looking at our dividend verses Funds From Operations, we have about a 2.6 coverage ratio. And again as I talk about stability and dividend, my comfort level is really measured against that type of ratio where we are generating significant excess cash flow to cover that. Next slide.

Talk about strong financial base to build from. Again, Debt to Capital Ratio of 35% on an unconsolidated basis. So our ability to continue to fund the development projects that we have in the hopper. We have filed base shelf prospectuses early this year for $1 billion of equity and $1 billion of debt. Recently we used $300 million of the debt capacity under that shelf with a MTN and that was launched in November, a very successful deal for ten year money at an attractive long-term rate of 5.27%. In addition to that as I mentioned, we launched the preferred offering last week of $125 million. That was a very successful deal, 4.6%, very attractive long-term money. You will have also recently seen EPCOR came with asecondary last week. Again, a very successful outing of $200 million. As we look at it, it certainly will be helpful from our perspective in increasing liquidity in the marketplace and it gets us very close if not into the S&P/TSX Composite Index next year. So if it's not on this particular offering, then certainly it will be on the next one. That is good news as well. Next slide.

We talked about credit facilities. $1.2 billion in credit facilities after the preferred offering about $900 million is available to us currently. Those facilities were recently extended this past summer. We went from two year credit facilities to three year credit facilities. In addition to that, if you look at our debt maturity profile; well spread out debt, particularly with the recent MTN it spreads out the debt maturities in a nice even profile with no significant re-financing risk. Certainly as we look at, I think Brian mentioned the asset base and the fact that our average assets are thirteen years old. We do think there is a significant ability to certainly extend that debt maturity profile over time given the long life of the assets that we have. Next slide.

Financing growth strategy. Jim mentioned the fact we do have, particularly for 2011, a $1.5 billion growth objective for committed projects. We have been pretty clear that as we look at acquisitions we will continue to fund with an appropriate mix of debt and equity. And I know certainly on the Island acquisition some comment about you have balance sheet capacity, why not use it on this acquisition? We have been fairly clear with the market that we will look at using both debt and equity on acquisitions and reserve some capacity as our development pipeline and ensuring we have appropriate capacity to fund the development pipeline, particularly through the development phases. So on development side, I expect that we will finance those with short-term debt as they are in construction with permanent financing put in place, whether it be debt and equity just prior to or during the first year of operations. Certainly as we look at our overall funding requirements, a lot of time and effort goes into to looking at capital structure, cost, tax effectiveness and impact on credit ratings. Next slide.

Looking at 2011 and looking at our capex program for 2011, maybe just first of all touching on the right hand part of that slide looking at growth capex. Growth capex next year, a little bit work left on Keephills 3 next year. Largely that project, as far as funding, will have been largely funded by the end of this year. Total project cost on our half is $955 million with just a little left to spend next year. Quality Wind and Port Dover, those projects go to the end of 2012. Expect a little bit under half of our total project costs on those to be spent next year with a balance in 2012. On the sustaining capex, maintenance capex and mine capex pretty consistent year over year, just under $40 million of capex there. I would point out two more non-recurring items both in Information Technology and Other Capital spending. On the Information Technology side, we are putting in a new energy trading and risk management system. Our existing system is over ten years old. Particularly as we look into new markets in the US and managing those positions, we expect to put about $9 million into that specific system. In addition, our leases for office space in both Edmonton and Calgary expire in 2011. Those are ten year leases so we have leasehold improvements for both offices in 2011, and that is what is driving up Other. Next slide.

Jim touched on our Alberta power price sensitivity and talked about our hedge position 2011, 12 and 13. This slide just highlights the sensitivity that comes out of that with respect to our position. For 2011, relatively modest exposure to power price movements in the province, about plus or minus $2 million in operating margins for every dollar change in the Alberta power price. As the open position increases in 2012 and 2013

as you would expect you see increasing sensitivity around potential price movements. Next slide.

As we look at the financial outlook, again a view that 2011 is likely to be another challenging year on the commodity side. Our views on the Alberta power market aren't considerably different than what we are seeing on the forward market right now. Expect that 2010 and 2011 are likely the bottom of the commodity cycle, particularly in Alberta for power prices. We do expect that we will see recovery in 2012 and certainly if you look at the forward markets in 2012, prices that we would expect to see exceeded going into 2012 we do think there is not a lot of liquidity on that time frame and our internal view certainly would be on the upside of where forwards is at today.

The announced acquisitions and development projects in 2010 all have long-term contracts associated with it. It certainly brings us back into balance as you look at Keephills coming online, which is merchant. As we go into 2012 we will rebalance that portfolio with that 50/50 long-term split and certainly as we look at those projects, great credit counterparties, very long-term contracts and its further proof of us sticking to our strategy and executing against it. And fundamental to all of this again is maintenance of the investment grade credit rating and ensuring the stability of the dividend for the long term. Next slide.

As we look at the financial outlook for 2011 versus 2012, as we mentioned in the press release we will be providing more guidance in January; specifically what our earnings outlook looks like and cash flow outlooks like for 2011. But a couple high level things to just comment on. One is as Graham talked to, we do have one outage at our Genesee facilities next year versus two in 2010. Do expect Keephills 3 to subsequently add to our cash flow when it comes online in Q2 2011. As we mentioned 65% of our commercial portfolio is currently hedged in the mid-$60 range and we do expect a full year of operations from Island Generation, which as we commented on in the Q3 MD&A it is expected to generate an operating margin of $24-28 million in 2011. Clover Bar Energy Centre, we will comment on that. Effectively we expect full year availability. In 2010 we are fortunate even though we had a six month outage, insurance proceeds covered most of that outage. There was a forty-five day period that we didn't have coverage, but the balance of it was largely covered through insurance. Next slide.

The next there or four slides just a high level discussion on IFRS. A couple of my colleagues have suggested that I move through these slides very fast at lest I put people to sleep. Having said that I will provide a little bit of a warning that they may cause a little bit of drowsiness and you should not operate heavy machinery afterwards. For those of you who are accountants in the crowd, the next five minutes are going to be riveting so stay on the edge of your seat.

So just a couple of key changes on Canadian GAAP to IFRS. Again the capital numbers I supplied on maintenance capex for instance, those will change. Those were Canadian GAAP numbers, those will change under IFRS so just a highlight on that. In particular, if you look at major inspection and overhaul costs those will be capitalized and amortized over the next inspection period. So for instance if you look at 2010 we had about $12 million worth of maintenance expenses that were expensed through the income statement on G2 and about a $7 or $8 million on G3. In the future periods most of that is going to be an overhaul cost. It will be capitalized, it will be depreciated over the time of the overhaul, which is about two years. So what you will see is you are going to see increased depreciation from that and lower maintenance costs, and that changes the nature of the way it is reported, particularly on the cash flow statement. So you will see Funds From Operation for us likely move up a little bit and obviously depreciation as well. That's going to change from issuer to issuer, everybody has little bit different policies with respect to capitalization. A lot of that under Canadian GAAP, that discretion around how that is capitalized is gone and so you will see relatively consistent practices going forward on how different reporting issuers look at that.

The other thing is depreciation is calculated on component basis, so we have had to look at specific components of each one of our facilities and depreciate on a component basis. That is going to lead to slightly higher depreciation, not materially higher but slightly higher depreciation for us.

Leases, particularly as you look at your PPAs, had to review all our PPAs to see if they are leases. We have re-evaluated a number of our PPAs and determined that they are operating leases. That is not going to have a significant financial statement impact. No significant difference in revenue recognition or the way they are described on the balance sheet. The only PPA that was determined to be a capital lease was Kingsbridge. So what generally happens, again, not a huge impact on the revenue side, but on the balance sheet it will move from PP&E to a long-term lease receivable. Next slide.

After retirement obligations, IFRS requires re-measurement at each reporting period so as discount rates change you are going to see a lot more variation in the income statement related to those changes flowing through into the numbers, which you wouldn't have seen under Canadian GAAP. The other thing fairly significant for us is the liability doesn't have to be measured using third party costs. That is in particular important for the mining operation. Historically what has happened is we had to accrue the obligation

based on what we would expect a third party would charge to actually do the reclamation process and accrue on that basis, whereas in fact we do that remediation internally and at significantly lower cost to what a third party would charge. Therefore, the actual liability has been considerably less than what we have accrued and so what ends up happening is we accrue a larger AR than is required and then reversing it as the actual reclamation takes place. So folks in the mining side who have significant mining portions of their operations, I think we will see some changes associated with that.

The biggest single change I would suggest under IFRS is going to be asset impairment. In the past it has been a two step test. For Canadian GAAP one, you look at the undiscounted cash flows and if you fail that test you go to a fair value test. In IFRS you are going to go to a single fair value test immediately, which is going to result in more impairment. For long-term contracted assets, not going to be a big issue, you are not going to see big changes in fair value year to year. But, particularly for folks who have long-term assets that have significant commodity exposure as long-term commodity forecasts change, it is going to give rise to impairments and subsequently potentially the write-ups. So a lot of volatility coming through the financial statements associated with this, particularly folks with commodity exposure. Assets are going to be tested to cash generating unit. For us that is primarily on a facility by facility basis, with the exception of the Alberta commercial portfolio which we lump in and manage as a portfolio and therefore it will be tested on a portfolio basis. Next slide.

Business combinations. Primary changes are non-controlling interest. Obviously we have a fairly significant non-controlling interest. Will be recorded at fair value of the assets acquired. Traditionally the non-controlling asset would have been recorded at cost and again as I mentioned, we have a significant NCI component on our balance sheets so that is a change. IFRS does not permit the capitalization of acquisition costs. So for instance on things like Island Cogen typically we would have capitalized the acquisition costs, those will be expensed going forward.

Non-controlling interest. I know certainly a lot of the analysts, the non-controlling interest calculation as you look at fully diluted EPS, its given people fits. If you thought it was complicated now, wait until IFRS. We are still working through that with our auditors and some of the issues associated with that. But, it is not going to get any easier. And then on financial statements, a fairly consistent presentation. There are going to be some changes and I will touch on those in the next slide. But under IFRS expenses can either be disclosed on nature or function. We've have chosen the nature and so on the next slide, if you will just move to that...

Just highlighting how the income statement will flow. You will see revenues versus basically your energy costs, getting a gross profit number and then you've got a series of expenses that have to be categorized by their actual nature. Currently how we would split it out is we would take the staff cost, the specific cost at the plant level to come down to an operating margin determination. Instead of being able to split those out, with what the staff costs are at the plant level versus what the indirect admin is, we effectively have to lump those together to come up with the staff cost overall. You come down to an operating profit number. So there will be a change in how that is presented, and obviously I will be working with folks through the course of early part of next year as we get more information on IFRS, finalize our opening balance sheet and numbers, work through the modelling and how those need to be changed. Next slide.

So Darcy, you can open your eyes now. Key takeaways, again, consistent financial strategy aligned with growth strategy. We continue to maintain a very strong financial base with disciplined balance sheet metrics, excellent operating liquidity and strong cash flow generation. As we talk through and you look through Jim's development pipeline I think we are in an excellent position to finance that growth and certainly finance that growth without stretching ourselves as an organization. If you look at our cash flow outlook, again very strong existing cash flow and only upside from here. If you look at the incremental cash flow coming from new projects as well as increased cash flow, as you see recovery in power prices. And with that I will turn it back to Brian.

Brian Vaasjo:
Thank you, Stuart. As this slide says, 'building momentum'. Actually we had a pretty good momentum going till we hit IFRS and then I think we hit the ditch a little bit. But before I get into talking about where we see our objectives and how we performed in 2010 and move on to 2011, I do want to talk a little bit about momentum and I do want to talk a little bit about what at least I perceive as somewhat of an increasing, I will call it, velocity in the company.

You have heard Graham talking about what we are doing on the operating side. You have heard him talk about how we are trying to understand our plants better than they have been understood before and being able to, with that knowledge, operate them much better than they have. And again, we have an outstanding operating record and we are looking at making that more. Although, when you talk about technology, you somewhat wonder is it just more dollars being spent to get more refined information. We had an issue out at Genesee that was reoccurring. Any time operations seemed to be a little bit off it was always 'Well, there's a coal quality' and then go pound

on the mine that the coal they were getting wasn't properly mixed or too moist or whatever. Well about two thirds of that excuse has gone away, because we now understand the plant a lot better than we did before. When they start seeing being something a little bit off, the automatic answer isn't its coal quality; they know what the answer is and they go and tune whatever part or portion of the plant it is.

And then you heard Darcy talking about significantly moving us ahead in terms of the way we approach capital projects and the way in which we are going to deliver capital projects. A very, very significant step forward in the organization.

And you heard Jim talking about what we are doing on the commodity side and Stuart alluded to we are going to be spending $10 million in that area over the next eighteen months to not only improve the processes and gain some efficiencies, but actually to mine much, much better information that we can get out of not only the Alberta market, but the California market and any place else where we will be having merchant operations.

So you can see there is a significant change in the organization, there is a significant increase in velocity and I am sure in your mind there is starting evolve 'Well there must be huge costs and huge increases in staff and so on associated with it.' And that's actually not true at all. When we came out with the IPO we talked about a staff of about eleven hundred people; right now we are a little bit under that. As we forecast through the year, depending on if we add plants that obviously increases the number of people in the organization, but we would expect in 2011 to close somewhere in and around eleven hundred people still. We are significantly changing people's jobs and what they are doing; we are not adding people and adding costs. There are significant, significant changes going on in the organization that is allowing us to do much better, much smarter work as opposed to just spending money and paying for a consultant. So huge, huge steps forward. Externally that you see, but even larger steps forward internally that will allow us to move forward in a very, very significant way without significantly increasing our internal costs. So with that, if I could move to the next slide.

The investment highlight summary, I think many of you have seen this a number of times over the last eighteen months and it hasn't changed. The story is excellent, excellent assets. A commitment to a financial strategy that will give us continuous access to capital which in turn allows us to deliver on the growth profile of the company. So it is not a new story, it is what we have said over and over again. We are delivering on the strategy and all elements of that circle. If I can move to the next slide.

I would like to briefly just recap 2010 performance highlights. Around growth, we have committed about a billion dollars as a result of our work this year, 522 megawatts of projects that meet or exceed our targets around rates of returns. The discipline we have talked to many of you about, those opportunities have all met that or exceeded the elements of that discipline. Keephills 3 continues to be on track, both in terms of timing and in terms of budget. As Darcy alluded to, the financial performance or the construction performance on that site is significantly better than what you could normally expect in the province of Alberta. And then planning and construction, both in terms of Ontario and BC, in terms of the wind projects that we have actually underway and as well as those projects that we anticipate may come to fruition in 2011.

Looking at operations, again as Graham went through in significant detail the story around Clover Bar, absent that our availability would have been significantly higher than it was in 2010. Having said that, the Clover Bar units have been performing exceptionally well through the later part of 2010.

From a financial perspective, certainly we continue to be on track in terms of our EPS guidance. In fact, we are believing we will probably exceed those expectations. Discretionary cash flow again 50% of the cash flow of the organization is discretionary and goes to such things as growth objectives. A dividend coverage ratio of 2.6 times. Certainly we anticipate in the future that that should be getting stronger. In terms of 2010, Total Shareholder Return, we are tracking pretty close to our peer group at the end of November. That is one thing we have set out as a broad goal; to continually year over year be above the median of our peer group. If I could turn to the next slide please.

As we announced this morning in the news release, Graham Brown who you had the pleasure of listening to this morning and last year, is retiring after a very illustrious thirty-five year career, and Graham is not going completely away; he is going to stick around the company a little bit and we will be able to tap into his years of experience and expertise. He will be replaced by Jim Oosterbaan who again, you heard from this morning, who will move over from the Commercial and Commodity Portfolio Management to Operations. And Jim will retain the Commodity Portfolio Management as part of Operations.

Taking Jim's place on the commercial and on the business development side is Bryan DeNeve, a long-term EPCOR and now Capital Power employee who has been responsible for Business Development on both sides of the border. Maybe Bryan if you could stand up, so you will recognize him next year when he is here telling you about all the great things he achieved in 2011.

And we have had a couple other switches in the organization and these have nothing to do with Graham's retirement. One of the things we are committed to is a strong succession planning process and it actually goes much deeper into the organization in terms of career development, all the way down to at least the top 25% of the people in the organization. So a very significant commitment and as part of the Robert Brassard who is our Senior Vice President of Planning and Information Technology will be moving to actually a Vice President of Canadian plant Operations. Moving into his role will be Allan Danroth who is now currently the Senior Vice President of Genesee Operations. So we are moving some people around to provide them some depth of opportunity and certainly prepare them for future challenges at the organization. Next slide please.

We have posted, as many organizations do, a number of key performance indicators and I don't think this list is a surprise to you and the list is the same as it would have been last year. One thing that is happening though is that as part of the internal work we are doing, we are aligning a lot more people's perspectives, people's objectives and certainly in many cases their compensation to a number of these performance measures in a very visible and clear way. You can expect that on a person by person basis there will be increasing performance across the organization. Next slide please.

So turning to the 2011 corporate priorities, as many of you know we do every year publish what our priorities are and each quarter we will come back to speak to how we are doing vis a vis these priorities. So in terms of our operational targets and as we have commented on a couple of times, to meet or exceed a 74% [meant to say 94%] availability. Again, this incorporates a one Genesee turnaround planned for 2011. At this point we absolutely believe we will meet or exceed that objective. Maintenance capital, less than or equal to $40 million. Again, that is a target and just to put some colour around it, we will work hard to meet that target but we won't sacrifice what is happening with any of our plants in terms of ensuring they are properly maintained. So if we do run into situations such as if the Genesee turn around, we get in there and there are significant other things that we need to deal with like Graham was describing, we'll absolutely deal with them and we may not meet that maintenance capital target, although we do have some flexibility with that budget in other areas. But those are the kinds of things that we will do to try and meet those kinds of targets, but again we won't sacrifice the units just in order to meet a one year target. If I could move to the next slide, please.

Looking at the development and construction targets. As we have talked a couple of times this morning already, we have got a $1.5 billion capital committed to our target for acquisitions and development. As I have stated here, they are in line with our target rates of return and also following the discipline we have talked to you about in the last eighteen months. And much like last year's target of half a billion dollars, I have to underscore this, in many of the conversations we have had with you as individuals, we have talked about what our expectations are around acquisitions and so on. If we come back, if we are standing here a year from now and we have done zero commitments of capital, it won't be because we haven't performed. It won't be because we don't have a healthy, healthy funnel of opportunities that we are looking at. It will be zero because there wasn't the right opportunities or the right projects that met our criteria. When you look at the $1.5 billion, we are not going to be driven to that. We are not going to be in a situation when mid-year if we are sitting at zero that we will relax our standards, that we will lower our rates of return expectations just so we can bring in $1.5 billion. This more reflects a view that given the organization, given our financial capability, given what we see there in our target markets, we believe that is something we can achieve through the year. But again, if we are here in a year and we are at zero we won't be apologizing for that. This is good, prudent solid growth, the kinds of the projects that you have seen. I mean certainly we expected to maybe have some success on the merchant side in one of the new markets, but absolutely it has to meet our criteria around rates of return, around types of facilities and around where they are situated in their respective markets. Again, we will talk to you about where we are on that target quarter after quarter, but again, don't take it as the kind of target that we will do many things to try and achieve. If it's not there, it's not there. If it's there, if the right opportunities are there for Capital Power and our shareholders we will execute on them.

And of course Keephills, as Darcy had described, continues to be on budget and on track for COD for Q2 2011. And of course, we do want to and will keep Quality Wind and Port Dover and Nanticoke projects on track, both in terms of timing and in terms of budget expectations. Certainly when you look at that overall and what we have done through 2010, you can see that we certainly are on track of meeting our 10,000 megawatts by 2020. Next slide please.

So then looking at our financial targets and expectations, I think as you all know we are active in the market today which precludes us from providing any material information in respect of 2011, so when we get clear in January we will come back. I haven't quite sorted out how we will come back in terms of providing some guidance in terms of our EPS and Funds From Operations for 2011. Overall investment performance, as I said earlier we do track ourselves in terms of Total Shareholder Return and in terms of wanting to exceed or meet the median of our peer

group. At the end of November total shareholder return was 18.6% which is close to the peer group average of 20.1%. So from our standpoint, pretty strong returns. I think if you follow that calculation there is a pretty tight group in there in that range, and for most of the last six months we have been significantly above the peer group. So it moves around quite a bit, but we are certainly in the zone where we expected to be. So moving to the last slide, questions and answers. Thank you.

Randy Mah:
Thanks, Brian. We are actually right on schedule. So because this is being webcast, if we can ask you to ask you to ask your question using the cordless mike, there are a couple in the room so just raise your hand they will come to you.

Neil Mehta, Goldman Sachs:
I get the sense it's because it's at the bottom of the commodity cycle, and if that's case is there an opportunity to be opportunistic to make 2012/2013 more unhedged than you historically would have to take advantage of some of that upside?

Jim Oosterbaan:
Well certainly the opportunity is there, but I think where we always have a fairly conservative value at risk type of limit structure that we have in place and we will continue to leave in place, so we will always look at what that limit structure is telling us against what our commodity outlook would be and then I think we will govern ourselves accordingly. It is hard to predict at this point what would be, but generally what you find over time, as we move through time, that we will end up being more hedged as move into the current year than we would be. I would never envision us having limits that will always be fully open coming into the current year, they are not structured that way and certainly not something we would support.

Randy Mah:
Next question?

Robert Kwan, RBC Capital Markets:
Just following up on that hedging, looking at [unauditable] the view is that pricing can be right on top of the curve. Would you technically hedge out?

Jim Oosterbaan:
Sorry, can you repeat just the last part of that question?

Robert Kwan, RBC Capital Markets:
If your view is similar to the eleven curve, would you expect to be adding hedges from here?

Jim Oosterbaan:
Adding to what we have right now? Not at this point, no.

Robert Kwan, RBC Capital Markets:
And then as you look out further, you said you expect higher than twelve, given where the curve is would you wait a little bit more on timing than you might otherwise? Just given the curve always does seem to track where spot markets are?

Jim Oosterbaan:
Well I think we will do what fiscally prudent. I think if you follow the Alberta market, sometimes their heat rates can blow out suddenly and significantly for short periods of time. Some of that does ripple through into various term structures that are traded in Alberta. So that is also part of the equation. I think we would certainly try and do what is fiscally prudent though.

Robert Kwan, RBC Capital Markets:
Thank you.

Linda Ezergailis, TD Newcrest
Linda Ezergailis, TD Newcrest. This is a question for Darcy. It is great to hear that the EPC market is very receptive to low prices for you, but does that really reduce or eliminate the risk to Capital Power if EPC contractors are really taking on increasing price risk and maybe less contingencies in their costing plans? Like how do you score EPC providers in terms of, do they give you some comfort around their track record of them performing at or below their budgets and how do you score them on size and financial strength and diversity of operations so you are not ultimately exposed if they don't perform?

Darcy Trufyn:
That's about ten questions, but all very good questions. So one of the things that I mentioned, we actually do know our own cost structure. So having that knowledge obviously we are better able to understand what we are getting from EPC contractor and obviously we wouldn't accept something that didn't make sense. It doesn't help us to knock the contractor. We do take certain securities as part of work, so for example performance bonding is part of that requirement. I mentioned earlier on PDN as an example, we did go through a pre-qual process. So what we are trying to do is separate and make sure that those pursuing the work are in fact very capable and confident and that is what we have done. So we know that what we are going to now in this case is four bidders, but they are very, very solid contractors and they know their work and they have certainly demonstrated that to us in their submissions and we feel very confident with them. As I mentioned earlier, there are advantages and disadvantages with both EPCM and EPC. An EPC contractor does have some internal advantages, and so that does lower his cost structure versus if I am going out and separately tendering and awarding work as an EPCM, on an EPCM basis. So there are gives and takes on both, but

we know that we understand that and we are very confident that what we are doing is right. When I say we are taking advantage of the market, it is more about fees and expectations that it is anything else. Today's market, if you don't have any work you are prepared to work for a little bit less than you would in a buoyant market.

Linda Ezergailis, TD Newcrest
And what sort of penalties, if any, do you bake in if they are late for instance?

Darcy Trufyn:
We do have with both our equipment suppliers and our contractors liabilities baked into the contract. I won't get into the details but we do have protection. Okay.

Matthew Kolodzie, RBC Capital Markets:
Matthew Kolodzie, RBC, Capital Markets. Stuart with the targets you mentioned on debt to capital and use of preferred, what is the maximum target for preferreds in your capital structure and what assumptions are you using for equity treatment? Each of the agencies look at it a little differently?

Stuart Lee:
As far as you mentioned Matthew, I think you will a little bit of difference between S&P and DBRS. Overall we would be looking at perhaps maximum at in around $400 million, and again it really depends on the size of the overall capital structure. So as we grow as an organization, I believe there is going to increased capacity to add to that that is based on existing balance sheet today. The type of equity treatment, it differs. So, if you look at the five year rate reset, which is what we used here and traditionally what you are seeing a lot in the marketplace today, and again I will qualify a little bit because depending on the balance sheet metrics of a particular issuer it can be different, but for us really about a 50/50 from S&P and DBRS, 70% or higher. And like I said, qualify it a bit because you have to look at the balance sheet and how much of the capital structure that in fact forms.

Matthew Kolodzie, RBC Capital Markets:
Okay, but you said $400 million. Do you have a percentage target of 10% of your capital structure maximum?

Stuart Lee:
Probably about 15% would be the maximum capital structure. I think if we look at it either on total capital structure or 20% of equity.

Matthew Kolodzie, RBC Capital Markets:
Okay, thanks.

Juan Plessis, Canaccord Genuity:
Thanks, Juan Plessis, Canaccord Genuity. One of your financial ratio targets was for an operating margin split of 50% contracts and 50% merchant. Given you can't really time really good acquisition opportunities, how far outside of that would you be willing to take either for merchant or for contracted for the right opportunity?

Stuart Lee:
You will see us go through cycles, Juan, so certainly as Keephills comes online you will see us fall below that metric as the two wind projects, which are long-term contracts, come back online, you will see us pop back up to that average. So there will be timing differences around that metric, and that is our long-term expected average. And I expect there are going to be deviations over a one to two year period as we are going through different development cycles. As a specific target on a short-term basis, we haven't set a specific limit on a short term. Again over long term, expect to be around 50%. Could it be 45% or a little bit under that? Certainly it could be, it could be into the low forties. But, our expectation is that we will continue to bring that back as we bring on contracted assets particularly through the development cycle.

Juan Plessis, Canaccord Genuity:
Okay, thank you.

Randy Mah:
Any other questions? Nothing? Up at the front here.

Neil Mehta, Goldman Sachs:
Neil Mehta, Goldman Sachs. So the CPILP assets which as on the market, why is Capital Power not aggressively pursuing those assets? Is it geography or is it something else?

Brian Vaasjo:
Certainly we have made it clear that regardless of the outcome of the strategic review at this point that if it turned out to be the assets were available for sale, we made it clear to the market that we wouldn't be pursuing those assets. There is a number of reasons behind that. When you look at the sizes of opportunities we are looking at, they tend to be in hundreds of millions of dollars and certainly the assets you are managing after from that standpoint are in that order of magnitude. Our investment today on average in each of the LP assets, given that there is twenty of them, is about $15 million. Even if you had all of it, it means each asset on average is less than $100 million, so for us to manage it, an organization that has large assets and also has a significant number of smaller assets, makes it quite difficult from certainly an operating standpoint. The other issue is geographically if you look at the areas that we are interested in and where there are opportunities for contracted assets within the map we have shown you, there are certainly assets that wouldn't necessarily fit within that fleet on a go forward basis. So there tends to be a number of reasons why in the longer term although that is a wonderful group of assets, wonderfully contracted

facilities and certainly a great platform for growth, it is just relatively inconsistent with where Capital Power is going in the future.

Robert Kwan, RBC Capital Markets:
Robert Kwan, RBC Capital Markets. Just first when you are looking at new projects and you are looking at your rates of return, if you are looking at say 9% unlevered after tax from the contracted assets, what portion of that return are you looking at being generated from the contract and what portion would you be comfortable being generated from the terminal value assumption?

Jim Oosterbaan:
Well generally all that comes from the contract. We don't spend a lot of time looking at the terminal value. Another standard, we consider long term to be anything that is a term greater than five years as well.

Robert Kwan, RBC Capital Markets:
And just the other question I had is on dividends, especially where there is the change to IFRS. If you are talking about modest dividend growth over time, what types of things would you want to be seeing? Is it a pick-up in earnings? Or for example with K3 coming on, it is going to generate some cash, but not necessarily anything in the way of earnings. What should be looking for in terms of potential markers for you to be thinking about moving the dividend forward?

Stuart Lee:
Very good question, Robert. It's one actually that we are going to be sitting down and discussing with our board. Particularly in light what is happening with IFRS, I expect it is going to be more of a concentration on cash flow and looking at cash flow metrics and setting the dividend around long-term expectations around cash flow. As far as the market goes, clearly we are at the bottom of the economic cycle, wouldn't be looking to do anything in the immediate future. But as we see one, some of our projects coming online and secondly a pick up in the commodity prices, we would expect longer term and then certainly we will have capacity to look at increases over time.

Robert Kwan, RBC Capital Markets:
Thank you.

Linda Ezergailis, TD Newcrest
Thanks, Linda Ezergailis again. In terms of acquisitions, what would be the maximum size of a single acquisition that you would be comfortable with?

Jim Oosterbaan:
That is a good question and a timely one. I think that depends on the receptivity of capital markets. We are using sort of a thumbnail, probably somewhere between $800 million to a billion dollars that we would be prepared to finance on our own.

Linda Ezergailis, TD Newcrest
And would you exchange shares potentially if it was a corporate type transaction or would it be a cash transaction?

Jim Oosterbaan:
I think either option is available. Certainly we would consider both, it will depend on the acquisition target.

Randy Mah:
Any other questions? Last chance for anything on IFRS.

Randy Mah:
Okay, I'll turn it back to you, Brian, for closing remarks.

Brian Vaasjo:
Thank you very much, Randy. Well I know this morning we haven't had any great news in terms of significant things happening, other than we have absolutely delivered on 2010 from our perspective and certainly have a very positive outlook towards 2011 and what we think we will be able to achieve there.

One of the element when you look out over the landscape and our business, the power generation business, whether it be looking at acquisitions or you are looking at power prices in the various markets where we are at, there are significant amounts of dynamics that are taking place and there are significant changes and certainly some significant potential changes.

One of the things that we very much try to do is manage through and look at the possibilities of what can be happening and what happens when our outlook changes significantly as it relates to power prices going forward and what do we in respect to risk profiles, or what do we do around acquisitions and objectives like $1.5 billion. One of the elements that we really look to and is very strong within our organization, is we look at things systematically over the longer term. Taking a significant commodity position for a one quarter gain tends not to be something that we would not necessarily do. Certainly we may bias ourselves a little bit in that direction, but as an organization you will see and we have demonstrated we are looking for long-term creation of shareholder value and even more importantly the maintenance of that value over the long term. I hope what we have been able to share with you today supports that perspective, supports your confidence in Capital Power as an organization that delivers on what it promises and ensures that it doesn't take actions that threaten the whole organization or even significantly threaten the organization, but continues to have a very solid perspective on what it needs to deliver in the short term and the long term. So again, thank you very much for joining us this morning. We very much appreciate your interest again

today and certainly in Capital Power. Hopefully we will together have a very profitable and value-creating future. Thank you very much.

END OF PRESENTATION