

Capital Power
First Quarter 2023 Results Conference Call
May 1, 2023

Corporate Participants

Brian Vaasjo

President and Chief Executive Officer (outgoing)

Avik Dey

President and Chief Executive Officer (incoming)

Sandra Haskins

Senior Vice President, Finance
Chief Financial Officer

Randy Mah

Director, Investor Relations

Conference Call Participants

Mark Jarvi

CIBC World Markets

Robert Hope

Scotiabank

Maurice Choy

RBC Capital Markets

John Mould

TD Cowen

Ben Pham

BMO Capital Markets

Andrew Kuske

Credit Suisse

Naji Baydoun

Industrial Alliance Securities

David Quezada

Raymond James

Patrick Kenny

National Bank Financial

Operator

Welcome to Capital Power's First Quarter 2023 Results Conference Call. As a reminder, all participants are in listen-only mode and the conference call is being recorded today, May 1, 2023. I will now turn the call over to Mr. Randy

Mah, Director of Investor Relations. Please go ahead.

Randy Mah

Good morning and thank you for joining us today to review Capital Power's first quarter 2023 results, which we released earlier this morning. Our first quarter report and the presentation for this conference call are posted on our website at capitalpower.com.

Joining me this morning are Brian Vaasjo, President and CEO, and Sandra Haskins, Senior Vice President, Finance and CFO. We will start with opening comments and then open the lines to take your questions.

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

In today's discussion, we will be referring to various non-GAAP financial measures and ratios, as noted on slide 3. These measures are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP, and therefore are unlikely to be comparable to similar measures used by other enterprises. These measures are provided to complement the GAAP measures which are provided in the analysis of the Company's results from Management's perspective. Reconciliations of these non-GAAP financial measures to their nearest GAAP measures can be found in our first quarter 2023 MD&A.

Before I turn it over to Brian, I want to acknowledge that Capital Power's head office in Edmonton is located within the traditional and contemporary home of many Indigenous peoples of the Treaty 6 region and the Métis Nation of Alberta Region 4. We acknowledge the diverse Indigenous communities that are in these areas and whose presence continues to enrich the

community and our lives as we learn more about the Indigenous history of the lands on which we live and work. Okay, over to Brian for his remarks, starting on slide 4.

Brian Vaasjo

Thanks Randy, and good morning. To begin, I'd like to announce some very good news.

Last week, we executed a six-year contract extension for Goreway relating to its successful efficiency upgrade bid in IESO's Same Technology Upgrade procurement. The efficiency upgrade of approximately 40 megawatts will increase Goreway's combined contracted capacity from 840 to 880 megawatts. The new combined contracted capacity of 880 megawatts will apply to the existing IESO contract upon project completion and extend the clean energy supply contract from 2029 to 2035. The upgrade, which will enhance the efficiency of the existing turbines, is expected to be finished in 2025.

We also submitted an efficiency upgrade bid for our York Energy Centre facility. Discussions with IESO are ongoing and we are optimistic York will also be awarded a contract extension.

Turning to slide 5, I'll provide an update on the Genesee 1 and 2 repowering project. The project is on schedule to achieve simple cycle commissioning of both units in the fourth quarter of this year, followed by combined cycle operations in the second quarter of 2024. The current re-powering project cost of \$1.1 billion with an additional \$195 million for the battery energy storage system. The availability of trades labour continues to be an industry-wide issue, and the repowering project is experiencing modest labour cost increases. We are working closely with the EPC contractor and labour providers to assess the impact and develop further mitigation strategies. The cost pressures, however, are expected to be substantially offset by the lower estimated cost of an alternative solution to the BESS project. Overall, we continue to be on track to meet our goal of being off coal later this year.

Moving to slide 6, we continue to advance our decarbonization plans to meet our net zero by 2045 target. The Board is expected to approve the

Genesee CCS project in principle by this summer with a final investment decision in October. The FEED study is essentially completed with results better than original expectations. This includes finalizing capital costs, confirmation of technology, and the discussion of performance guarantees by Mitsubishi.

The 2023 Federal Budget that was announced at the end of March, included positive developments for the Genesee CCS project. This included re-affirmation of the role and mandate for the Canada Growth Fund to support de-risking of large scale decarbonization through instruments, such as Carbon Contracts for Differences and enhancements to the 50% refundable ITC's for carbon capture utilization and storage, and we continue to have ongoing discussions with the federal government relating to financial support. This includes discussions with Innovation, Science and Economic Development and the Canada Infrastructure Bank. These discussions are progressing well and on track with the schedule. I'll now turn it over to Sandra.

Sandra Haskins

Thanks Brian. Starting on slide 7, I'll touch on the financial highlights for the first quarter of 2023.

Overall, it was a strong quarter year-over-year; in fact, adjusted EBITDA of \$401 million was the highest quarter on record and was up 15% year-over-year, while revenues and other income before mark-to-market was up 34% compared to the prior year. Financial results benefited from higher realized Alberta power prices, partly offset by milder temperatures across most North American regions that reduced the dispatch at facilities such as Decatur. Adjusted EBITDA further benefited from the acquisition of Midland co-gen facility in September 2022.

AFFO of \$210 million was up 5% year-over-year, reflecting the strong adjusted EBITDA results and fewer turnaround activities, which was partially offset by higher current income tax expense. And net cash flow from operating activities were primarily impacted by higher receivables at our Alberta commercial facilities and changes in forward prices on our commodity derivative positions.

Turning to slide 8, I'll touch on our Alberta power and natural gas hedge positions, which are shown as of March 31, 2023. Since the end of 2022, our power hedge volume for 2024 has increased from 7,000 to 8,000 gigawatt hours, and from 6,000 to 6,500 gigawatt hours for 2025. Our hedge position for 2026 is 4,000 gigawatt hours. The weighted average hedge prices for all three years are in the low-\$70 per megawatt hour range. The hedge positions include long duration origination contracts as another mechanism to manage price risk. The graph on the left shows the relative magnitude of hedges that are long duration, extending out to years where we will see lower forward power prices.

We've also increased natural gas hedges since year end. Natural gas volumes of 70,000 TJs in 2024, 60,000 TJs in 2025, and 35,000 TJs in 2026 have been hedged at favorable prices compared to current forwards, as noted in the table on this slide.

Moving to slide 9, the chart here illustrates the movement in Alberta power price forwards compared to the forward curve that determined our 2023 financial guidance, which is shown by the blue line and averaged \$136 per megawatt hour. To explain this further, the yellow line shows the year-to-date actual settled prices and current forward prices that averaged \$154 per megawatt hour for the year. This strengthened since we held our Q4 analyst call on March 1, as shown by the orange line. At that time, the settled price and balance-of-year forward prices averaged \$135 per megawatt hour. As you can see, there is significant increase to both previous benchmarks. Although we're well hedged for the year, the remaining open position for non-baseload assets are well positioned to capitalize on volatile market conditions.

On slide 10, I'll conclude my remarks by reviewing our first quarter performance, our 2023 targets and outlook. Sustaining capex was \$23 million in Q1. There are several planned outages remaining this year at Clover Bar, York Energy, Decatur, and Midland. Sustaining capex is on track to meet its 2023 target of \$135 million to \$145 million.

Considering planned outages, we are on track to achieve the 94% availability target.

For 2023, we are targeting \$1.455 billion to \$1.515 billion in adjusted EBITDA and \$805 million to \$865 million in AFFO. Capitalizing on the positive outlook in Alberta forward prices would move results to the upper end of these guidance ranges.

Our growth outlook for 2023 is positive. This includes our well-positioned natural gas facilities in Ontario to address the capacity gap in the province, starting with the six-year contract extension for Goreway that Brian highlighted. And as part of our \$600 million of committed growth capital target, we expect to make an investment decision on two renewable projects this year. Overall, we expect 2023 to be an excellent year both financially and strategically. I'll now turn the call back over to Randy.

Randy Mah

Thanks Sandra. Cherise, we're ready to take questions.

Operator

Thank you. We will now begin the question-and-answer session. (Operator instructions). The first question comes from Mark Jarvi with CIBC Capital Markets. Please go ahead.

Mark Jarvi

Yes, first question is just on the contract with Goreway. Brian, can you maybe explain in terms of how the pricing works, whether or not you've brought down the capacity payments to get the extension, if they're flat out to 2035, or do they step down when you get into the six-year extension?

Sandra Haskins

Mark, it's Sandra. We're limited on how much we can disclose at this point, given that the IESO is still having ongoing negotiations with ourselves and others as part of this process; but I can say that when the contract kicks in, in 2025, and COD will see a modest uptick in our adjusted EBITDA as a result of the extension, and then see a step down in the post-contract period, which is the last six years.

Mark Jarvi

Okay. Any indications in terms of cost to deliver on the upgrade?

Sandra Haskins

That's part of what we're not able to disclose, but I think once this process is through, we'll be able to provide more details on the contracts and their costs and relative economics.

Mark Jarvi

Okay, all right. We'll wait for that, then.

Then just in terms of the costs and the higher labour at Genesee, are you able to sort of roughly quantify that, and I guess relative to where you are now and to what has to get done, is there any real, I guess, timing in terms of where you might face the biggest cost creep? Are you going through that right now, is there more labour to come through the balance of the summer as you go through completion? Maybe just how much visibility you have on costs and any pressures remaining to completion.

Brian Vaasjo

Mark, in terms of the cost increases that we're seeing at Genesee, as we indicated, it's substantially related to the cost of labour. We still are seeing some pressures around the interconnection, but in terms of labour, we've got a very good handle on hours and so on and so forth, so we're not expecting that kind of variance. It boils down to the cost per hour for our various trades and where those costs are coming in and the cost pressures from a competitive perspective in terms of other projects that are going on, and maintenance that's taking place in Alberta.

We're currently working through that, coming up with revised estimates and expectations, but I can say at this point when whether we're looking at the project and including BESS, when you sort of put it together, we expect at the end of the day to be relatively in the same spot, so not an expectation of very significant changes in overall costs.

Mark Jarvi

But with you spelling out the BESS cost of around \$200 million, you're implying that the labour costs could eat a good chunk of that and then you'd have to shave or find some cost savings around the BESS alternative, so that's—so you're in a 10% of total budget increase potential from labour, is that right?

Brian Vaasjo

In terms of total labour? Again, we're going through that right now. Our expectation is in July, we'll have a much fuller description of where we expect costs to go, and the ultimate costs associated with the BESS alternatives, and again in combination expect to end up in the same spot.

Mark Jarvi

Understood. Then just coming to the CCS decision here, obviously one element you want to de-risk is on the Contract for Difference. Can you just maybe update us in terms of how active those discussions are? Is it ultimately you're looking for fixed price on the credit value, not so much the reference carbon pricing? Just maybe update us on the status and the type of contract you're trying to seek there.

Brian Vaasjo

What we're looking for is a contract, and I'll just refer to it as a strike price associated with carbon price, and what we're looking for is establishing, one, where we're actually turning credits into cash, a contract for differences where upside would be shared 90% with the government, and as well any shortfall to the tune of 90% borne by the government. And then some basically basement, I'll call it, pricing associated with those credits, which we utilize ourselves to ensure that overall, the project continues to be bankable, regardless of government policy risk as we move forward.

That's the general structure that we're looking at. It obviously does have implications or reference to the overall carbon market, but I think as we shared with you at Investor Day, our expectation is that what I'll refer to again as our strike price is well below the government's stated pricing expectations of \$170 a megawatt hour—or pardon me, a tonne in 2030.

Mark Jarvi

Brian, the way you spoke about it, would Capital Power be taking some of the risk on settlement prices in terms of the credit, like if there was over-supply at times or under-supply?

Brian Vaasjo

The only risk that we would be taking is for that small 10% interest in terms of variance away from the strike price.

Mark Jarvi

Okay, all right. I'll leave it there. Thanks.

Operator

The next question comes from Robert Hope with Scotiabank. Please go ahead.

Robert Hope

Morning everyone. Maybe a bit of a broader question, just regarding Avik Dey being announced as the CEO, I guess a week or two ago. Can you maybe comment on why he is the right choice and what you believe he brings to the organization?

Brian Vaasjo

Actually, Robert, at the end of the call, I've got a couple of comments to make, but I'd also say the Board went through a very rigorous process for an extended period of time and concluded that Avik and among a number of alternatives, concluded that Avik was the best individual to be moving the organization forward. I would say that, although providing input and information into the process, I was not involved in the decision-making process, but I would say I am fully supportive of the decision that the Board made, and again I'll have a couple comments at the end of this call in regards to that.

Robert Hope

So, I was a little early. Then moving over to the renewable side of the business, how does the environment look, and where are we in the development timeline in terms of the targeted two announcements for 2023?

Brian Vaasjo

The market continues to be a little bit choppy with clarification of rules and so on and so forth, but

we still remain confident that we'll likely have two investment decisions this year on the renewable side. We continue to move some projects forward in anticipation of, again, a couple of them coming to fruition this year.

Robert Hope

All right, thank you for that. Brian and Kate, all the best in your retirement.

Brian Vaasjo

Thank you.

Operator

The next question comes from Maurice Choy with RBC Capital Markets. Please go ahead.

Maurice Choy

Thank you and good morning. Just want to come back to the cost pressures and the CCS as well. Any implications of the repowering cost pressures on the CCS project, or are you anticipating that much of these labour cost issues might dissipate if and when the CCS construction begins?

Brian Vaasjo

In terms of the implications of labour costs on the CCS project, that's currently something that we are discussing in depth with both Mitsubishi and Kiewit as it relates to the project, and the degree to which Capital Power will be taking on some or all, or none of that risk is still an item of active discussion. In any event, more to come on that, but I would expect for the next few years, and depending on specific timing, there will continue to be labour pressures in the province, and as such, continuing to see some cost pressures.

However, I would say that what we're seeing, much like we're seeing in all areas, there is some significant upward pressure on prices that are due to the recent and significant inflation that has subsided, so looking at significant cost increases being more of a one-time event as opposed to perpetual event of quite high escalation and labour costs.

Maurice Choy

And I assume that when you look at the ITCs and all the other enhancements that you have, those

present to you a cost mitigation regardless of these pressures? Is that fair to say?

Brian Vaasjo

Naturally the ITCs are a mitigant for 50% of the costs, in that if there's a cost increase, then half of that essentially is covered by ITCs. On the other side, we do anticipate there will probably be some discussions in terms of what happens between striking the project in October and the agreements that would be in place there, and any cost changes that come to pass from then to the end of the project. So, on one end of the spectrum that may all be owners' costs, but there may also be some avenue for mechanisms to share some of those changes in costs. Again, that's subject to negotiation and discussion between now and October.

Maurice Choy

Thanks for that and looking forward to those details when that's announced. Switching over to a regulatory question, the Clean Electricity Regulation, as you think about the release of the first draft of legislation this spring, what would you view to be a good outcome for your Company, including the benchmark and also the number of prescribed life in terms of years?

Brian Vaasjo

The major issue for us, or I believe there's really two. One is the end of life for existing facilities, and we're thinking that an outcome more in line with a 30-year or 35-year is more in line with the physical life of the assets, but also as we're seeing in Ontario and some emerging work in Alberta, there is need for natural gas to be on longer and probably deeper, so we think that those trends will again push some of that expected life term out a bit.

There are also some provisions that we haven't seen yet or don't have clarity on what sort of avenue is there for peaking-type facilities and so on, on a go-forward basis, again beyond 2035. So, there's still a lot to be seen in terms of post-2035. But we expect that there will be a significant amount of consultation taking place with the release of Gazette 1. We've been, it's been expressed to us that a lot of Gazette 1 will be a basis for further discussion, as opposed to this is

the law and without, again, much avenue for discussion, so we're hopeful that the results at the end of the day will be constructive for Capital Power.

Maurice Choy

Great, thank you for the colour.

Operator

The next question comes from John Mould with TD Cowen. Please go ahead.

John Mould

Thanks, good morning everyone. Maybe just going back to the CCS project, and more just the steps that we should anticipate between now and FID - more on the government support side, you will have seen the Heidelberg announcement from about a month ago, that they signed a partnership agreement with the Government of Canada and were working on negotiations. Should we expect the CCS project at Genesee to go down a similar path in terms of an initial MOU and further discussions with various government entities before we see the finalized CFD in place? How should we think about all that?

Brian Vaasjo

What we've been attempting to do since we started talking about this project more than a year ago is sort of move everything along at the same rate and have things come together at different points in time, so much like around Investor Day, there was a number of things that came together that pushed the project forward and made it an even more reality. The same thing we expect to happen in July, where we'll have documentation from the different avenues of government support, including Canadian Investment Bank, SIF, etc., and also at the same time the completion of our FEED study and a very good view of cost. Then as we move forward, and that point expect, as I indicated earlier, we'll be approaching the Board for an approval in principle of the project. And that provides us greater opportunity and provides some significant initiative in terms of getting completed agreements from each of the government support entities, plus final commercial arrangements with the contractors on the project.

Again, we're moving everything along on the same schedule, as opposed to sort of one piece at a time.

John Mould

Okay, great. Thanks for that.

Maybe just on the FEED study, Brian, you had said earlier in your prepared remarks that that was coming out a little bit better than expected. Are you able to give just a little more colour on that, and in particular the kind of technical and operational elements and how that's coming out versus what you had been hoping?

Brian Vaasjo

Just to sort of frame up the FEED study, what we've put in there were elements that we felt, for example, dealing with the fact that the facility will have to ramp up and down, we put in parameters that said the FEED study, the technology needs to meet these kinds of parameters to actually be operational for us. What we're finding is that as they've gone through the work, there is greater flexibility in the unit than we had set as minimum expectations, so that's one area.

Costs in terms of the operating costs, energy, etc., is tending to be better than what we had anticipated at the outset. Capital cost continues to be coming in very promising, and certainly a lot of the work around establishing what would be appropriate performance guarantees, the fact that Mitsubishi is going to provide a significant amount of performance guarantees is very promising for us, and we weren't necessarily expecting that we would get as extensive performance guarantees as we believe we'll be getting. Even when we look at the numbers around those guarantees, I think we've shared that initially we were hoping to get about a 95% performance guarantee on capture - that does seem to be the number that Mitsubishi will guarantee, and that's the guaranteed number as opposed to their expectation, which is often different. But again, getting to a number that they'll actually guarantee is very positive for us. Again, pretty much on all fronts, it's turning out to be much better than we had anticipated.

John Mould

Okay, thanks for that. Maybe just one last one on the renewables project in terms of trying to finalize those two additional projects this year. I'm just curious on the interconnect side, can you just maybe give us more broadly an overview of the interconnection environment you're seeing in your core markets for renewables and a sense of how that's impacting the pace at which you're able to advance your pipeline?

Brian Vaasjo

You know, you put your finger on a significant challenge for the industry. If you take Alberta for example, whatever we're connecting, obviously there's an interconnection but in addition to that, there's also growing capacity constraints and so on, so that's definitely an area to be mindful of and certainly it's having an impact on what projects should be moving forward and what projects should be waiting until there is some enhancements to the transmission system to allow them to connect.

In the U.S., it's a very mixed bag; however, I'd say that interconnection is a problem, and from an industry perspective, typically the projects that I was referring to that we're moving forward are extremely well positioned from an interconnect perspective, whereas there's others in our portfolio of opportunities that if we went forward and applied for interconnection, you'd be looking at years before you'd be connected, so a wide range.

But the projects that I think we laid out at Investor Day as being ones that are near potential investment decisions, all are in process and in some cases may have interconnection arrangements already.

John Mould

Okay, great. I'll leave it there. Thanks very much for taking my questions, and all the best to you, Brian, and also to Kate on your upcoming retirements.

Brian Vaasjo

Thank you.

Operator

The next question comes from Ben Pham with BMO. Please go ahead.

Ben Pham

Hi, thanks. Good morning, and also all the best in retirement, Brian. Maybe a first question on the renewable power side of things with the acquisition market, can you comment on maybe high level trends, particularly with how does it look on M&A for renewable versus build, and has the bar composition changed at all when you look at the last, say, 6 to 12 months?

Brian Vaasjo

In terms of the acquisition side, the biggest challenge for us as it comes to renewables is just simply our cost of capital versus a lot of the financial players out there. That continues to be a significant trend, continuing to see financial interests either in their own name or supporting organizations that they would be in partnership with, so there continues to be that pressure on the renewable side.

On the other hand, issues that we've just talked about in terms of interconnection, basis differentials, and a number of other issues seem to be creating a perception that renewables may not be as great an investment as, say, they would have thought of maybe a year ago, so I'd say on balance competition is about the same as it has been historically, maybe a bit of a shift in players, but it still is at cost of capital that we have difficulty competing with.

On the development side, we create our own value, and so we find that we continue to be well positioned for bidding projects or bidding opportunities from a greenfield perspective.

Ben Pham

Okay, so it sounds like greenfields are still better than M&A?

Brian Vaasjo

Oh, by a long shot on the renewable side.

Ben Pham

Okay, interesting. Maybe in Alberta, there's some spec that there could be some Alberta power assets for sale. Maybe you can comment on your

exposure in Alberta with CCS, do you think you're full in Alberta. And then can you remind us around your market share position and how high you can go?

Brian Vaasjo

In terms of assets or the appetite to acquire assets in Alberta, there certainly are a couple of assets that if they ever came to the market, might consider, are ones like, take for example Shepard facility. If Enmax was announcing that it wanted to sell its half, we might well be interested in purchasing it, or going along with them and selling the whole asset. There are assets that are strategic to us today that again we may consider going forward.

In terms of assets that don't necessarily have a significant market position or anything that brings additional value, other than simply megawatts, we would tend not to be interested in. We're pretty comfortable with the Alberta position where we're at, and certainly if we grew significantly in Alberta, and there's no magic numbers around where you start running into concentration issues. There are some statements that have been made in the past around 20% or whatever, but where you start running into some issues can well be below that, depending on the types of assets you have, or you could exceed that but you would be faced with dispatch requirements on some of your—or all of your facilities, which certainly would impair the value of the portfolio in general, so pretty comfortable where we're at but, again, certain strategic assets, we may well be interested in.

Ben Pham

Okay, that's great colour. Thank you.

Operator

The next question comes from Andrew Kuske with Credit Suisse. Please go ahead.

Andrew Kuske

Thanks, good morning. I guess just for the evolution of the Alberta power market and what's coming down the pipeline with another sort of market transition with new supply coming online, how has your hedging philosophy evolved amidst all of that? Clearly, you layered in a bunch of hedges in the quarter, but how are you thinking

about the evolution of your policy and just the economics associated with it?

Sandra Haskins

Morning Andrew. I think what we've been doing for the last number of quarters now, and that we've spoken to, is that the expectation of incremental supply will bring prices back in line with the longer term average expectation, and as a result of that, we have been very active in the origination market with multi-year contracts, just thinking of the backwardation of the power curve. That has been a nuance of our strategy that was prudent given the incremental length that we now have with the return of Genesee 1 and 2.

Beyond that, our philosophy and our approach to hedging remains unchanged for the balance of the book. We look at our view on where prices will move and we'll hedge accordingly, so expect that we'll continue to mitigate risk by laying off length at prices that we think are attractive and use the efficiency of our fleet to capitalize on those upsides, so no shift in strategy, I'd say from what we've been doing the last couple of years.

Andrew Kuske

Okay, appreciate that. Then as far as structured offerings of power from natural gas facilities and then pure renewable power, are you seeing anything interesting on that front across your markets, or are they really two distinct and very different markets from a customer standpoint?

Brian Vaasjo

They're actually pretty distinct from a customer perspective. Typically those organizations, particularly the commercial ones that are pursuing long term renewable contracts, cost of energy doesn't tend to be a large component for them, whereas where you get parties stepping in to hedge 7 by 24 power positions, etc., they tend to be more, I would say, energy intensive, so they're definitely different markets and looking for different attributes and benefits. Certainly, they come together in terms of visibility of one to the other, but don't see a significant amount of overlap at this point in time.

Andrew Kuske

Okay, appreciate that, and then one final one, if I can sneak it in. It's just on the hydro situation in Western Canada, and also the PAC Northwest. The data looks a bit mixed right now from the standpoint of some places above average, some places below average. I guess, how do you think about the hydrology situation in the west and then how that transmits back into Alberta in the summer market?

Brian Vaasjo

We're looking at that as being somewhat neutral. Obviously, the implication in BC is that it sets how much energy they may have in excess of their own requirements that are available to export south or to the east. When we look in Alberta, there's been some pretty good snowpack in a few places, but generally speaking the moisture levels in Alberta have been a little bit lower; but again, it's very dependent on the specific area in which the water catchment takes place.

So again, as you say, it's a pretty mixed bag. I think what we're kind of watching quite closely, though, is as you look down the Pacific Northwest, what implications there may be in California and how that impacts on power prices in the province.

Andrew Kuske

Okay, very much appreciated. Thank you.

Operator

The next question comes from Naji Baydoun with IA Capital Markets. Please go ahead.

Naji Baydoun

Hi, good morning. I don't know if this is something that you can disclose or maybe it's a bit too early, but do you have a target for the equity partnership on Halkirk?

Brian Vaasjo

The partnership we are looking at, at Halkirk is First Nations participation, and that's in progress in terms of discussions. But, beyond the First Nations participation, we are not looking at any other partnership on Halkirk.

Naji Baydoun

Okay, and I guess it's a bit too soon to quantify what that would mean in terms of the amount, the percentage?

Brian Vaasjo

It's a little bit early at this point.

Naji Baydoun

Okay, that's fair. Just related to this, kind of a broader funding strategy, maybe tied back to the earlier question about renewables M&A, not just on Halkirk but maybe other projects going forward. Are you maybe thinking about a broader funding strategy that is tied to selling down ownership stakes in renewable assets, either asset-specific sell-downs or maybe a larger portfolio monetization? Is that something that's part of the strategy going forward?

Sandra Haskins

Asset sell-downs on renewables has sort of been in our toolkit for a while. It's nothing that we have obviously executed on at this point, other than our disposal of K2 a number of years ago. But I would say that that is an option that remains with us, where we feel that we could unleash some value in our renewables by bringing in a partner on it, so I would say it's something that we keep warm on the table but there's no immediate plans to do that. We'll just weigh that against other alternatives of generating funds as we move forward.

Naji Baydoun

Okay, understood, so nothing imminent that would cause you to need access to that kind of capital, but it's on the table.

Sandra Haskins

I would just add to that—sorry, I would just add to that, partly I would say is that when you look at our cash flow this year and the growth we have on the table, we are more than funding with internally generated cash, so that in and of itself wouldn't drive us to execute on anything in the near term.

Naji Baydoun

Got it, understood. Just maybe a final clarification question, of the two renewable projects that's already started for the year, is that separate from

the re-bidding of the North Carolina solar projects or would those be a part of that?

Brian Vaasjo

They would be potentially part of that, although I'm not sure timing would necessarily line up with those projects, but definitely those are ones that we'll be moving forward with this year.

Naji Baydoun

Understood, okay. Thank you very much, and congrats Kate and Brian on your retirement.

Brian Vaasjo

Thank you.

Operator

The next question comes from David Quezada with Raymond James. Please go ahead.

David Quezada

Thanks, morning everyone. Maybe just a follow-up on the CCS project, and specifically the hub with Enbridge, just wondered if there was any progress on the deliverables for that piece - I believe there's something around the geology, and I guess you're developing sort of a commercial agreement there, so any details you could share there?

Brian Vaasjo

In terms of the development of the hub, they have been drilling wells into the formation, or a well into the formation that they would utilize for the sequestration of the carbon - that's gone well, and that is also in conjunction with tests they had done years ago into the same formation, so this will be very much a test well to ensure that the formation works, that it holds pressure and etc., etc., so things are going I think a little bit behind where we had expected but no significant delay in timing at all.

In addition to that, we have started in depth commercial discussions with expectations that we'd have, be close to an agreement by July, and certainly finalized agreements by the October timeframe.

David Quezada

Excellent, thanks Brian. Appreciate that detail. Maybe just one more from me on Halkirk 2, I'm just curious if you have any—what your plans are for the portion of the capacity that's not under contract there, and maybe on a related note, what kind of demand you're seeing from corporate buyers in Alberta today for renewables?

Brian Vaasjo

There continues to be demand in Alberta for renewables. We do expect that, given some of the earlier discussions on constraints on some of the transmission side, so on and so forth, we're actually not in a big hurry to market it as we expect that some of the values may start improving because competition in the market may not be quite as extensive as it has been over the last couple of years, so do expect that at some point, it will be contracted but, again, not in a rush to see it contracted in the near term.

David Quezada

Excellent. Thanks for that, and I'll reiterate the best wishes on your retirement, Brian and Kate.

Brian Vaasjo

Thank you.

Operator

Once again, if you have a question, please press star, then one. The next question comes from Patrick Kenny with National Bank Financial. Please go ahead.

Patrick Kenny

Thank you, good morning. Just a follow-up on the Alberta power market here. I guess with the provincial election right around the corner, just wanted to check in to see if you're hearing any rumblings of any regulatory changes or revisions that could come along with either political platform that might have an impact on either the market construct, the pace of renewables development, or perhaps your own decarbonization plans in the province?

Brian Vaasjo

Just starting at the top, both parties have expressed support, continuing support for the energy-only market, and that has been public on both fronts. The other thing that's out there, Pat, is

that AESO has issued a report that suggests that there needs to be some modest changes, whether it be market construct or whether it be transmission nor whatever, that will tend to be more supportive of natural gas, less supportive of renewables as we go forward, and with a bit of a sense of urgency. So, we expect whomever wins the election will move on that and we expect the outcome of those deliberations to be positive for Capital Power or, if anything, potentially slightly negative.

Again, we'll see how that develops, but we would expect both parties wouldn't argue with physics and would move forward with some sort of, again, very modest adjustments.

On balance, we're not seeing that there's a lot of issues. Both parties have taken, when looking at cost have taken the position around instead of trying to impact on the wholesale market, they have ended up with subsidies on their retail side, so again we're not seeing anything that would cause us any great political concern.

I think for once, we're actually not in the crosshairs in a political debate leading up to an election, so pretty pleased with that position.

Patrick Kenny

Okay, that's great colour. Thanks Brian. Then just one last housekeeping item, apologies if I missed it, but any update on the timing for potentially re-bidding the North Carolina solar projects?

Brian Vaasjo

That is sometime in the late summer-fall time frame.

Patrick Kenny

Okay, and your thoughts around, I guess, potentially re-bidding based on existing market dynamics and where econs are currently sitting?

Brian Vaasjo

We're actually—we continue to be pretty darn positive about the re-bidding prospects, given that some of the issues that we were talking about before in terms of connections and so forth were actually set. They had been negotiated because, again, we are re-bidding. We're real comfortable

with those kinds of risks and costs around the project, so we're feeling pretty good about those.

Patrick Kenny

All right, thank you, and Brian, Kate, congrats on taking the Company to where it is today.

Brian Vaasjo

Thank you.

Operator

This concludes the question and answer session. I would like to turn the conference back over to Mr. Brian Vaasjo for any closing remarks.

Brian Vaasjo

Thank you. To start, I'd like to thank the investment community for working with me and supporting Capital Power over the past 14 years. I really enjoyed the respectful, candid and constructive discussions. To the analysts on the call, thank you for the work you've done on the Capital Power name over the past number of years. I know our story has been a challenge from time to time, but I feel you've always given us the benefit of the doubt.

Looking forward, I'm very comfortable leaving Capital Power in Avik Dey's hands. I've known Avik for several years and I'm confident he is aligned with the strategy we've been talking about to you over the last numbers of years and is very capable of driving Capital Power forward. Avik is on the call this morning and will share some of his own thoughts with you. Avik?

Avik Dey

Thank you for the introduction, Brian. Firstly, I'd like to acknowledge Brian on his 15 years at the helm of Capital Power. The strength of the Company's culture, people and assets is a testament to his leadership and commitment to the organization. We all wish you a happy and healthy retirement, Brian.

I'd also like to congratulate Kate Chisholm on her retirement and acknowledge her for her contributions and service to the Company.

I am honoured to be selected as Capital Power's next President and Chief Executive Officer. The

Company has a longstanding history of delivering reliable and affordable electricity across North America. The Company's well-defined strategy of investing in critical natural gas generation, building new renewable capacity and establishing decarbonization solutions for our fleet has established this Company as a leader on energy transition. Going forward, we remain committed to this strategy and will look to further build upon our leadership position.

I also look forward to an active and engaging dialogue with our investor community as we come off-coal in 2023 and chart our path towards becoming net zero by 2045. Our ability to deliver per-share value growth and performance relies on the continued support of our shareholders. I know that all of us at Capital Power are deeply appreciative of our investor support and we look forward to furthering that relationship over the coming quarters and years.

I am grateful to be joining this incredible team of dedicated and passionate professionals and excited to get started next week. Thank you, and back over to you, Randy.

Randy Mah

Okay, thanks Avik. This concludes our conference call. Thank you for joining us today and for your interest in Capital Power. Have a good day, everyone.

Operator

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