**Capital Power**
**Q4/YE 2024 Results Conference Call**
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**Corporate Participants:**
**Roy Arthur**
Vice President,s Strategic Planning and Investor Relations

**Avik Dey**
President and Chief Executive Officer

**Sandra Haskins**
Senior Vice President, Finance and Chief Financial Officer

**Participants:**
**Maurice Choy**
RBC Capital Markets

**Robert Hope**
Scotiabank

**Mark Jarvi**
CIBC

**John Mould**
TD Cowen

**Benjamin Pham**
BMO Capital Markets

**Thomas Meric**
Janney Montgomery Scott

**Patrick Kenny**
National Bank Financial

**Operator**
Hello, and welcome to Capital Power Fourth Quarter and Year-end 2024 Analyst Conference Call. At this time, all participants are on a listen-only mode. After the speaker's presentation, there will be a question-and-answer session.

(Operator Instructions)

I would now like to turn the conference over to Roy Arthur, Vice President, Strategic Planning and Investor Relations. Sir, you may begin.

**Roy Arthur**
Good morning, everyone, and thank you for joining us to review Capital Powers achievements and financial performance for the fourth quarter and year-end 2024. Our presentation on the accompanying materials are available on our website at www.capitalpower.com.

Today's agenda includes business highlights, financial review, closing remarks and Q&A session. Avik Dey, our President & CEO will kick off today's presentation with our business highlights for the year, followed by Sandra Haskins, our SVP of Finance & CFO will present the financial review. I will then provide some closing remarks and open the door to questions from analysts.

Before we dive into the details, I want to remind everyone that certain information in this presentation contains forward-looking statements. These statements are based on assumptions and analysis made by the company, and actual results could differ materially due to various risks and uncertainties.

Please refer to Slide 20, and our fourth quarter MD&A for more information on those risks and assumptions. Additionally, we will be referring to non-GAAP financial measures and ratios which are provided to complement GAAP measures in analyzing our results from managers' perspective. Reconciliations of these non-GAAP measures to their nearest GAAP measures can be found in our 2024 Integrated Annual Report.

In the spirit of reconciliation, we respectfully acknowledge that Capital Power operates within the ancestral homelands of treaty territories of

Indigenous Peoples. Our head office is located within the traditional home of many Indigenous communities in Treaty 6 Territory and Métis Nation of Alberta Region 4. We acknowledge the diverse Indigenous communities that are located in these areas and whose presence continues to enrich the community and our lives.

With that, I will hand it over to Avik.

**Avik Dey**
Good morning everyone. Today, we will be highlighting our Q4 and year-end 2024 results, and underscoring how we are creating shareholder value during this pivotal time when energy demand is expanding and providing significant opportunities for our company.

As demonstrated throughout the year, we have an exceptional ability to acquire, maintain, expand and optimize natural gas generation assets. We are continuing to advance growth in our portfolio with an advantage position in a power market that is undergoing long term expansion driven by multiple sources, including reshoring, residential, commercial and industrial demand, and finally growth in data centers.

2024 saw Capital Power strategically position itself for future growth and opportunities across our portfolio. During the year, we made strides aligned to our three strategic areas of focus. Firstly, we delivered approximately 38 terawatt hours across our fleet marking record annual generation from our growing portfolio. To maximize and crystallize the value of our assets in 2024, we executed turnarounds at seven facilities as part of our effort to enhance the reliability and efficiency at our sites for the long term, and we sold down two renewable assets for $333 million of pre-tax cash proceeds.

Secondly, in the build category, we proudly completed our Genesee Repowering project, transitioning the dual fuel facility off coal and to 100% natural gas. This roughly $1.6 billion investment increased the overall capacity of the facility by 512 megawatts, while reducing Scope 1 greenhouse gas emissions by 3.4 million tons per annum. We advanced our Ontario projects, which include upgrades, expansions and battery energy storage systems adding strategic long term contracted capacity to our portfolio in Canada's largest market.

From a renewables perspective, we anticipate achieving full commercial operations on Halkirk 2 Wind in the first half of 2025 and the North Carolina solar projects are expected to be online between 2026 and 2027.

Lastly, in order to create future optionality and further our ability to grow and respond to the opportunities we are seeing, we made tangible progress on advancing data center opportunities in Alberta and the U.S. and qualified for $13 million in funding for a small modular reactor feasibility assessment that we continue to advance with our partner, OPG. With that high level overview, I will now provide some incremental detail on specific areas of the portfolio.

We have talked in the past about the multiple ways we can create long term shareholder value. Our record annual generation and how we achieved it over the past five years exemplifies our track record of doing those very things.

From 2020 to the end of 2024, we have grown our portfolio from 6.5 gigawatts to 10 gigawatts of capacity. This expanded power generation footprint positioned us to deliver annual generation of 38 terawatt hours. This portfolio growth was accomplished through adding new assets to the portfolio through development efforts, including 150 megawatts of wind and 120 megawatts of solar projects, as well as the acquisition of 2,600 megawatts of natural gas capacity, which expanded our U.S. presence with the additions of MCV, La Paloma, Fredrickson 1 and Harquahala.

In addition, we expanded our existing facilities by 590 megawatts by Repowering at Genesee, and also upgrading at Decatur. These efforts increased our scale diversification, contractual underpinning, and our overall competitiveness. It sets the stage for the future growth that we are so excited about. We demonstrated the successes of our expansion diversification strategy in 2024 as well with approximately 45% of our adjusted EBITDA contribution coming from our U.S. assets. The addition of the U.S. assets since 2020 has reduced the volatility of the cash flows in our business and augmented the contractual underpinning of the flexible generation part of our business.

Our U.S. portfolio is highly contracted with a weighted average contract life of five to seven years, which provides near term stability of our cash flows and long-term upside upon recontracting. We are engaged in negotiations to amend and extend our current contracts given the growing need for reliable and affordable power. Broad based and strong market fundamentals increase our confidence that we will be able to recontract at superior pricing for longer durations. We see significant upside in our assets with economic plant life aligning more closely with operating life.

As discussed during our ‘25 guidance call, one of our key priorities is to expand our portfolio flexible generation assets through acquisitions. The growth in our U.S. EBITDA from ‘20 to ‘24 demonstrates our ability to successfully acquire and integrate natural gas assets in key markets we expect this to continue. We remain excited about our U.S. growth achieve to date, and what we expect to do in the future.

At the same time, we have continued to advance shareholder value creation in our Canadian business. For example, in Ontario, we are making significant investments in our assets and are on track to add approximately 355 megawatts of additional capacity. This enhances our position in Canada's largest market and demonstrates our ability to support grid reliability with thermal generation and battery storage. These projects are expected to be in service between 2025 and 2026. The value of these investments was also enhanced through contract extensions for the existing capacity at our three Ontario flexible generation sites. These investments will strengthen our presence in Ontario, increase our weighted average contract life, and contribute to our long-term success.

Turning to Alberta, our Genesee generating station has delivered reliable and affordable power for Alberta's economy for over 30 years, and has now Canada's most efficient natural gas combined cycle facility. Achieving COD on Repowering has positioned us to succeed by increasing capacity while reducing operating costs, overall emissions, and emission intensity, demonstrating our clear ability to transform existing infrastructure to meet the long-term needs of the energy expansion. It has also better positioned us to attract collocated large loads such as a data center. I can appreciate that many of you are wondering when we will have a formal announcement on this front. Navigating the complexity and size of these projects takes time, but we continue to progress.

To put the scale of our ambition into perspective, our AESO connection queue for load of approximately 1.5 gigawatts is comparable to typical daily power usage for the City of Calgary. We continue to believe that a project of this scale or larger is achievable, but will occur in phases over time. The specific size and timing of the phases is part of our ongoing work and we look forward to providing more detailed updates when we are in a position to do so. Because of our significant investment at the site resulting in the COD of the repowering project, the Genesee generating station is extremely well-positioned for the opportunity we are pursuing. The combination of uncontracted capacity, future growth potential, surplus land available in Alberta, given the temperate climate, supportive regulatory backdrop and excess power supply continues to give us confidence that we can be competitive.

We have talked in the past about our intentions to recycle capital in order to maximize value. In November of 2024, we announced the sell down of two Canadian wind assets. The transaction resulted in approximately $333 million in pretax cash proceeds and a 49% reduction in ownership of our Quality Wind and Port Dover and Nanticoke wind facilities. This aligns with our strategy to optimize our portfolio and represented the crystallization of returns in excess of our targeted thresholds for renewable assets. This is an example of our prudent capital allocation strategy better positioning us to pursue future growth, including acquisitions as part of our shareholder value maximization efforts, while maintaining financial stability.

Before I discuss our investment thesis and hand it over to Sandra, I would like to touch on the subject of tariffs. Our business is largely insulated from the impact of potential U.S. tariffs, with fuel purchased and power sold to local markets. For example, in Ontario, we procure gas from a local hub and power is sold to the Ontario IESO to support growing local demand. Our Canadian and U.S. businesses operate independently with separate high quality counterparties in each country. Our long-term contracts and hedges not only stabilize our cash flows, but who we sell our product to over time.

From a supply chain perspective, we do not foresee a significant impact on our largest projects in the near term, given domestic content requirements for our U.S. solar facilities and large components for our Canadian projects already received. We will continue to monitor the developments related to tariffs and their potential impact to the economy and indirect impacts to our business. However, at this point, we do not believe the direct impacts to Capital Power are significant.

While there has been considerable movement in capital markets resulting from tariffs, AI technology and M&A, our investment thesis has not changed. From a market standpoint, we believe that the strong fundamentals we are seeing indicate that natural gas will play a permanent and meaningful role in meeting the needs of society and our customers. We see this dynamic benefiting our large and diversified footprint of strategically positioned assets now and in the future. You should expect to see us prioritize creating shareholder value, utilizing our in-house operational and commercial expertise at our existing assets.

Furthermore, we look to expand our footprint through acquisitions building on our established track record, our stable and highly contracted cash flow base augmented by our access to low cost capital will fund the growth. We continue to be excited about the value proposition that our business presents.

With that, I will now pass it over to Sandra to review our 2024 financial performance.

**Sandra Haskins**
Thank you, Avik, and good morning, everyone.

I will now review the financial highlights for the fourth quarter and year-end 2024. Capital Power delivered a strong quarter of financial and operational performance reflective of the growth and diversification efforts that Avik described in his remarks. In Q4 2024, we reported an adjusted EBITDA of $330 million, which is modestly higher than the corresponding period in 2023. This was mainly a result of increased contributions from the La Paloma, Harquahala and Frederickson 1 acquisitions, and was offset by lower generation and power prices captured by our Alberta commercial portfolio.

In calculating adjusted EBITDA for both Q4 2024 and year-end 2024, we have added back non-recurring items, including restructuring costs and costs related to the end of life of Genesee coal operations. Q4 2024 AFFO was $182 million up 20 million from the same period in 2023. AFFO was higher than the corresponding period, primarily due to the higher adjusted EBITDA and lower current income tax due to lower overall consolidated net income before tax and higher tax deductions for various capital projects with Genesee Repower being the largest component. This was partially offset by higher overall sustaining capital expenditures.

For the Year-ended 2024, adjusted EBITDA was $1,333 million down $122 million year-over-year, largely due to lower generation and power prices captured by our Alberta portfolio and full recognition of the off coal compensation at the end of 2023. This was partly offset by the factors mentioned above for the Q4 adjusted EBITDA variance. Year-end AFFO was $817 million, a slight decrease of $2 million year-over-year, primarily due to the issuances in the second half of 2023 and 2024 and higher sustaining capital expenditures because of larger outage scope and recent acquisitions.

This was partly offset by the factors discussed in the Q4 AFFO variance. Overall, our Q4 and year-end performance demonstrates our ability to deliver consistent value through the various market cycles, given the increasingly diversified and highly contracted nature of our portfolio.

In addition to long-term contracting and hedging, the diversification of our business has reduced adjusted EBITDA volatility. Our U.S. portfolio now contributes significantly to our overall financial performance with a notable increase in adjusted EBITDA from 369 million in 2023 to 656 million in 2024. This diversification strategy has enhanced our stability and growth prospects providing a solid foundation for future success, and it has done so when the Alberta market is at the bottom of the commodity cycle. We expect the long-term fundamentals of power demand growth in retirements of aging and less efficient units to drive an increase in this segment of our business over time even in the absence of data center growth. We would also like to highlight the stability provided by our assets in BC and Ontario. These assets are highly contracted and have low adjusted EBITDA volatility.

In summary, the U.S. assets have proven to be a valuable addition to our portfolio contributing to the overall financial strength. Looking ahead to 2025, our guidance ranges remain unchanged as our near term cash flows are highly hedged or under long term contracts. Our adjusted EBITDA guidance range is $1,340 million to $1,440 million. Our AFFO target is $850 million to $950 million, and sustaining CapEx is projected to be $195 million to $225 million. These targets reflect our commitment to maintaining strong financial performance and supporting our growth initiatives. We are confident in our ability to achieve these targets and continue delivering value to our shareholders.

I will now hand it back over to Avik.

**Avik Dey**
Thank you, Sandra. To recap on our 2024, we executed on stated strategic priorities and are extremely well positioned for 2025.

Taken together, our achievements during 2024 reflect our commitment to delivering value and driving growth across our business by creating balanced solutions for our customers. We would not be able to have achieved any of this were it not for our incredible team of dedicated people. They've done a fantastic job of continuing to deliver excellent results amid changes internally and externally.

Before we wrap up 2024, I would also like to take a moment to recognize the passing of Bryan DeNeve, Senior Vice President and Chief Commercial Officer, who was an integral part of our company and one of the senior leaders at Capital Power since our inception, leading us with unwavering commitment, intelligence, passion, and determination. It was a privilege as an organization to have Bryan as part of our leadership team, and he will be missed dearly by his many friends and colleagues at Capital Power.

Looking forward to 2025, the strategic priorities we discussed in our guidance call are unchanged, and we are just as excited about these today as we were then. In terms of recontracting, we continue to believe the strong long-term fundamentals we spoke about on that call. Furthermore, we believe these fundamentals can drive higher pricing for longer duration relative to our current contracting profile. We will also selectively look for opportunities to contract our assets with data center customers with a focus on Genesee. We will also continue to advance long term opportunities at our other assets for data center colocation. We continue to believe the optimization of existing generation to be a compelling use of capital and will look for more opportunities to do so in the future as we are doing in Ontario now.

In terms of M&A, our ability to create value through this has not been diminished. We were relatively quiet on the front during 2024. This should be viewed as us being disciplined, not being unable to compete for acquisitions. Our investment grade platform, in-house operational expertise and access to low-cost capital all drive a differentiated ability to execute M&A in the market that we view as compelling, while generating material cash flow accretion.

Our achievements in 2024 clearly demonstrated our ability to execute on our shareholder value creation priorities. Furthermore, it enhanced our already strong positioning for 2025 and beyond, and we are excited for the opportunity in front of us.

With that, I will hand it over to Roy.

**Roy Arthur**
Thanks, Avik. For those in the line, this concludes the formal portion of our presentation. We will now open the

forum to the research analyst to take questions. Operator, please take it from here.

**Operator**
(Operator Instructions)

And our first question will be coming from Maurice Choy of RBC Capital Markets.

**Maurice Choy**
If I could just start with a discussion about data centers, but instead of looking at Alberta, I wanted to see if I could pivot over to the U.S., it's clear that you're making progress, and I just wanted to know if you could comment on any opportunities that you may have in the states, how those may differ, whether offering complexity as well as timing versus Alberta.

**Avik Dey**
Thanks for the question, Maurice. I think we've talked about this in the past, but our journey on data centers started in Q2 2023 in the U.S. on our U.S. portfolio relative to Genesee and Alberta, it is different in that, each and every opportunity requires much more collaboration and cooperation with multiple stakeholders, including utilities and off-takers. So management of a offtake agreement, whether it goes behind the fence or in front of a meter those conversations are much more involved, and will take longer as we're seeing across the spectrum in the U.S., Texas is probably the one jurisdiction where you've got an semblance of speed to market, and you can go behind the fence more quickly, but the rest of the other jurisdictions, it's more complex, but we continue to see a lot of interest in multiple sites there.

**Maurice Choy**
Do you think your journey in the U.S. is to characterize it as more advanced in the states than Alberta?

**Avik Dey**
I think that would've been the case a year and a half ago and through much of 2024. But we've been advocating for natural gas as a critical part of the solution, really right from the beginning. And I think the thing that really changed as we continued to advocate for natural gas one, and two advocate for Alberta through the back end of ‘23 and into ‘24, I would say only in the last six months have hyperscalers and data center providers really expanded their aperture to start looking at Alberta. So I think today Alberta is ahead for us like versus the U.S. portfolio, but it's really been this rapid advancement of evaluation as Alberta has a speed to market advantage over the next couple of years in existing generation capacity for us at Genesee, but also existing over capacity on transmission distribution.

**Maurice Choy**
If I just finish off with the guidance for the year, it's only obviously been five to six weeks since the release and during that time, floor prices have obviously come down quite meaningfully. You've reaffirmed your guidance today and obviously still early in the year. Can you speak to some of the potential tailwinds that you may see to offset some of this lower power price spot level, for example, is the […] yielding better savings than guidance or others?

**Avik Dey**
Yes. So, I think that the way that we mitigate the lower power prices is just the fact that we have hedged our portfolio largely for the year. So, when you look at our spark spread on our portfolio, it is well above where the market is with respect to the market spark spread. So, I think that the mitigation of the lower power prices is something that we did, coming into the year, and we're able to even increase our hedge position at the same pricing

as what we had indicated earlier in the high $70 and, what we're seeing now is just the procurement of the roller, which is extending out into '25 as well as '26.

So, you'll see a lift in prices relative to what would have been there in the fall as roller is pushing up prices as is the announcement of 400 megawatts of thermal being mothballed as well as some expectation around increased loads.

So, I think we're well-positioned. That's sort of been locked in. I don't think it's a tailwind. Where you will see tailwinds, I guess, is if there is incremental, mothballing or weather-related excursions that would allow us to capture more than what we anticipated through our peaking facility. So, we've been modest with the expectation that this year that we'd be in oversupply. So, there is that potential for some upside there.

**Operator**
Please standby for our next question. Our next question comes from the line of Robert Hope with Scotiabank. Your line is open.

**Robert Hope**
Can you maybe comment on kind of the status or the outlook of the M&A market? It seems to be a focus for Capital Power, especially just given the fact that you guys are cashed up right now. Have you seen opportunities bid away or how have valuations trended versus a couple of months ago? Just trying to get a sense of how the thermal market has changed over the last three to six months.

**Avik Dey**
I would say in particular the back half of 2024, we've seen more assets come to market, and more auctions particularly around asset packages and when I speak about M&A, I'm talking mostly about the U.S. M&A market. In terms of valuation, I think what's been the most interesting data point is that we're seeing more players come to play in these auctions, a broader universe of buyers that include financials and potentially strategic. Obviously, the transaction of most note was Constellation's acquisition of Calpine, which I think was a great affirmation of our strategy and approach.

I think overall from a valuation perspective, we're not seeing a huge uptick in valuation because for the past decade, the governor on valuation has really been credit capacity on these types of assets. And for the most part, most of these transactions are asset based, or asset transactions that require asset-based lending.

So, until we see leverage profiles dramatically change, we continue to see compelling opportunities more buyers, but we don't see a fundamental shift in valuation. I think the big catalyst for valuation shift in the asset market, in the U.S. will be when and if we see contracted this materially lengthen on these types of assets. I think, that would be the major catalyst there. Not just overall interest in demand in these assets.

Maybe one final point I would say is in PGM for example, where we've seen higher capacity markets. There you will see a value uplift, but that's largely flow through because that just shows up earlier in your net present value for KW.

**Robert Hope**
And then maybe moving over to Genesee, you've had another three months under your belt, taking a look at the opportunity for data centers there. Can you maybe add a little bit more color of kind of what the shape or kind of what a Capital Power solution could be on that site? Would it be utilizing the

three units at Genesee plus a grid connection and then longer term, how do you think your other units fit into data centers in Alberta?

**Avik Dey**
Yes, I can make a couple comments on that. We did talk about the site preparedness for Genesee after our third quarter and obviously, many of you have seen our own positioning on the interconnect queue. I think the biggest point around Genesee is that we have significant optionality on that site given our existing excess capacity on Genesee 1 and 2 Repowered, existing interconnect and available land.

So in terms of our optionality there, and now this is all subject to us working with the government and the AESO and the AUC in working through a solution that works for all parties. But at our physical site, we have the opportunity to co-locate. We have the opportunity to go behind the fence. We have the opportunity to grid connect, and we have significant capacity to expand.

So as we look at what the first data center project looks like on our site, it's really about tailoring that to what the customer needs then wants for initial capacity at that site and then coordinating and working with government and the AESO and AUC to allow for that capacity to come on and either A, have grid support through backup or a direct connect into the grid.

Those are the things that we're trying to collaborate and solve for. So it doesn't directly answer your question in sense of here's scenario A, B, C, but what I would say when you look at the interconnect queue and what I've told you is we've got the ability to accordion that capacity, and it's really trying to find that customer and land the plane for what an initial project that would satisfy the customer's needs are.

**Operator**
Our next question comes from the line of Mark Jarvi with CIBC. Your line is open.

**Mark Jarvi**
I just wanted to extend my condolences to Bryan DeNeve family, friends and colleagues at Capital Power, some kind words there, Avik.

Just continuing on the data center conversation, in light of what first came out last week about reviewing colocation, does that change anything in terms of timelines around U.S. opportunities? And then does that change anything in terms of the attractiveness or the path forward in Alberta?

**Avik Dey**
Yes. Thank you, Mark. I appreciate your comments on Bryan. Yes, and no. I think, I mean, it's early days. That was, one conversation, at FERC. But I think if you take that at face value, it could potentially make Alberta more interesting just because of our direct path of the speed to market to co-locate.

In the U.S., for us, it doesn't change a single thing because from day one, when we came out and started talking about the data center opportunity, we said we didn't view this as a bilateral opportunity for us to do direct offtakes with hyperscalers and from day one, we said this opportunity was one where balanced energy solutions would win. It's why we came out with that as our, strategy early in '24 and from day one, we said the role for a Capital Power would be playing the intermediary between ourselves and the offtaker and then ourselves and the utility to provide solutions that ultimately benefit the consumer and the offtaker.

So, it's that trade-off between short term access for power for the offtaker and remediating and addressing reliability and affordability for the consumer through new capacity additions and/or benefits to transmission distribution costs for the rate base. So, for us, in particular, it hasn't changed anything. But as I've said, quarter over quarter on this journey, these are not easy solutions. They require heavy lifting, and it requires in-depth knowledge of market structure, regulatory environment and then understanding, assessing and working with partners to find viable solutions. It's why we're excited about the opportunity. So hope that answers the question.

**Mark Jarvi**
No, it's great. And just picking up on that, just in terms of Alberta, has there been anything that's become more complicated to navigate, whether it's with the AESO or the government or with the counterparties that have created a little bit more work to be done to solve something. And I'm just curious how the tone and feel around speed to market has evolved over the last couple of months.

**Avik Dey**
It's a great question. I would say, what happened over the last three or four months, whether it's, with our colleagues at the AESO or AUC, or government, I think we get more and more clarity on what the path must look like to be able to deliver this capacity. The tone has not changed at all in terms of the support for, and, commitment to finding a solution for Alberta to lead on data centers.

But as we get deeper into it and understand what whether there's exceptions that are required or pathways to getting approval to go behind the fence or grid connect. That's the piece where everyone's rolling up their sleeves and trying to find solutions for. So, I think active engagement, more questions have arisen, but the commitment remains resolute on trying to find a path to get there.

**Mark Jarvi**
That's good to hear.

And then maybe on recontracting, your comments about obviously going term earlier, in terms of well before the expired, the current PPAs, and then your comment about higher pricing, is that something you feel more confident on today around the higher pricing or that's just an affirmation of a belief you've had for a while, and then any sense of what that uplift could be on pricing and types of term in terms of contract duration you think are possible at this point?

**Avik Dey**
Yes, thanks Mark.

I mean, at this point, I can't comment on price and duration, but I would say absolutely an affirmation of the thesis we've been laying out for the past year. In terms of interest, and again, I go back to the answer on the data centers because our engagement on the data center opportunity has been across all stakeholders.

We've had a good sense for what our utility partners are being faced with within their own integrated resource plans. And as a result, have a good sense of how our own generation fits within their own plans. And so, as we've predicted, we continue to expect to see really compelling and interesting recontracting opportunities, I can't speak to when we'll solidify those and for what duration or what price, but indicatively, we're seeing across the board opportunities to increase net present value per KW at those facilities we are today in active conversations on.

**Mark Jarvi**
Okay, well I wish you would give us more details, but we'll patiently wait for it. Thanks, Avik.

**Operator**
The next question comes from a line of John Mould with TD Cowen. Your line is open.

**John Mould**
Maybe just broader question on the macro environment. I'm just wondering is maybe asking Mark's question a bit of a different way you seeing any impact on customer interest in Alberta as a result of broader trade dynamics or uncertainty and from your perspective of those dynamics that all nudged Alberta further down the list of preferred markets when you wait all its positives as potential counterparties assess various locations for them to make additional investments, I'm just wondering what you're seeing on that front.

**Avik Dey**
As an early read, John, we have not seen diminished interest for Alberta as a result of the trade tariff conversation or bilateral dialogue between Canada and the U.S., it's not to say that couldn't come at a later point in time, but to date, in terms of number of parties interested, how hyperscalers or data center providers are evaluating Alberta as a market, the interest in Canada hasn't deterred because of that trade talk to date.

**John Mould**
And then just on the supply demand dynamics. At Alberta right now, given pricing year-to-date in your -- I guess in your broader stakeholders discussions, how just when we think about the scale of oversupply in the province and how that factors into broader stakeholder perspectives on what can be added in term -- to the market in terms of load without having a large impact on pricing. I'm just wondering how the recognition of that oversupply is evolving, just based on the pricing and supply dynamic we've seen so far this year?

**Avik Dey**
Yes. I think it was Maurice who or Mark said earlier in terms of the softness in the Alberta market to start out with. I think as this new capacity has all come on, Albertans are as a general rule of thumb are fairly sophisticated in terms of their knowledge of energy markets and power markets at home.

So, it is broadly understood that we have excess capacity and we're benefiting the consumers are benefiting from that for lower prices. In terms of new capacity coming on the conversation, as the premier herself has said from day one when she was elected she was very much focused on reliability, and more importantly affordability for consumers of electricity. So, the conversation I would say over the course of the last two or three quarters as this emphasis on data centers has come forward, it's, we can, and will only pursue data centers in the province, so long as we're not compromising reliability and affordability for the customer and so, that's been a overarching thematic for how we've been looking at building out capacity.

So, as the conversation is evolving within the province, I think there's a few competing factors at play as we consider what the supply dynamic looks like over the next 5 to 10 years. It's one ratification ultimately of the restructured energy market and what those rules are. We've made some meaningful change there.

Secondly, the work Minister, Neudorf, and his staff have been leading, around viability of nuclear medium to long term.

We're still early days on that work. But as far as new capacity on generation and our ability to contract this to data centers, I think overall the market participants and overall perception is that we've got 1,500 megawatts to 2,000 megawatts of capacity in the overall market that could be contracted and if and when REM gets ratified, you know, I think that'll be the next stage gate under which, players like ourselves and others would consider building new capacity.

**John Mould**
Maybe one last one just because you mentioned the REM being ratified. We've got the higher level framework, but still lots of details to sort out. I can appreciate that all those details are necessary for you to make an investment decision on new generation. What I'm wondering is on the large load contracting side, is where the REM at and its progress to date at all a barrier to you being able to finalize, offtake agreements at all for your facilities in the province?

**Avik Dey**
We don't think it'll be a barrier to doing offtake agreements. Obviously, the day ahead market will add some complexity and volatility to the market, but we don't see it preventing us from being able to contract. And I think the important point there is that the market changes that, we've collectively in the province been working towards solidifying are all still exactly consistent with what Minister Neudorf came out with the very first day at IPPSA in March of last year. So it's really been a build from that point. But no, we still feel like there's a market here that we can contract and very much would be prepared to do so.

**John Mould**
Okay. Thank you. Those are my questions.

I'd just like to echo condolences to Bryan DeNeve's family and colleagues and friends at the company. Thanks.

**Operator**
Our next question comes from the line of Benjamin Pham with BMO. Your line is open.

Benjamin Pham
I also wanted to extend my condolences to Bryan DeNeve and family, may he rest in peace.

Maybe just secondly on some of my question to start off on Genesee one and two with the Repowering, can you remind us what your target returns are on that in uncontracted market and how do you think about that in the algorithm as you look at contract that out with potential data center companies? Is there a qualitative element that you would have to incorporate into that?

**Sandra Haskins**
Thanks, Ben.

When you look at the returns on merchant, on thermal, you do see it being at the high end of our target hurdle rates. So 13%, 15% lever returns that project being a Brownfield project is hard to determine exactly what the return is. But as we've said in multiple calls in the past, that project is very accretive just in terms of the avoidance of carbon tax and so doesn't really impact directly what we'd be looking for from an offtake with respect to a data center. I think that would be a completely different commercial agreement. So there's a lot of elements in terms of where we land there relative to the merchant exposure.

If we were to have more contracted length in Alberta, it does give us the opportunity to explore other more lucrative price curves in other markets that we could have take on more merchant exposure. So there's a lot of points at play, but certainly we wouldn't be looking at doing a similar type of analysis of the contracting at Genesee relative to what a merchant asset does. It becomes much more involved than that.

**Benjamin Pham**
It sounds like it's more of a -- if you think about the potential contract, I mean, it's an isolation of that. It's not an apples-to-apples comparison you're making.

**Sandra Haskins**
I think we would look at that independently and across the impact on having increased contract length, reduced exposure and the value of that relative to merchant exposure. And our view on price curve. So I don't think you would look at it as a direct comparison between the two opportunities.

**Benjamin Pham**
And I know Avik even through your -- this call, you emphasized that the positive characteristics of the need for Alberta data centers. Can I ask, like if we're having this discussion even in a year's time and there's really no material updates or there's no data center announcements in Alberta, what do you think went wrong there? Maybe just from a broad industry perspective.

**Avik Dey**
I think probably two things. The first one would be, it's for whether it's the digital sales tax influencing, major tech companies and their interest in playing and investing in Canada has an influence and/or secondly, we rapidly accelerate going from the teaching the LLMs into inference computing and somehow fast track that in the U.S. on federal lands so that there's supercenters that get supported as the President -- as President Trump has stated as his desire and then the inference computing ends up coming ahead and faster.

And so, the shift because of the U.S. focus on big capital spend pushes that capacity more quickly for some external reason that somehow we create two percenters that are totally behind the fence and the five big tech companies all coalesce around doing something like that. I think that would be the existential risk that pushes Alberta out of it. But what I would say is it doesn't change the necessity for data center capacity in the province because if we accelerate into the inference computing phase faster than we expected, which by the way, I don't think that we're going to be able to prove that out in the next year.

It's just right now, as we're all talking to hyperscalers we're talking about 2027, 2028 capacity additions. So, for this scenario to play out doesn't really seem reasonable. But when we move from teaching the LLMs into inference computing, all the cloud computing capacity needs also increased and so, every center major center in Canada we'd be seeing a push for more data center capacity. So, it's a little bit of a rift to answer your question but for me, it would it really is the digital sales tax and/or something external that creates a new solution.

**Operator**
Thank you.

Please stand by for our next question. Our next question comes from the line of Thomas Meric with Janney Montgomery Scott. Your line is open.

**Thomas Meric**
Just two for me. I'll start with U.S. M&A, and just given this time of year, you get a lot of load growth reports ERCOT, PJM, NERC. I'm curious if any RTO kind of stands out as being highly attractive

just kind of relative to some of those projections or kind of the reverse maybe relatively less attractive to expand into, and then give a follow up on new builds.

**Avik Dey**
So, for us, we've historically taken a very systematic approach to looking at markets for M&A. First and foremost, those markets are dependent on thermal for base load generation. Second, those markets that have heavy renewables penetration, and third, the ones that we can wholesale. So yes, we've been seeing a lot of positive indications from RTOs in terms of low demand growth, in particular from the retail side and a few key markets. But at last year's Investor Day, we focused on two key markets that we are interested in acquiring capacity in, one being PJM and the second being ERCOT and we continue to be focused primarily on PJM as a market that we'd like to expand into as a North American IPP and we continue to have that same conviction but overall demand picture remains strong. The reliability gap continues to widen, and in particular as we are focused on whether it's combined cycle units or attractive peakers in some of these key markets, we think there's a compelling opportunity there. And then just last point I would make is, continue to see opportunities in MISO and WECC that are compelling and interesting given those are two key markets that we're already in.

**Thomas Meric**
Thank you for that.

And then a follow-up on new builds, just fully understanding the clear strategy of M&A, but I'm curious to kind of put the opportunity on the other side. Just looking at curious, kind of what you're seeing in new build costs per kilowatt for a combined cycle unit. Specifically, just thinking through labor costs as well as gas turbine and steam generator costs, or if there's some other bucket that you feel or are seeing lots of cost increases.

And I'll leave it there. Thank you.

**Avik Dey**
Yes, thanks for the question.

From an M&A perspective, we continue to espouse to the theory that we have multiple sources of load growth demand, and so long as we can, and when I'm going to take the example of a combined cycle J class as a baseline. So units that we're running at 80% to 90% capacity factor. So if you take that as a type as a surrogate. In the markets we're looking at, if we can acquire that type of capacity at 800 to 1300 a KW, the cone or the cost of new entry greenfield we're seeing in the market at 2000 KW. So our opportunity as a company to buy and then uprate and/or recontract and/or expand is significantly and compelling from a return perspective relative to going into a greenfield and enduring the J curve and investing 2000 KW.

So we just continue to see that buy and optimize model as the single most attractive opportunity in the market over time until there's a convergence because we've added more contracted valuation of these assets increased and you converge the cost of new entry with what these assets trade for in the market. But if you took a […], pre-COVID, which I used as a baseline, a combined cycle J class 400 megawatt unit, would have been $1.5 million or 1,500 KW and the cost inflation from that to the 2,000 KW. I would say that's the most significant piece of it. Obviously, the turbines and the cost of steel, all of that has gone up. But what we've seen in our own projects is it's really about the labor availability and the cost of labor and the labor productivity that's been the biggest factor in cost increase.

And the last point I would make on that, because I think it's an important one, is the supply chain in the U.S. for these businesses has largely been attrition over the last 10 years. So, for us to go do significant new builds across the lower 48, we've got to reintroduce supply chains to be able to deliver equipment and servicing this equipment and construction of these types of projects.

**Operator**
Thank you. (Operator Instructions) Our next question comes from the line of Patrick Kenny with NBF.

**Patrick Kenny**
Thank you, good morning. Avik, I guess now that you've officially backed away from the net zero targets, and I know you're still playing the long game with looking at bringing SMRs into Alberta. But I'm just wondering if the updated strategy surrounding the pace of decarbonization has any impact on the previous timeline that you had targeted for bringing SMRs into the province?

And then on the flip side, wondering if removing, especially the 2030 interim target might broaden your scope at all from an M&A perspective just in terms of looking at assets that might be heavy carbon emitters today, but have a path towards CTG or other emission reduction technologies down the road?

**Avik Dey**
Yes. Thanks, Pat.

As it relates to the 2030 and 2045 targets, firstly, on 2030, 2030 was largely predicated on us, one, delivering on repowering, but secondly, on us being able to achieve COD on CCS. And then I would say the next point around 2045 more broadly was the dramatic shift of the overall market and our own leaning into natural gas as a growth platform for the company. And so, when we step back and look at lower carbon opportunities, we still see opportunity growing opportunity in U.S. renewable development. We still are looking at optimization at our existing fleet.

And then as you mentioned, we're looking at SMRs in Alberta. I don't think that the current market construct in some fashion accelerates nuclear in Alberta. I think the province continues to be very committed to finding lower carbon, alternatives for long term power. But to be frank, I think we've accomplished a lot more in a very short period of time collectively. Now this isn't just us and OPG. It's us and OPG and other players as well as the government through consultations, and just overall education of people in Alberta around the viability of nuclear. So I'm actually, quite encouraged on where we are on nuclear today relative to where we were a year ago, but I don't think in the big picture that we somehow accelerated, being able to deploy -- be able to deploy SMRs.

And the last point I would make is, in particular around whether it's data centers or finding new wholesale customers, when we canceled the CCS project last year, we canceled it on the grounds of not having security of the contract for differences to support the price of carbon. I think, as we're looking at data centers as we're looking at bringing in new capacity in the province, and we're looking at those customers who have been very clear in their appetite for clean electricity as there may be a commercial opportunity now to deploy carbon capture and sequestration on gas turbines.

So I think that's something that's definitely changed in the last two quarters. So I think, although we've removed the target for 2030 and 2045 nothing's changed from a business perspective for us in terms of our focus on finding, new solutions, focus on low carbon ventures, and ultimately delivering what our wholesale customers ultimately want, that's the business we're in, is in serving them and that's why our strategy's oriented around balanced energy solutions because at the end of the day, we're ultimately going to have to deliver in all of the above solutions to our customers.

**Patrick Kenny**
And then maybe just coming back to the near term outlook here, and I know that 12% to 14% total shareholder return is can be a bit lumpy, but just given the AFFO guidance for 2025 on a per share basis is really only anticipating to grow year-over-year, somewhere in the mid-single digit range. Just your thoughts on how much of the remaining 5% to 10% total return target, you expect to deliver from executing on M&A activity versus firming up some of these recontracting opportunities or perhaps sanctioning new organic growth in order to help the rerate of the portfolio.

**Sandra Haskins**
Yes, thanks, Pat. I think it's going to be all of the above. We are very optimistic on the M&A front to be able to execute on a transaction during 2025 that would add that incremental mental value. Likewise, on recontracting we see that there's opportunity there obviously premature for us to talk about anything that's in commercial discussions right now, but I sort of see all areas contributing to pushing up our RTSR. So there's a number of positives in terms of our outlook.

**Patrick Kenny**
I'll leave that there, and also extend my condolences to Bryan DeNeve family and all of his friends at Capital Power as well.
Thank you.

**Sandra Haskins**
Thank you.

**Operator**
Thank you.

Ladies and gentlemen, I'm showing no further questions in the queue. I would now like to turn the call back to Roy for closing remarks.

**Roy Arthur**
Thank you, operator. This concludes our year end presentation and conference call.  I'd like to thank everyone for dialing in and have a great day. Bye now.

**Operator**
Ladies and gentlemen, that concludes today's conference call.

Thank you for your participation. You may now disconnect.