



EPCOR  
Power L.P.

FOR RELEASE AT 6:00 A.M. MDT, OCTOBER 28, 2005

## EPCOR Power L.P. Announces 2005 Third Quarter Results

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**Edmonton, Alberta** – October 28, 2005 (TSX: EP.UN) - EPCOR Power Services Ltd., the general partner of EPCOR Power L.P. (the Partnership), today released the Partnership's quarterly results for the period ended September 30, 2005.

"I am delighted to present the first quarterly financial report of the Partnership following the close of the transaction with TransCanada Corporation on September 1<sup>st</sup>," said Brian Vaasjo, President, EPCOR Power Services Ltd. "This quarter saw a continuation of strong funds generated from operations that again exceeded cash distributions."

Highlights of EPCOR Power L.P.'s financial performance included:

- Funds generated from operations of \$35.7 million or \$0.75 per unit and \$114.4 million or \$2.41 per unit for the three and nine month periods ended September 30, 2005, respectively, compared to \$32.1 million or \$0.68 per unit and \$91.3 million or \$2.08 per unit for the same periods in 2004. The increase in funds generated from operations in total and on a per unit basis for the three months ended September 30, 2005 was primarily due to strong results from the Ontario plants. The increase in funds generated from operations for the nine months ended September 30, 2005 resulted from the acquisitions of the Curtis Palmer and ManChief plants on April 30, 2004 and the Mamquam and Queen Charlotte plants on July 23, 2004 as well as strong third quarter results from the Ontario plants.
- Net income was \$28.0 million or \$0.59 per unit and \$65.3 million or \$1.38 per unit for the three and nine month periods ended September 30, 2005, respectively, compared to \$29.1 million or \$0.61 per unit and \$70.5 million or \$1.61 per unit for the same periods in 2004. The decreases in net income for the three and nine months ended September 30, 2005 were primarily due to lower unrealized foreign exchange gains on translation of the Partnership's U.S. dollar-denominated debt in 2005. These changes in foreign exchange gains resulted in a \$2.3 million (\$0.05 per unit) and \$12.3 million (\$0.26 per unit) decrease in net income for the three and nine months ended September 30, 2005, respectively, and are partially offset by strong third quarter results from the Ontario plants and operating margin from the four plants acquired in 2004.

- Cash distributions of \$29.9 million or \$0.63 per unit were declared for the third quarter of 2005, consistent with the same period in 2004. Throughout the year, the Partnership utilizes funds generated from operations in excess of cash distributions to stabilize future quarterly cash distributions and to partially finance capital expenditures.

<b>Operational and Financial Highlights</b> <i>(unaudited)</i>	<b>Three months ended</b> <b>September 30,</b>		<b>Nine months ended</b> <b>September 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<i>(millions of dollars except per unit and operational amounts)</i>				
Power Generated (GWh)	<b>623</b>	642	<b>2,043</b>	1,750
Weighted Average Plant Availability <sup>(1)</sup>	<b>97%</b>	97%	<b>94%</b>	97%
Funds Generated from Operations	<b>35.7</b>	32.1	<b>114.4</b>	91.3
Per unit	<b>\$0.75</b>	\$0.68	<b>\$2.41</b>	\$2.08
Net Income	<b>28.0</b>	29.1	<b>65.3</b>	70.5
Per unit	<b>\$0.59</b>	\$0.61	<b>\$1.38</b>	\$1.61
Capital Expenditures	<b>2.1</b>	1.6	<b>5.2</b>	10.8
Cash Distributions	<b>29.9</b>	29.9	<b>89.6</b>	84.5
Per unit	<b>\$0.63</b>	\$0.63	<b>\$1.89</b>	\$1.89
Weighted Average Units Outstanding	<b>47.4</b>	47.4	<b>47.4</b>	43.8

(1) Weighted Average Plant Availability is lower for the nine months ended September 30, 2005 due to planned and unplanned outages at the Mamquam and Manchief facilities in the the current year.

Management's discussion and analysis (MD&A) of the quarterly results are shown below. The MD&A and the interim financial statements are available on the EPCOR Power L.P. web-site ([www.epcorpowlp.ca](http://www.epcorpowlp.ca)) and will be available at SEDAR ([www.sedar.com](http://www.sedar.com)).

# **EPCOR Power L.P.**

## **Interim Management's Discussion and Analysis**

### **September 30, 2005**

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This management's discussion and analysis (MD&A), dated October 28, 2005 should be read in conjunction with the unaudited interim consolidated financial statements of EPCOR Power L.P. (the Partnership) for the three and nine months ended September 30, 2005 and 2004 and in conjunction with the audited financial statements and MD&A for the year ended December 31, 2004.

On September 1, 2005, EPCOR Utilities Inc. (EPCOR, collectively with its subsidiaries) completed its acquisition of TransCanada Corporation's (TransCanada) interest in the Partnership. In connection with the close of the transaction, the Partnership was renamed from TransCanada Power, L.P. to EPCOR Power L.P. EPCOR's acquisition included: approximately 14.5 million units of the Partnership, representing approximately 30.6 per cent of the outstanding units; 100 per cent ownership of the General Partner of the Partnership; and management and operations agreements governing the ongoing operation of the Partnership's power generation assets.

EPCOR Power Services Ltd., the General Partner of the Partnership, is an indirect wholly owned subsidiary of EPCOR and has responsibility for management of the Partnership. The Audit Committee of the Board of Directors of the General Partner is to review and approve the interim MD&A of the Partnership in accordance with the Audit Committee's terms of reference. The Audit Committee has reviewed and approved the contents of this interim MD&A.

#### **Forward-looking statements**

Certain information in this MD&A is forward looking and related to anticipated financial performance, events and strategies. When used in this context, words such as "will", "anticipate", "believe", "plan", "intend", "target", "expect" or similar words suggest future outcomes. By their nature, certain future events are subject to significant risks and uncertainties, which could cause EPCOR Power L.P.'s actual results and experience to be materially different than the anticipated results. Such risks and uncertainties include, but are not limited to, the ability of the Partnership to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the availability and price of energy commodities, plant availability and water flows, regulatory and government decisions, competitive factors in the power industry, the current economic conditions in North America and the performance of contractors and suppliers.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, EPCOR Power L.P. disclaims any intention and assumes no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

## RESULTS OF OPERATIONS

The Partnership reported funds generated from operations of \$35.7 million or \$0.75 per unit and \$114.4 million or \$2.41 per unit for the three and nine months ended September 30, 2005, respectively, compared to \$32.1 million or \$0.68 per unit and \$91.3 million or \$2.08 per unit for the same periods in 2004. The increase in funds generated from operations in total and on a per unit basis for the three months ended September 30, 2005 was primarily due to strong results from the Ontario plants. The increase in funds generated from operations in total and on a per unit basis for the nine months ended September 30, 2005 resulted from the acquisitions of the Curtis Palmer and ManChief plants on April 30, 2004 and the Mamquam and Queen Charlotte plants on July 23, 2004 as well as the strong third quarter results from the Ontario plants.

Operating Margin (millions of dollars) (unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Ontario	19.8	14.8	58.0	52.7
Williams Lake	7.5	7.0	19.4	18.8
Mamquam/Queen Charlotte	1.2	1.3	9.0	1.3
Curtis Palmer	6.5	10.1	31.2	17.5
ManChief	5.6	4.7	15.2	7.9
Castleton	2.0	1.9	6.0	6.2
	<b>42.6</b>	<b>39.8</b>	<b>138.8</b>	<b>104.4</b>

Operating margin of \$42.6 million for the three months ended September 30, 2005 was \$2.8 million higher than the same period of 2004. The third quarter increase in operating margin was primarily due to higher enhancement and diversion revenue at the Ontario plants as a result of higher natural gas prices partially offset by lower revenues at the Curtis Palmer plant due to lower water flows. For the nine months ended September 30, 2005, operating margin of \$138.8 million was \$34.4 million higher than the same period of 2004. The four plants acquired in 2004 contributed \$28.7 million to this increase as well as an increase of \$5.3 million from the Ontario plants primarily due to the higher third quarter enhancement and diversion revenue as a result of higher natural gas prices.

### Non-GAAP Measures

The Partnership uses operating margin and funds generated from operations per unit as performance measures with respect to the plants and the Partnership. These terms are not defined financial measures according to Canadian generally accepted accounting principles (GAAP) and they do not have standardized meanings prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other enterprises.

Funds generated from operations per unit equals funds generated from operations divided by the weighted average number of units outstanding for the respective periods. Operating margin equals revenue less cost of fuel, operating and maintenance expense and other plant operating expenses:

(millions of dollars) (unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Operating Margin	42.6	39.8	138.8	104.4
Other Costs	13.8	9.5	67.6	31.3
Net Income Before Income Tax	<b>28.8</b>	<b>30.3</b>	<b>71.2</b>	<b>73.1</b>

**Revenues and Plant Output**  
(millions of dollars except GWh)  
(unaudited)

	Three months ended September 30,				Nine months ended September 30,			
	GWh	2005	GWh	2004	GWh	2005	GWh	2004
Ontario								
- Power	<b>314</b>	<b>24.5</b>	327	24.2	<b>993</b>	<b>84.6</b>	1,032	82.8
- Enhancements		<b>5.4</b>		2.4		<b>12.0</b>		8.6
- Gas diversions		<b>6.1</b>		3.4		<b>10.5</b>		8.3
		<b>36.0</b>		30.0		<b>107.1</b>		99.7
Williams Lake								
- Firm energy	<b>131</b>	<b>9.3</b>	131	9.1	<b>372</b>	<b>26.7</b>	370	26.7
- Excess energy	<b>15</b>	<b>0.6</b>	12	0.4	<b>38</b>	<b>1.5</b>	39	1.4
	<b>146</b>	<b>9.9</b>	143	9.5	<b>410</b>	<b>28.2</b>	409	28.1
Mamquam/Queen Charlotte <sup>(2) (3)</sup>	<b>24</b>	<b>2.6</b>	29	1.5	<b>183</b>	<b>11.5</b>	29	1.5
Curtis Palmer <sup>(2)</sup>	<b>52</b>	<b>8.1</b>	73	11.6	<b>230</b>	<b>36.2</b>	124	20.1
ManChief <sup>(2) (4)</sup>	<b>49</b>	<b>7.3</b>	19	6.9	<b>62</b>	<b>20.0</b>	19	11.6
Castleton	<b>38</b>	<b>3.5</b>	51	3.8	<b>165</b>	<b>11.2</b>	137	11.7
	<b>623</b>	<b>67.4</b>	642	63.3	<b>2,043</b>	<b>214.2</b>	1,750	172.7

**Weighted Average Plant  
Availability<sup>(1)</sup>**

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Ontario Plants	<b>96%</b>	98%	<b>97%</b>	98%
Williams Lake	<b>100%</b>	99%	<b>96%</b>	95%
Mamquam/Queen Charlotte <sup>(2) (3)</sup>	<b>75%</b>	99%	<b>84%</b>	99%
Curtis Palmer <sup>(2)</sup>	<b>98%</b>	86%	<b>98%</b>	90%
ManChief <sup>(2) (4)</sup>	<b>100%</b>	100%	<b>91%</b>	100%
Castleton	<b>100%</b>	100%	<b>95%</b>	95%

<sup>(1)</sup> Plant availability represents the percentage of time in the period that the plant is available to generate power, whether actually running or not, and is reduced by planned and unplanned outages.

<sup>(2)</sup> From the dates of acquisition: Curtis Palmer and ManChief – April 30, 2004; Mamquam and Queen Charlotte – July 23, 2004. Revenues for Curtis Palmer for the three months ended September 30, 2005 were lower than the same period last year due to lower water flows in the current year.

<sup>(3)</sup> The 50 MW Mamquam facility was unavailable for part of the first quarter of 2005 due to a planned maintenance outage. A second planned outage in July was extended due to an expanded scope change.

<sup>(4)</sup> The 300 MW ManChief facility was unavailable for part of the second quarter of 2005 due to a planned maintenance outage.

Revenues of \$67.4 million and \$214.2 million for the three and nine months ended September 30, 2005, respectively, were \$4.1 million and \$41.5 million higher than the same periods in 2004. The increases in revenues for the three months ended September 30, 2005 were primarily due to higher enhancement and diversion revenues at the Ontario plants. Revenues for the nine month period increased due to the acquisitions of the Curtis Palmer, ManChief, Mamquam and Queen Charlotte plants in 2004 as well as higher enhancement and diversion revenues at the Ontario plants.

Power sales at the Ontario plants of \$36.0 million and \$107.1 million for the three and nine months ended September 30, 2005, respectively, were \$6.0 million and \$7.4 million higher than the same periods in 2004 primarily due to higher enhancement and diversion revenues. Enhancement revenues reflect decisions by the Manager to voluntarily curtail power production in favour of selling the unused natural gas at prevailing market prices. This is normally done in off-peak hours when contracted power prices are lower. Gas diversions occur when the Partnership sells gas in excess of daily plant requirements in situations other than voluntary curtailment. This occurs primarily during planned and unplanned outages. Enhancement and diversion revenues for the three and nine months ended September 30, 2005 were higher due to higher market prices for natural gas in the second and third quarters of 2005.

Revenues at the Williams Lake plant consist of firm energy sales, cost recovery components and excess energy sales under the power purchase arrangements (PPAs) with BC Hydro. Firm revenues of \$9.3 million for the three months ended September 30, 2005 were \$0.2 million higher than the \$9.1 million reported in the same period in 2004. For the nine months ended September 30, 2005 firm revenues were consistent with the same period in 2004. Excess energy sales were slightly higher in 2005 due to a higher market-based excess energy price in 2005 (2005 - \$40 per MWh; 2004 - \$36 per MWh).

The Mamquam and Queen Charlotte plants, which were acquired in the third quarter of 2004, reported revenues of \$2.6 million and \$11.5 million for the three and nine months ended September 30, 2005, respectively. This compares to revenue of \$1.5 million for the three and nine months ended September 30, 2004. The increase in revenues for the three and nine month periods in 2005 compared to 2004 reflects ownership in 2005 for the full reporting periods.

Revenues at the Curtis Palmer plant, acquired in the second quarter of 2004, were \$8.1 million and \$36.2 million for the three and nine months ended September 30, 2005, respectively, compared to \$11.6 million and \$20.1 million for the same periods in 2004. The decrease of \$3.5 million in the third quarter of 2005 compared to 2004 reflects lower water flows.

Revenues at the ManChief plant, acquired in the second quarter of 2004, were \$7.3 million and \$20.0 million for the three and nine months ended September 30, 2005, respectively, compared to \$6.9 million and \$11.6 million for the same periods in 2004. The increase of \$0.4 million for the third quarter of 2005 compared with the corresponding period in 2004 was due to higher dispatch at the plant.

Revenues at the Castleton plant of \$3.5 million and \$11.2 million for the three and nine months ended September 30, 2005 were slightly lower than the same periods in 2004 primarily due to a weaker U.S. dollar in 2005.

## **Cost of Fuel**

Fuel costs include commodity price and transportation costs. For the three and nine months ended September 30, 2005 fuel costs were \$13.6 million and \$42.1 million, respectively, compared to \$12.9 million and \$40.4 million for the same periods in 2004. The slight increases in fuel costs resulted primarily from contractual increases for the Ontario plants partially offset by lower fuel costs at the Williams Lake plant.

Fuel costs at the Castleton plant for the three and nine months ended September 30, 2005 were consistent with the same periods in 2004. The Curtis Palmer, Mamquam and Queen Charlotte hydroelectric plants do not have fuel costs. The power buyer under the ManChief PPA provides all the fuel requirements for that plant; however the Partnership is obligated to pay for demand charges associated with the transportation of natural gas to the facility.

### **Operating and Maintenance Expense**

Operating and maintenance expense is based on fixed fees, adjusted annually for inflation, payable to EPCOR (formerly to TransCanada) for the operation and routine maintenance of the plants. Operating and maintenance expense of \$7.0 million and \$21.0 million for the three and nine months ended September 30, 2005, respectively, increased by \$0.1 million and \$2.4 million compared to the same periods in 2004. These increases were primarily a reflection of the operating and maintenance fees for the Curtis Palmer, ManChief, Mamquam and Queen Charlotte plants which were acquired in 2004.

### **Other Plant Operating Expenses**

Other plant operating expenses, which include insurance, property taxes and major maintenance expenses, were \$4.2 million and \$12.3 million for the three and nine months ended September 30, 2005, respectively, compared to \$3.7 million and \$9.3 million for the same periods in 2004. The increases were primarily due to the additional insurance and property taxes attributable to the plants acquired in 2004.

### **Depreciation and Amortization**

Depreciation and amortization expense for the three and nine months ended September 30, 2005 was \$16.5 million and \$49.5 million, respectively, compared to \$16.5 million and \$39.5 million for the same periods in 2004. The increase in depreciation and amortization expense for the nine months ended September 30, 2005, was primarily due to the plants and associated PPAs acquired in 2004.

### **Management and Administration**

Management and administration costs, which include fees payable to EPCOR (formerly to TransCanada) and general and administrative costs, were \$0.5 million and \$1.5 million higher for the three and nine months ended September 30, 2005, respectively, compared to the same periods in 2004 primarily due to higher enhancement fees paid as a result of increased enhancement opportunities and higher costs associated with an increased number of plants.

### **Foreign Exchange Gains**

The Partnership reported foreign exchange gains of \$11.3 million and \$7.2 million for the three and nine months ended September 30, 2005, respectively, compared to foreign exchange gains of \$14.2 million and \$20.3 million for the same periods in 2004. Foreign exchange gains result from the translation of the Partnership's U.S. dollar-denominated monetary assets and liabilities. The foreign exchange gains reported in 2005 and 2004 were primarily unrealized and related to the translation of the Partnership's U.S. dollar-denominated debt.

### **Financial Charges and Other**

Financial charges and other expenses of \$6.2 million and \$18.9 million for the three and nine months ended September 30, 2005, respectively, were \$0.9 million and \$11.7 million higher compared to the same periods

in 2004. The increases in financial charges resulted from interest expense on long-term debt issued by the Partnership in the second quarter of 2004 to fund plant acquisitions.

### **Income Taxes**

Income taxes relate solely to the taxes of the Partnership's U.S. subsidiaries. The increase of \$3.3 million in income tax expense for the nine months ended September 30, 2005 compared to the same period in 2004 was primarily due to increased income from the Partnership's U.S. power plants acquired in the second quarter of 2004.

### **Net Income**

Net income was \$28.0 million or \$0.59 per unit and \$65.3 million or \$1.38 per unit for the three and nine months ended September 30, 2005, respectively, compared to \$29.1 million or \$0.61 per unit and \$70.5 million or \$1.61 per unit for the same periods in 2004. The decreases in net income for the three and nine months ended September 30, 2005 were primarily due to lower unrealized foreign exchange gains on translation of the Partnership's U.S. dollar-denominated debt in 2005. These changes in foreign exchange gains resulted in a \$2.3 million (\$0.05 per unit) and \$12.3 million (\$0.26 per unit) decrease in net income for the three and nine months ended September 30, 2005, respectively, and are partially offset by strong third quarter results from the Ontario plants and operating margin from the four plants acquired in 2004.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Distributions**

Cash distributions of \$0.63 per unit were declared for the first, second and third quarters of 2005, respectively, consistent with the same periods in 2004. Throughout the year, the Partnership utilizes funds generated from operations in excess of cash distributions to stabilize future quarterly cash distributions and to partially finance capital expenditures.

The third quarter 2005 cash distribution of \$0.63 per unit will be paid on October 28, 2005 to unitholders of record on September 30, 2005.

### **Capital Expenditures**

Capital expenditures for the three and nine months ended September 30, 2005 totaled \$2.1 million and \$5.2 million compared to \$1.6 million and \$10.8 million for the same periods in 2004 and consisted of plant improvements.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

The Partnership manages the foreign exchange risk of its future anticipated U.S. dollar-denominated cash flows from its U.S. plants through the use of forward foreign exchange contracts for periods up to six years. As at September 30, 2005, US \$92.0 million of future cash flows were hedged for 2005 to 2011 at a weighted average exchange rate of 1.31.

## TRANSACTIONS WITH RELATED PARTIES

<i>(millions of dollars) (unaudited)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
<b>Revenues</b>				
Castleton - capacity payments <sup>(1)</sup>	2.4	3.8	9.8	11.7
Ontario - enhancement revenues	5.4	2.4	12.0	8.6
Ontario - gas diversion sales	6.1	3.4	10.5	8.3
Ontario - Calstock guarantee fee <sup>(1)</sup>	0.4	0.8	2.1	2.0
	<b>14.3</b>	<b>10.4</b>	<b>34.4</b>	<b>30.6</b>
<b>Cost of Fuel</b>				
Ontario - gas fuel supply	3.1	5.1	14.9	16.2
Ontario - gas transportation (1)	1.9	3.0	7.5	9.0
Ontario - waste heat (1)	0.1	0.2	0.4	0.4
Castleton - gas demand charge (1)	0.3	0.6	1.5	1.8
	<b>5.4</b>	<b>8.9</b>	<b>24.3</b>	<b>27.4</b>
<b>Operating and Maintenance Expense</b>	<b>7.0</b>	<b>6.9</b>	<b>21.0</b>	<b>18.6</b>
<b>Management and Administration</b>				
Base fee	0.3	0.2	0.9	0.8
Incentive fee	0.5	0.4	1.5	1.3
Enhancement fee	0.9	0.3	1.7	1.2
	<b>1.7</b>	<b>0.9</b>	<b>4.1</b>	<b>3.3</b>
<b>Acquisition Fee</b>	-	2.9	-	8.7
<b>Interest Expense</b>				
Operating line	-	0.3	-	1.0
Promissory notes	-	-	-	0.7
	<b>-</b>	<b>0.3</b>	<b>-</b>	<b>1.7</b>

<sup>(1)</sup> These transactions were related party transactions up to and including August 31, 2005, when ownership of the Partnership changed.

## CONTRACTUAL OBLIGATIONS

Under the terms of the long-term debt with a syndicate of Canadian chartered banks, the Partnership must maintain a debt-to-capitalization ratio which does not exceed 60 per cent at the end of each fiscal quarter and an interest-coverage ratio which is no less than 2.5 at the end of each fiscal quarter. Similarly, under the terms of the operating line, the Partnership must not exceed a debt-to-earnings before interest, taxes, depreciation and amortization (EBITDA) ratio of 3.25 and meet an interest coverage ratio of 2.5 or greater at the end of each fiscal quarter. As at September 30, 2005, the Partnership was in compliance with all of these covenants.

There have been no material changes to the Partnership's purchase obligations, including payments for the next five years and thereafter, since December 31, 2004. For further information on these obligations, refer to the MD&A in the Partnership's 2004 Annual Report.

## **SIGNIFICANT ACCOUNTING ESTIMATE**

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Partnership's Consolidated Financial Statements requires the use of estimates and assumptions which have been made using careful judgment. The Partnership's critical accounting estimate continues to be depreciation expense. For further information on the Partnership's critical accounting estimates, refer to the MD&A in the Partnership's 2004 Annual Report.

## **BUSINESS RISKS**

The Partnership's business and operational risks, including the legal actions commenced by NAL Resources Limited and Devon Canada Corporation in 2004, remain substantially unchanged since December 31, 2004. For further information on business risks, refer to the MD&A in the Partnership's 2004 Annual Report.

## **FEDERAL CONSULTATION PROCESS**

On September 8, 2005, the Federal Department of Finance (Finance) issued its discussion paper to initiate a consulting process on the tax and economic implications of the growth of income trust and other flow through entities (FTEs), like the Partnership. On September 19, 2005 Canada Revenue Agency (CRA), at the request of Finance, announced a moratorium on Advance Tax Rulings regarding income trusts and other FTEs. The General Partner is participating with the other industry stakeholders to ensure that impact of income trusts and other FTEs on the economy and capital markets is properly understood. The General Partner believes that taxation of income trusts or FTEs would not result in more equity and, in fact, would be inappropriate. It is noted that since the Partnership does not have any non-resident limited partners, there is no leakage of tax by distributions to non residents. As the consultation process is in progress the ultimate impact of the process, if any, on the Partnership cannot be determined.

## **OUTLOOK**

The outlook for the Partnership's business remains substantially unchanged since December 31, 2004 and since the acquisition by EPCOR of TransCanada's Partnership interests on September 1, 2005. Funds generated from operations for the fourth quarter of 2005 are expected to be relatively consistent with the first three quarters. Capital spending in the fourth quarter of 2005 is expected to be higher than the previous three quarters which will bring the full year 2005 expenditures in line with 2004.

On October 11, 2005 Standard and Poor's confirmed that it will proceed on schedule with including income funds in the S&P/TSX composite index.

## SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

<i>(unaudited)</i> <i>(millions of dollars except per unit amounts)</i>	2005				2004			2003
	Third	Second	First	Fourth	Third	Second	First	Fourth
Revenues	67.4	72.3	74.5	69.0	63.3	57.8	51.6	47.6
Net Income	28.0	15.5	21.8	30.2	29.1	21.3	20.1	18.2
Funds Generated from Operations	35.7	37.1	41.6	36.9	32.1	29.9	29.3	27.1
Capital Expenditures	2.1	2.6	0.5	3.8	1.6	8.6	0.6	1.8
Cash Distributions	29.9	29.8	29.9	29.9	29.9	29.8	24.8	24.8
<b>Per Unit Statistics</b>								
Net Income	\$0.59	\$0.33	\$0.46	\$0.64	\$0.61	\$0.48	\$0.51	\$0.46
Funds Generated from Operations	\$0.75	\$0.78	\$0.88	\$0.78	\$0.68	\$0.66	\$0.75	\$0.69
Cash Distributions	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63

### Factors Impacting Quarterly Financial Information

Quarterly revenues, net income and funds generated from operations are affected by seasonal contract pricing, seasonal weather conditions, fluctuations in U.S. dollar exchange rates, attainment of firm energy requirements, and planned and unplanned plant outages, as well as items outside of the normal course of operations. Quarterly net income is also affected by unrealized foreign exchange gains and losses on the Partnership's U.S. dollar-denominated long-term debt. Revenues, net income and funds generated from operations from the Partnership's Ontario plants are generally higher in the winter months (October to March) and lower in the summer months (April to September) due to seasonal pricing under the PPAs. Revenues and net income from the Partnership's hydroelectric plants are generally higher in the spring months due to seasonally higher water flows.

Significant items which impacted the last eight quarters' net income were as follows:

- In the second quarter of 2004, the Partnership acquired the Curtis Palmer and ManChief power facilities from TransCanada, resulting in increased revenues and net income. The Partnership also issued U.S. dollar-denominated debt in the second quarter of 2004. This resulted in unrealized foreign exchange gains in quarters two, three and four of 2004 and quarter three of 2005 and losses in the first and second quarters of 2005 due to fluctuations in the U.S. dollar.
- In the third quarter of 2004, the Partnership acquired the Mamquam and Queen Charlotte power facilities resulting in increased revenues and net income.

### QUARTERLY UNIT TRADING INFORMATION

The Partnership units trade on the Toronto Stock Exchange under the symbol EP.UN.

For the three months ended <i>(unaudited)</i>	Sep. 30 2005	Jun. 30 2005	Mar. 31 2005	Dec. 31 2004	Sep. 30 2004
<b>Unit Price</b>					
High	\$37.47	\$37.06	\$35.90	\$36.00	\$34.74
Low	\$34.75	\$33.15	\$31.60	\$32.10	\$31.00
Close	\$35.99	\$36.60	\$33.60	\$35.50	\$33.40
<b>Volume traded (millions)</b>	<b>3.7</b>	<b>3.7</b>	<b>3.5</b>	<b>2.9</b>	<b>4.5</b>

As at September 30, 2005, the Partnership had 47,421,982 units outstanding. The weighted average number of units outstanding for the three and nine months ended September 30, 2005 was 47.4 million compared to 47.4 million and 43.8 million for the same periods in 2004.

#### **ADDITIONAL INFORMATION**

Additional information relating to EPCOR Power L.P. including the Partnership's 2004 Annual Information Form (AIF) and continuous disclosure documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## CONSOLIDATED STATEMENT OF INCOME

<i>(unaudited)</i> <i>(millions of dollars except per unit amounts )</i>	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
<b>Revenues</b>	<b>67.4</b>	63.3	<b>214.2</b>	172.7
<b>Cost of Fuel</b>	<b>13.6</b>	12.9	<b>42.1</b>	40.4
<b>Operating and Maintenance Expense</b>	<b>7.0</b>	6.9	<b>21.0</b>	18.6
<b>Other Plant Operating Expenses</b>	<b>4.2</b>	3.7	<b>12.3</b>	9.3
	<b>42.6</b>	39.8	<b>138.8</b>	104.4
<b>Other Costs</b>				
Depreciation and amortization	<b>16.5</b>	16.5	<b>49.5</b>	39.5
Management and administration	<b>2.4</b>	1.9	<b>6.4</b>	4.9
Foreign exchange gains	<b>(11.3)</b>	(14.2)	<b>(7.2)</b>	(20.3)
Financial charges and other	<b>6.2</b>	5.3	<b>18.9</b>	7.2
	<b>13.8</b>	9.5	<b>67.6</b>	31.3
<b>Net Income Before Income Tax</b>	<b>28.8</b>	30.3	<b>71.2</b>	73.1
<b>Income Tax</b>	<b>0.8</b>	1.2	<b>5.9</b>	2.6
<b>Net Income</b>	<b>28.0</b>	29.1	<b>65.3</b>	70.5
<b>Net Income Per Unit</b>	<b>\$0.59</b>	\$0.61	<b>\$1.38</b>	\$1.61
<b>Weighted Average Units Outstanding</b> (millions)	<b>47.4</b>	47.4	<b>47.4</b>	43.8

See accompanying notes to the Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOW

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
<b>Cash Generated from Operations</b>				
Net income	28.0	29.1	65.3	70.5
Depreciation and amortization	16.5	16.5	49.5	39.5
Future income tax	2.8	-	4.2	(0.1)
Foreign exchange gains on U.S. dollar debt	(12.3)	(14.6)	(8.1)	(20.4)
Other	0.7	1.1	3.5	1.8
Funds generated from operations	35.7	32.1	114.4	91.3
(Increase)/decrease in operating working capital	(10.2)	(17.8)	(13.2)	11.0
Net cash provided by operating activities	25.5	14.3	101.2	102.3
<b>Investing Activities</b>				
Acquisition of Curtis Palmer and ManChief power plants	-	0.3	-	(577.5)
Acquisition of Mamquam and Queen Charlotte power plants (net of cash acquired)	-	(152.9)	-	(152.9)
Capital expenditures	(2.1)	(1.6)	(5.2)	(10.8)
Net cash used in investing activities	(2.1)	(154.2)	(5.2)	(741.2)
<b>Financing Activities</b>				
Distributions paid	(29.8)	(29.9)	(89.6)	(79.4)
Increase in operating line	-	15.0	-	15.0
Repayment of TransCanada operating line	-	(37.4)	-	(26.0)
Increase in credit facility	-	188.0	-	188.0
Short-term U.S. dollar debt issued	-	-	-	529.9
Short-term U.S. dollar debt repaid	-	-	-	(524.6)
Long-term debt issued	-	-	-	255.2
Long-term debt repaid	(0.4)	-	(0.8)	-
Deferred financing costs	-	(0.6)	-	(3.9)
Limited partner units issued, net	-	0.1	-	286.9
Net cash (used in)/provided by financing activities	(30.2)	135.2	(90.4)	641.1
<b>(Decrease)/Increase in Cash and Short-Term Investments</b>	<b>(6.8)</b>	<b>(4.7)</b>	<b>5.6</b>	<b>2.2</b>
<b>Cash and Short-Term Investments, Beginning of Period</b>	<b>32.6</b>	<b>10.6</b>	<b>20.2</b>	<b>3.7</b>
<b>Cash and Short-Term Investments, End of Period</b>	<b>25.8</b>	<b>5.9</b>	<b>25.8</b>	<b>5.9</b>
<b>Supplementary Cash Flow Information</b>				
Income taxes paid	0.4	0.6	1.7	1.4
Interest paid	8.9	1.4	20.7	3.1

See accompanying notes to the Consolidated Financial Statements.

**CONSOLIDATED BALANCE SHEET**

<i>(millions of dollars)</i>	September 30, 2005 (unaudited)	December 31, 2004
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and short-term investments	25.8	20.2
Accounts receivable	31.5	27.3
Inventories	7.2	7.2
Prepays and other	6.0	4.2
	70.5	58.9
<b>Plant, Property and Equipment</b>	<b>875.9</b>	<b>902.4</b>
<b>Power Purchase Arrangements</b>	<b>354.4</b>	<b>371.4</b>
<b>Future Income Taxes</b>	<b>-</b>	<b>2.4</b>
<b>Other Assets</b>	<b>10.0</b>	<b>11.3</b>
	<b>1,310.8</b>	<b>1,346.4</b>
<b>LIABILITIES AND PARTNERS EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	23.2	28.0
Distributions payable	29.9	29.9
Long-term debt due within one year	0.9	0.8
	54.0	58.7
<b>Asset Retirement Obligations</b>	<b>16.8</b>	<b>16.0</b>
<b>Long-Term Debt</b>	<b>435.4</b>	<b>444.4</b>
<b>Future Income Taxes</b>	<b>2.3</b>	<b>-</b>
<b>Deferred Amounts</b>	<b>6.0</b>	<b>6.7</b>
<b>Partners' Equity</b>	<b>796.3</b>	<b>820.6</b>
	<b>1,310.8</b>	<b>1,346.4</b>

**CONSOLIDATED PARTNERS EQUITY**

*Nine months ended September 30 (unaudited)*

<i>(millions of dollars)</i>	2005	2004
<b>Balance, Beginning of Period</b>	<b>820.6</b>	<b>547.4</b>
<b>Limited Partner Units Issued, Net</b>	<b>-</b>	<b>286.9</b>
<b>Net Income</b>	<b>65.3</b>	<b>70.5</b>
<b>Cash Distributions</b>	<b>(89.6)</b>	<b>(84.5)</b>
<b>Balance, End of Period</b>	<b>796.3</b>	<b>820.3</b>

*See accompanying notes to the Consolidated Financial Statements*

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

### **1. Sale of Interest in the Partnership**

On September 1, 2005, EPCOR Utilities Inc. (EPCOR, collectively with its subsidiaries) completed its acquisition of TransCanada Corporation's (TransCanada) interest in TransCanada Power, L.P. (the Partnership). In connection with the close of the transaction, the Partnership was renamed EPCOR Power L.P. EPCOR's acquisition included: approximately 14.5 million units of the Partnership, representing approximately 30.6 per cent of the outstanding units; 100 per cent ownership of the General Partner of the Partnership; and management and operations agreements governing the ongoing operation of the Partnership's power generation assets.

### **2. Significant Accounting Policies**

The consolidated financial statements of the Partnership have been prepared by the management of the General Partner in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in the Partnership's annual financial statements for the year ended December 31, 2004. These consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. These consolidated financial statements for the nine months ended September 30, 2005 do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements included in the Partnership's 2004 Annual Report. Certain comparative figures have been reclassified to conform to the current period's presentation.

Quarterly revenues, net income and funds generated from operations are affected by seasonal contract pricing, seasonal weather conditions, fluctuations in U.S. dollar exchange rates, attainment of firm energy requirements, and planned and unplanned plant outages, as well as items outside of the normal course of operations. Quarterly net income is also affected by unrealized foreign exchange gains and losses on the Partnership's U.S. dollar-denominated long-term debt. Revenues, net income and funds generated from operations from the Partnership's Ontario plants are generally higher in the winter months (October to March) and lower in the summer months (April to September) due to seasonal pricing under the power purchase arrangements (PPAs). Revenues and net income from the Partnership's hydroelectric plants are generally higher in the spring months due to seasonally higher water flows.

Since a determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgment. In the opinion of management of the Partnership's General Partner, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Partnership's accounting policies.

### **3. Cash Distributions**

Under the Partnership Agreement, the Board of Directors of the General Partner has the authority to retain an amount of funds generated from operations in excess of scheduled debt repayments and cash distributions ("Cash Reserve") that is determined to be prudent to satisfy the Partnership's current and anticipated obligations, which will include all or a portion of capital expenditures, or to normalize quarterly distributions of cash to unitholders.

<i>(unaudited)</i> <i>(millions of dollars except per unit amounts)</i>	<b>Three months ended</b> <b>September 30,</b>		<b>Nine months ended</b> <b>September 30,</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
Funds Generated From Operations	<b>35.7</b>	32.1	<b>114.4</b>	91.3
Scheduled Debt Repayment	<b>(0.4)</b>	-	<b>(0.8)</b>	-
Cash Reserve	<b>(5.4)</b>	(2.2)	<b>(24.0)</b>	(6.8)
Cash Distributions	<b>29.9</b>	29.9	<b>89.6</b>	84.5
Cash Distributions Per Unit	<b>\$0.63</b>	\$0.63	<b>\$1.89</b>	\$1.89

#### 4. Operating Leases

As at September 30, 2005, the carrying value of the ManChief, Mamquam and Queen Charlotte plant, property and equipment was \$232.7 million (December 31, 2004 – \$231.9 million) less accumulated depreciation of \$8.9 million (December 31, 2004 – \$3.9 million). The Partnership's revenues for the three and nine months ended September 30, 2005 included \$9.9 million and \$31.5 million with respect to the ManChief, Mamquam and Queen Charlotte PPAs (\$8.4 million and \$13.1 million for the three and nine months ended September 30, 2004, respectively).

#### 5. United States Operations

For the three and nine months ended September 30, 2005, the Partnership's U.S. operations generated approximately \$18.9 million and \$67.4 million of revenue respectively (\$22.3 million and \$43.4 million for the three and nine months ended September 30, 2004, respectively). As at September 30, 2005, the net book value of plant, property and equipment and PPAs included \$562.0 million (December 31, 2004 - \$586.1 million) related to assets held in the U.S.

For further information on the Partnership visit the Internet at [www.epcorp.powerlp.ca](http://www.epcorp.powerlp.ca) or contact:

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