

**EPCOR POWER L.P.**  
**Q1, 2006 Analyst Conference Call**  
**April 27, 2006, 11:00 A.M. EDT**

THE OPERATOR: Good morning, ladies and gentlemen. Welcome to the EPCOR Power L.P. First Quarter Review Conference Call. I would like to introduce Randy Mah, Senior Manager, Investor Relations.

RANDY MAH: Good morning, and thank you for joining us today. The news release on our first quarter financial and operating results was issued earlier this morning and is posted on our website at [epcorpowlp.ca](http://epcorpowlp.ca). This conference call is also being webcast on our website. You can access the webcast by clicking on the link for the first quarter webcast from the home page.

Now, let me introduce the two executives on the line with us today. We have Brian Vaasjo, President, and Stuart Lee, Chief Financial Officer. We'll start with a brief summary on the highlights for the first quarter, followed by a question and answer session.

During this conference call forward-looking statements may be made. Statements made with respect to forward-looking information are subject to risks and uncertainties. Accordingly, actual results may differ materially from statements made today. For additional information on these risk factors, please review the reports filed by the partnership with Canadian Securities regulators. EPCOR Power L.P. disclaims any intention or obligation to update any forward-looking statements unless required by law. I will now turn the call over to Brian.

BRIAN VAASJO: Thanks Randy. I am pleased with the Partnership's performance for the first quarter, which continued the strong momentum reported at the end of 2005. The first quarter included record quarterly revenues and strong funds generated from operations – even after excluding the one-time \$8.5 million settlement payment from the O.E.F.C.

We are also pleased to have announced earlier this month, the Partnership's intention to acquire with its sponsor, EPCOR Utilities Inc., their 50.15% interest in the Frederickson power facility for \$118 million U.S. The expected benefits from this transaction include a further diversification to the Partnership's already strong diversified portfolio of 11 power plants; the addition of three new investment grade counterparties; and an extension of the weighted average life of the Partnership's PPAs. The transaction is expected to be modestly accretive, adding approximately \$10 million annually to funds generated from operations. The transaction is expected to close this summer – subject to regulatory approvals.

As the manager and operator, our goal will be to maintain the strong performance of our existing plants. We will also continue to actively look to develop or acquire additional high quality assets for the Partnership on an accretive basis. I will now turn the call over to Stuart, who will provide you with a summary of the financial highlights.

STUART LEE: Thanks Brian. I am pleased to report strong first quarter results for EPCOR Power L.P. First quarter results benefited from a retroactive settlement payment of \$8.5 million dollars from O.E.F.C. on a replacement Direct Customer Rate index. This settlement adjusts the amounts owed under the affected PPAs for the period 2002 to 2005; as well as replacing the DCR index prospectively to the end of the respective PPAs.

The Partnership generated first quarter revenues of \$91.3 million – an increase of 23% compared to the same period a year ago. On a normalized basis, excluding the one-time settlement payment, the first quarter revenues were up 11%. Net income of \$33.9 million in the first quarter increased 56%. On a normalized basis net income increased 17% primarily due to higher revenues at the Curtis Palmer plant from above average water flows on the Hudson River.

Funds generated from operations were up 22% to \$50.6 million primarily due to the O.E.F.C. settlement payment. On a normalized basis, funds generated from operations increase marginally by 1% on a year-over-year basis. Operationally, the LP's results benefited from a 30% increase in operating margins from the Curtis Palmer hydro facility due to higher water flows.

In the first quarter the L.P. reported a 97% weighted average plant availability, which was impacted by maintenance work at the Mamquam plant. This is down slightly from the 99% we achieved in the first quarter 2005.

In summary, the Partnership generated strong results in the first quarter; and it's the 10<sup>th</sup> consecutive quarter where funds generated from operations exceeded cash distributions – even after excluding the one-time settlement payment.

I will now turn the call back to Randy to moderate the question and answer session.

RANDY MAH: Okay, thanks Stuart. Operator, we are ready to start the question and answer session.

## **QUESTIONS AND ANSWERS:**

OPERATOR: Ladies and gentlemen, to join the question queue, please press the numbers "01". If you wish to withdraw your question, press the pound (#) sign. If you have any questions, please press "01" now. One moment please for the first question.

The first question comes from Tony Courtright with Scotia Capital. Please proceed with your question.

TONY COURTRIGHT: Thank you very much. I'm wondering if you could elaborate on the lower availability at Mamquam. Was that an unplanned outage? Or was it a planned outage?

STUART LEE: The Mamquam outage was planned, but the scope was increased. We did some additional work on some of the seals with that particular unit.

TONY COURTRIGHT: Now in connection with Mamquam, in the prospectus under recent developments there is a reference to the, I guess the company that must own it – Coastal Rivers Power Corporation – having filed a claim against the vendors for breach of reps and warranties in relation to the sale of the plant, I presume, for an amount of estimated \$15 million including \$11 million expected repairs to facilities and equipment. Can you elaborate on when this claim was filed? Was it known before EPCOR acquired TransCanada's interests in the Partnership; and what it relates to?

BRIAN VAASJO: Tony, Brian Vaasjo here. Because it is in arbitration – you know, much like legal proceedings – we are pretty much limited as to what we can say or not say in relation to that claim. So, unfortunately, we are unable to respond to your questions.

TONY COURTRIGHT: Any of them in terms of timing of who, when the claim was first filed?

STUART LEE: The claim I think was filed about a week, just over a week ago, week and a half ago.

TONY COURTRIGHT: I see. So likely the scope of the planned outage, the expanded scope may have, I'll surmise that it might have had something to do with this. In terms of the acquisition, proposed acquisition of the Frederickson facility, there is a reference in your note to \$10 million dollars expected increase in funds from operation. Can you enlighten me as to what the scheduled overhaul cycle on this plant is; and what, when the next one might be; and whether that figure of \$10 million reflects a long term service agreement payment? Or is there additional then maintenance cap is likely to be incurred on the next scheduled service; and whether it's a minor scheduled overhaul or a major 50,000 hour overhaul?

STUART LEE: Right now, its probably dependent, Tony, on the amount that this facility runs; and the expected timing on the next overhaul is 2008 or 2009, depending again on the hours that it runs

over the next, 2006-2007. And we expect fairly minimal capital spending – maintenance capital spending – in that in 2006-2007; and possibly 2008 if it gets pushed out to 2009.

TONY COURTRIGHT: Alright, so minimal capital spending. Is there an ongoing, is there a third party long term service agreement in place on this?

STUART LEE: There is. There is a long term service agreement with G.E. on that facility.

TONY COURTRIGHT: Right. And that is funded on a regular basis so that, or is paid to them and then they owe you services when they are required?

STUART LEE: That's correct.

TONY COURTRIGHT: Alright. Thank you.

OPERATOR: The next question comes from Robert Kwan with RBC Capital. Please proceed with your question.

ROBERT KWAN: Good morning. Just a, maybe just on the Ontario, on the DCR, so there was about \$8.5 million one-time payment in revenues. I guess in fuel costs you made reference to \$1.3 million – was that also a one-time payment, or is that an ongoing elevation in what you are paying your suppliers?

STUART LEE: So, it's a one-time payment.

ROBERT KWAN: Okay.

STUART LEE: And the actual receipt from O.E.F.C. would have been \$9.8, so the net was the 8.5 that we have reported.

ROBERT KWAN: Okay, so the 8.5 is net. Okay. And then just on a go forward basis, presumably there was an uplift in the power prices received, and then also in the gas prices. Do you kind of have a net amount on what your go forward cash flows would be impacted by, by the new DCR?

STUART LEE: So I could comment for 2006; obviously for 2007 and forward it will depend on how it gets reset every year.

ROBERT KWAN: Sure.

STUART LEE: But for 2006 the expected uplift is about \$3 million dollars.

ROBERT KWAN: Okay, three million. And that's, so that's the ongoing uplift; and then obviously plus or minus for DCR in 07.

STUART LEE: Yes.

ROBERT KWAN: Okay. And maybe just a last question here. You know, obviously we've seen the first kind of roll down on Frederickson; do you kind of have thoughts on timing as to how

you'd like to proceed; you know, is it one facility a year? Or, and then also, if you could make some comments as to third party acquisitions and what your thoughts are there?

BRIAN VAASJO: Brian Vaasjo here. In regards to assets vended in from the sponsor, those are continually looked at and decisions will be made from time to time. There is no particular set plan so to speak. In terms of third party acquisitions, as one would expect, we are continually in the market looking for opportunities; so it again will depend a lot on circumstances at the time.

ROBERT KWAN: I guess when you're looking at third party acquisitions, how would you characterize the market and the different either auction processes or negotiated processes that you are, or were, involved in recently?

BRIAN VAASJO: There continues to be a significant number of assets in the market; and as well, there is a significant amount of competition. We see, obviously, we haven't been, you know, successful on some in terms of us continuing to be in the market. But you know, we certainly believe that it is a market that we can participate in.

ROBERT KWAN: Okay great. Thank you.

OPERATOR: The next question comes from Daniel Shteyn with Desjardins Securities. Please proceed with your question.

DANIEL SHTEYN: Good morning gentlemen. I have a couple of questions here. Starting with the litigation, as I understand, you've settled with the O.E.F.C. regarding the DCR rate. Now, as I also understand, your own litigation with fuel suppliers at Tunis substantially revolves around the same issue. Do you see, is there anything that you can comment on in terms of how that litigation is impacted by your settlement with the O.E.F.C.?

BRIAN VAASJO: Brian Vaasjo here. Again, unfortunately because that is in litigation, we are unable to comment.

DANIEL SHTEYN: Okay. And then, just staying on the DCR topic for a minute, so from what I understand you have settled with the O.E.F.C. for claims for the years past. And on a go forward basis you mentioned that 2006 the settlement might also create another uplift of about \$3 million dollars. Is there any sort of a percentage that was settled on for 2006 in terms of the DCR increase?

STUART LEE: There was a percentage that was settled on.

DANIEL SHTEYN: Okay. Is that something you can disclose?

STUART LEE: I don't have that information in front of me Daniel, but I certainly can undertake to try and provide that.

DANIEL SHTEYN: Okay. And on a go forward basis, you've mentioned that the future uplift will depend on how exactly the DCR is reset. Now is there a mechanism that has been settled on – between you and the O.E.F.C. to determine the DCR?

STUART LEE: There is.

DANIEL SHTEYN: Okay. Is that also something that will be disclosed; or something that you can disclose?

STUART LEE: So, basically the way the new DCR index works is, it is based on the previous three years average total market cost for power – for either a 230 KV or 115 KV customer; assuming a 100% load factor and all costs associated with power. So it is kind of a rolling index based on customer rate for Ontario.

DANIEL SHTEYN: Okay. For, you said, for small customers or for large customers?

STUART LEE: Its basically for small – you only get 230 KV and 115 KV customers.

DANIEL SHTEYN: 230 KV and okay. Very good. Okay, that answers that. Now, is there, for the Mamquam cap ex that you've incurred as part of your outage during the first quarter, is there a number that you can disclose? Like, specifically for the Mamquam cap ex?

STUART LEE: As far as cap ex and maintenance, it is a pretty small number; on the overall cap ex for the entire L.P. was about \$800,000 for the quarter or so.

DANIEL SHTEYN: Okay.

STUART LEE: I don't have the exact amount.

DANIEL SHTEYN: No, that's fine, okay. So it's pretty minimal. Alright. So, last thing, was just getting back to Frederickson for a minute; now you've mentioned that you expect accretion of approximately \$10 million in terms of operating cash flow as a result of this transaction. Is there any further detail that you can disclose regarding the EBITDA that you are getting from, that you will be getting under those three PPAs for Frederickson? Or is there any additional information that you will be disclosing?

STUART LEE: I think on an ongoing basis you will see us break out Frederickson on an actual basis, once it's an L.P., but at this point in time, that's the information we are disclosing right now.

DANIEL SHTEYN: Okay. And are you also going to be providing a little bit of historical financial information for Frederickson?

STUART LEE: It's not our intention at this time.

DANIEL SHTEYN: I see. Alright, I guess that's all for my questions. Thank you.

OPERATOR: There are currently no more questions holding in the queue.

RANDY MAH: Okay, we'll just wait a few moments operator.

OPERATOR: We do have another question from Juan Plessis with Canaccord. Please proceed with your question.

JUAN PLESSIS: Great, thank you. I see in, in the write up that you mention there is a, from the price step down at Curtis Palmer there is a \$14 million dollar, I guess, step down from 2005. Can you give us any sense as to the timing of when that price step down will occur?

STUART LEE: It has already occurred. It occurred in January, mid-January of 2006.

JUAN PLESSIS: Okay, great, thank you. And with respect to the DCR, how much of the \$8.5 million that you received would have been incurred in Q1 of 05?

STUART LEE: We'll have to take that off line, and get back to you on that? You are talking about Q105?

JUAN PLESSIS: Correct.

STUART LEE: Right.

JUAN PLESSIS: And that was all my questions. Thank you.

OPERATOR: The next question comes from Tony Courtright with Scotia Capital. Please proceed with your question.

TONY COURTRIGHT: Thanks very much. In the description in the press release there is a reference to income tax as having escalated by \$2.1 million, attributable to the increased income from the Partnership's U.S. power plants. Do you envisage the proposed acquisition of Frederickson to ameliorate your future tax burden in the U.S.?

STUART LEE: So, I think we are still looking at the way we are going to structure various inter-company transactions to, obviously to plan for Frederickson. But we expect that there is some benefit with respect to it, because there are some tax loss carry forward to realize. But, they won't be that significant and have a major impact, I think, on our U.S. tax position.

TONY COURTRIGHT: So, would you anticipate the level of taxes to be more comparable over the balance of 2006, than they were in Q1 2006, maybe due to high Curtis Palmer water flows and income there?

STUART LEE: Yes, I think it's important to also point out for Q1 a lot of the income tax expense was our future income tax expense, as opposed to current; and that's based on the way that the deferred income works on Curtis Palmer. So even though income was high the actual, the

actual cash received was different, based on the step down in pricing. And so what it, what it results in is higher future income tax rates versus current, than you would normally, I guess, look at.

TONY COURTRIGHT: Right. In terms of U.S. operations, would you envisage undertaking additional exchange rate protection when you do acquire Frederickson?

STUART LEE: Absolutely.

TONY COURTRIGHT: Alright. In terms of a transaction itself, what is the current transaction fee schedule, likely with the transaction costs payable to the General Partner be for this transaction of this size?

STUART LEE: So, I believe that the expected transaction fee is \$2.7 million.

TONY COURTRIGHT: Alright. And that's U.S.?

STUART LEE: That's Canadian.

TONY COURTRIGHT: Canadian. And then finally, just as a question relating to the annual report asset retirement obligations, there is a reference to a range of days where, or times in the future in which you expect to incur these obligations. Three years to thirty five years: can I presume that the three years relates to Castleton?

STUART LEE: It does.

TONY COURTRIGHT: And does that indicate that, that plant is likely to be decommissioned?

STUART LEE: No, not necessarily. In looking at our asset retirement obligations we took a probability weighted approach on various assets including Castleton. So we would have put a probability of three years, and we would have put a probability out longer than that; and that is still our expectation as we work through the economics on that facility. We haven't landed on the exact expectation – whether or not we will be continuing to run that facility under a PPA, on merchant basis; whether we'll sell it or whether we'll decommission it. That is still being evaluated.

TONY COURTRIGHT: So you must have had to use a probability for accounting purposes to establish the figure. What was the probability for accounting purposes?

STUART LEE: We used a 50% probability.

TONY COURTRIGHT: 50, so a 50/50 chance that it would be decommissioned? And you are still reviewing it?

STUART LEE: We are still reviewing it, and quite frankly, you know, as gas prices and electricity prices move, those economics change – almost on a weekly and monthly basis.

TONY COURTRIGHT: Great, thank you.

OPERATOR: There are currently no more questions holding in the queue.

RANDY MAH: Okay, we'll just wait a short moment here.

OPERATOR: We do have another question from Robert Kwan with RBC Capital. Please proceed with your question.

ROBERT KWAN: Hi. I'm just maybe following up on Tony's question on Castleton here. You know, based on what you are seeing in the power market today, you know, what would be the position of Castleton?

BRIAN VAASJO: Brian Vaasjo here. As Stuart indicated, we are as we speak, currently looking at the various alternatives around that asset. At this point we haven't come to a landing – either from a probability standpoint or a standpoint as to the likely direction that we'll end up going with that plant. So, it's a little bit early to tell.

ROBERT KWAN: Okay. Can you disclose what the net PP&E position is at Castleton?

STUART LEE: I think the net PP&E at Castleton at year end was about \$23 million; and the expectation is that it's fully depreciated and amortized by 2008.

ROBERT KWAN: Okay, so I guess there won't be any chance really of an impairment here then.

STUART LEE: No.

ROBERT KWAN: Okay, great; thank you.

OPERATOR: There are currently no more questions holding in the queue.

RANDY MAH: Okay. That will conclude our call then. Thanks everybody for joining us today; and we look forward to working with you over the coming quarters.

OPERATOR: Ladies and gentlemen, this concludes the EPCOR Power L.P. conference call. On behalf of myself and the rest of our teleconference team, thank you for choosing TELUS. We ask that you disconnect your lines at this time.

[CONFERENCE CALL CONCLUDED]