

**EPCOR POWER L.P.**  
**First Quarter 2007 Review Conference Call**  
**May 1, 2007, 9:00 AM (MT)**

**OPERATOR:** Good morning ladies and gentlemen and thank you for standing by. Welcome to the EPCOR Power LP First Quarter 2007 review conference call. At this time all participants are in a listen-only mode. Following the presentation we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties during the conference please press star, zero for Operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Tuesday, May 1, 2007 at 11:00 a.m. Eastern Time.

I will now turn the conference over to Mr. Randy Mah, Senior Manager, Investor Relations. Please go ahead sir.

**RANDY MAH:** Good morning, and thank you for joining us today. The news release on our first quarter results were released earlier this morning and are posted on our website at [epcorpwlp.ca](http://epcorpwlp.ca). This conference call is also being web cast from our website. You can access the web cast by clicking on the web cast link from the home page.

On the call with me this morning is Brian Vaasjo, President, and Stuart Lee, Chief Financial Officer. Brian will provide a brief update of events followed by Stuart, who will provide a summary of the financial and operating highlights for the quarter. After our comments, we will proceed with a question and answer session.

Before we begin, I would like to point out that certain statements during this conference call may be forward-looking and 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 LP 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. Overall, the first quarter results were in line with our expectations, given the expected seasonality of cash flows. One of the benefits from the Partnership's strong diversified portfolio is that no one asset contributes greater than 15 percent of operating income. In the quarter, the weighted average plant availability of 90 percent was lower than the historic average plant availability in the mid 90s range due to both planned and unplanned outages at two of the California facilities and the Mamquam facility. Due to the large diversified portfolio, the lower weighted average plant availability had minimal impact on the Partnership's overall results. As the manager and operator, our goal is to maintain the strong operating performance of our existing plants.

As you are aware, Primary Energy Recycling Corporation disclosed two events last week that is expected to impact its first and second quarter results and could possibly result in a suspension of its monthly distribution payment. As part of the Partnership's 15.4 percent equity interest in Primary Energy Recycling Holdings, the potential financial impact is immaterial as the PERH distribution provides a relatively small contribution to the overall cash generated by the Partnership.

I will now turn the call over to Stuart Lee, who will provide a summary of financial highlights.

**STUART LEE:** Thanks Brian. Before I begin I'd like to briefly comment on the adoption of new accounting standards which have impacted the Partnership's financial reporting beginning in the first quarter of 2007. The Partnership adopted new CICA accounting standards relating to financial instruments. In accordance with the requirements of the new accounting standards, the Partnership has not restated any prior period as a result of adopting the accounting changes and has recorded certain transitional amounts that

represent the cumulative effect of adjustments related to prior periods. As part of the new accounting standards, the Partnership was required to treat its long-term forward Ontario natural gas supply contracts as non-financial derivatives. Non-financial derivatives are required to be recorded at fair value at each balance sheet date with any corresponding changes in fair value recognized in net income in the period. A \$44.3 million gain has been recorded to reflect the change in the fair value of the natural gas supply contracts in the first quarter.

Now let me provide a brief recap of the first quarter. The Partnership generated revenues of \$143 million in the quarter, an increase of \$52 million or 57 percent compared to the same period a year ago. The increase is primarily due to the addition of the PEV and Frederickson assets which contributed \$62 million to revenues in the quarter and was partially offset by the one-time \$10 million settlement received from the OEFC in the first quarter of 2006.

Operating margins were \$104 million in the first quarter. Excluding adjustments for fair value changes in contracts, operating margin was \$58 million, down \$5 million from a year ago. The decrease in operating margins is due to the \$9 million impact of the one-time OEFC settlement in the first quarter of 2006 and lower block pricing for Curtis Palmer, partially offset by additional operating margins from the PEV and Frederickson acquisitions.

Cash provided by operating activities was \$59 million, was up 9 percent from a year ago primarily due to changes in the working capital. Excluding working capital adjustments, cash provided by operating activities was down 9 percent in the quarter when compared to the prior year quarter primarily due to the OEFC settlement in 2006.

Capital spending in the first quarter was \$1 million, which was similar to the same period in 2006. Our expectation for 2007 maintenance CAPEX remains unchanged and is expected

to be approximately \$16 million for the year.

Operationally in the first quarter, the Partnership's weighted average plant availability was 90 percent, down from 97 percent in the prior year. The lower average plant availability was a result of both planned and unplanned maintenance at the Mamquam facility, the Manchief facility and two of the four California plants. With the addition of Frederickson and PEV power generating facilities, the Partnership generated 1,228 gigawatt hours in the quarter, an increase of 77 percent from the prior year. Overall cash provided by operating activities exceeded cash distributions and maintenance capital expenditures by \$27 million in the first quarter of 2007 compared to \$24 million for the same period in 2006. Based on the Partnership's 2007 operating capital plan, we expect 2007 cash provided by operating activities plus dividends received from PERH will exceed the amounts required to fund current cash distributions on a per-unit basis and maintenance capital spending for the year.

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

**RANDY MAH:** Thanks Stuart. Operator, we are now ready to start the question and answer session.

**OPERATOR:** Thank you. Ladies and gentlemen, we will now conduct a question and answer session. If you have a question please press the star followed by the one on your touch-tone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speaker phone before pressing any keys. One moment please, for your first question.

Your first question comes from Tony Courtright of Scotia Capital. Please go ahead.

**TONY COURTRIGHT:** Thanks very much, a couple of questions. One of them is on the accounting changes. The gas purchase contracts, you've indicated that these are not, I forget the terminology but what I wanted to confirm was that you have the availability to

actually sell all of that gas, that the supply agreements permit you to do sales. I know that some of your peers have restrictions in terms of how much gas, if any, that they can re-sell, so can you confirm that all of the gas that is under contract to you is available for enhancement sale if you so choose?

**STUART LEE:** We can. In fact, well we can in fact sell it. Obviously there are some restrictions and the fact is if you sell all the gas you're not producing electricity. Unless you replace that particular gas and so there are penalties associated with the various PPAs with the OEFC so no, on the one hand I'd say we aren't necessarily restricted in reselling the gas, but under the PPAs we're still required to produce a certain amount of electricity.

**TONY COURTRIGHT:** Right, okay. Another question relates to Mamquam and there's a reference to unplanned component of an outage and a planned overhaul of the tunnel in 2008 that took place in 2007 and I recollect that shortly after you, EPCOR Utilities Inc., had purchased a major stake in EPCOR Power LP there was a disclosure of certain issues relating to Mamquam and the prior vendor, or the vendor of – the prior owner of the asset that had vended it to EPCOR Power LP. I'm wondering if you can elaborate on the nature of this tunnel work and whether it has anything to do with deficiencies that might have been identified previously.

**BRIAN VAASJO:** So, Brian Vaasjo here, so in respect of the particular issues at Mamquam, the general process around a tunnel like that is that from time-to-time you go in and inspect a tunnel and you remove debris that's falling – fallen into particular traps and that's a reference to the 2008 maintenance that moved forward. What we found in – with the inspection tools was that there was an inordinate amount of material that was being found in the traps and actually getting down to the turbine and upon further investigation, it was found that some of the timbers that were utilized to support the walls and the floors were coming loose, so we

moved the scheduled outage from 2008 to 2007 and went in and in addition to cleaning out the traps, which would have been done in 2008, we also made repairs to the walls, so that's the overall story at Mamquam. Whether you'd consider it a deficiency, that's probably a debatable point.

**TONY COURTRIGHT:** But there had been a disclosure over a year ago of, I'm not sure whether it was a claim that had been filed against the vendor of the asset from whom EPCOR Power LP had purchased –

**BRIAN VAASJO:** That is correct.

**TONY COURTRIGHT:** And can you update us on the status of that claim and whether it's been satisfactorily resolved or otherwise?

**BRIAN VAASJO:** The claim has not been resolved and it's currently in the process of resolution.

**TONY COURTRIGHT:** And would it have dealt with the manner in which the plant had been constructed and the various –

**BRIAN VAASJO:** It was those kinds of issues.

**TONY COURTRIGHT:** Okay. So it remains outstanding and – but meanwhile you're taking corrective action as need be to ensure the ongoing availability and productive capacity of the facility?

**BRIAN VAASJO:** Yes.

**TONY COURTRIGHT:** Great. Those are my questions for the moment thanks.

**OPERATOR:** Your next question comes from Bob Hastings of Canaccord Adams. Please go ahead.

**BOB HASTINGS:** Thank you very much. On page sixteen, you refer to this, I guess you had a foreign exchange, realized foreign exchange on the currency from the \$180 million of debt

but the implication I get there is that you were looking at doing \$180 million equity issue. Can you give us an update on what you think the size of that might be and the timing of that?

**STUART LEE:** Well price-wise Bob, I think we're still kind of working through the particular amounts so haven't landed on a specific amount yet. Timing-wise again, I think as we indicated before our intent was to get it out this year. It'll be before, expected before our one bridge facility expires in October of this year and that's effectively where we are at right now.

**BOB HASTINGS:** Okay, because I know originally you were looking at something like, I think you signaled like 200 to 250 and I think in the last call you said well with the changes in the tax, you know, you thought you could do something less and I didn't know if you had settled on the 180 or might be something even smaller, but you haven't settled on anything?

**STUART LEE:** Haven't settled.

**BOB HASTINGS:** Okay. Can you give me an update on sort of what you expect the seasonality of earnings quarter by quarter to be now with PEV? You know, I notice that is sort of balancing out the seasonality bit somewhat but which is your, – what would be your biggest quarter now, would there be material differences quarter to quarter?

**STUART LEE:** We don't expect material differences and we actually expect to see a fairly flat profile.

**BOB HASTINGS:** I thought second quarter might be a little bit bigger but okay.

**STUART LEE:** Well I think, you know, second and third quarter may be slightly better but again relatively flat, especially compared with what we would have had historically in the LP where third quarter was definitely our lowest quarter and typically our fourth and first quarters were our best.

**BOB HASTINGS:** Okay. And your – at the end of the previous quarter, you mentioned about the Ontario taxes and you were looking at ways to – that you might be able to mitigate

those. Has there been any further work done on that or can you give us an update on your – what work you have done on that regard?

**STUART LEE:** We are continuing to look at our tax planning in conjunction with our financing plan and, you know, I think we're getting fairly close to landing on our expected tax plan. One of the benefits I think we talked about a little bit at year end is with the US assets that we have, there's effectively a fairly significant tax shield coming out of the US and most of the US assets were purchased between 2004 and 2006 and so we do feel that we're in a pretty good position as far as our tax planning abilities and what we're able to do both on the US and Canadian side.

**BOB HASTINGS:** So would all of your US income, the way it's structured now, be able to avoid tax or might yet need some other modest restructuring?

**STUART LEE:** Currently we're in a position where we're not paying any significant US income tax, there is withholding tax, but no significant income tax and we expect we can plan forward for the near future to avoid that as well.

**BOB HASTINGS:** Okay and then just one last question and I'll let somebody else take the floor here. Ontario, you usually talk about any changes to, sorry escalation and was there any of that in the quarter or that you expect for 2007?

**STUART LEE:** Escalations in the gas supply contracts or --?

**BOB HASTINGS:** Oh sorry, in the OEFC contracts and electricity sales.

**STUART LEE:** Well there would be escalations on the – most of the contracts escalate by the direct customer rate, the DCR.

**BOB HASTINGS:** Right, so what would have been the impact in the quarter on that?

**STUART LEE:** I think the overall increase is between three and four percent, year over year on the escalators in the contracts.

**BOB HASTINGS:** Right. And the \$1.2 million of transportation costs that were applicable to previous quarters, that's sort of a non recurring thing for this quarter, would that been the – what period was that applicable towards?

**STUART LEE:** That would have been from September 2005 to the end of 2006.

**BOB HASTINGS:** Okay. And then that cleans that all up then?

**STUART LEE:** It should, Yes.

**BOB HASTINGS:** Okay, thank you very much.

**OPERATOR:** Your next question comes from Michael McGowan of BMO Capital Markets. Please go ahead.

**MICHAEL MCGOWAN:** Good morning, just wondering if you could highlight how much your other plant operating costs came from Primary and Frederickson.

**STUART LEE:** Michael, I don't have that in front of me right now, but I could take it away and get back to you on that.

**MICHAEL MCGOWAN:** Okay. Do you have the operating margin for Primary?

**STUART LEE:** I believe the overall operating margin was in around just over \$4 million.

**MICHAEL MCGOWAN:** Just over \$4 million, okay. And looks like Frederickson had a fairly good quarter. Can you comment on the seasonal profile of your operating margin at Frederickson?

**STUART LEE:** There's not really a seasonal profile for Frederickson. Most of the overall margin comes from capacity payments.

**MICHAEL MCGOWAN:** So any variance will be maintenance that you would do in the quarters?

**STUART LEE:** And, that's under a long-term service agreement with GE and so historically there's not a significant amount of maintenance expense quarter to quarter. There is small variations in it, but I wouldn't say significant.

**MICHAEL MCGOWAN:** So your quarterly operating margin for Frederickson, would that be indicative of the run rate going forward if you gross it out by four?

**STUART LEE:** It would be.

**MICHAEL MCGOWAN:** Okay.

**STUART LEE:** I mean, you know, again, the maintenance cost is, it's cyclical a little bit but it's fairly small.

**MICHAEL MCGOWAN:** Okay and the impact of the outages at the Primary California facilities, what was the impact in Q1 and the expected impact in Q2?

**STUART LEE:** Overall, I think our operating margin at the California facilities was about a \$0.5 million behind where we would have planned and on a go-forward basis there is some additional maintenance work that has to be done on the turbine that was taken out of service and I believe that that particular work is around a \$0.5 million expense to repair that turbine.

**MICHAEL MCGOWAN:** And that will be incurred during Q2?

**STUART LEE:** That will be incurred in Q2.

**MICHAEL MCGOWAN:** Okay, I think that's all I have, thanks.

**OPERATOR:** Your next question comes from Daniel Shteyn of Desjardins Securities. Please go ahead.

**DANIEL SHTEYN:** Yes good morning gentlemen, first a question on the Mamquam plant. Your press release states that the tunnel work was completed in early April 2007 so just to confirm that in fact you believe the expenses of planned and unplanned outages at that plant

are over as of April, and going forward, do you expect the availability to come back to more historically normal levels?

**BRIAN VAASJO:** Yes that would be true.

**DANIEL SHTEYN:** Okay. Thank you, and regarding Primary Energy Recycling Corp., now in conjunction with the fact that you still have to issue equity to finance the – to refinance the Primary Energy Ventures, do you think that the Partnership has sufficient financial capacity as things stand to potentially take private Primary Energy Recycling Corp. or do you believe that in 2007 the upcoming equity issue pretty much kind of taps out your financial capacity for acquisitions?

**BRIAN VAASJO:** So I am happy to respond to the question but not all that comfortable about responding to in respect specifically of Primary Energy Recycling.

**DANIEL SHTEYN:** Sure, let's talk generally.

**BRIAN VAASJO:** You know, just generally, the equity markets are strong and continue to be strong in respect of a name like EPCOR Power LP obtaining equity so we really don't see any, I'll call it market limitations on, you know, an acquisition that would be in the \$0.5 billion range or even greater, so we think there's a lot of financial capacity out there that we could tap into.

**DANIEL SHTEYN:** Okay and I guess just to follow up on the Primary side, now obviously there is perhaps some sort of resolution that perhaps needs to be put in place regarding EPCOR Power's relationship with Primary Energy where one power trust is the sponsor of another power trust. Are you – has your thinking evolved in any way with regards to Primary Energy and potentially any acquisition by EPCOR Power of the public float that currently exists?

**BRIAN VAASJO:** So going back to our comments at the time of the acquisition, in terms of looking at the Primary Energy Ventures acquisition, we recognized that that was out there as a potential opportunity for EPCOR Power LP. We neither paid for that opportunity and as well we made sure that as EPCOR Power LP, we would be satisfied in the longer term if it ended up being where we had a, you know, trust on trust relationship. So the status quo is, I guess in a nutshell, is comfortable from EPCOR Power LP's standpoint. In terms of any specific activity or action around looking at it as an acquisition, I think as you know, our standard answer as it relates to any potential acquisition opportunity is we don't comment on them.

**DANIEL SHTEYN:** All right, thanks very much.

**OPERATOR:** Your next question comes from Alda Pavao of CIBC World Markets. Please go ahead.

**ALDA PAVAO:** Good morning. I want to focus first on your – on the North Carolina plants acquired from PEV. Looks like the dark spread there, from higher dispatch was nicely positive but on operating margin basis it's negative. Can you just talk about what can be done there in order to make that contribution positive from an operating income standpoint?

**STUART LEE:** Well, a couple of things and I'll let Brian jump in as well, but on the quarter, dispatch was favorable relative to expectations, again Q1 not necessarily a strong quarter for those particular facilities. Typically the highest dispatch is in the summer months, so that's when we'd expect to see more favourable margins. As well, in the quarter, even though dispatch was higher than expectation, unfortunately it didn't have the right fuel blend and so we were burning more coal than some of the wood waste and tire-derived fuels and therefore the overall margin didn't increase with respect to the relative increases in dispatch.

**BRIAN VAASJO:** I think on a go forward basis, there are things that we'll be able to do in terms of arranging some of – a greater quantity of those lower cost fuels to be available to the plant in the event that there was higher dispatch.

**ALDA PAVAO:** Thank you. Moving on to the California plants and the unplanned outages around that, both facilities, can you just elaborate if that will have an impact into the summer months as to availability relative to your expectations?

**STUART LEE:** No, we have a leased engine in place at the one facility. We expect to have the original turbine back in place by the end of May and don't expect it to have any impact coming into the summer months.

**ALDA PAVAO:** I just wanted to as well verify that with the interim decision in that stage regarding QF facilities, as it relates to the energy pricing mechanism, that is as to have you had a chance to review it as it relates to the California plants and verify there's not as to its impact?

**BRIAN VAASJO:** So, you know we, I guess as you know, the Administrative Law Judge decision came out last week, we are analysing it from obviously there's a financial impact standpoint, but what it also does and what it also can do is change the mode in which you operate. There maybe, you know, more advantageous approaches to dispatch, et cetera, and we're looking at those various operating scenarios to see in which way some of the impact can be mitigated substantially on behalf of our customers. I think it's, as we've disclosed fairly consistently, generally speaking any changes in the pricing mechanism would be absorbed through the Navy contracts.

**ALDA PAVAO:** Okay, thank you, those are my questions.

**OPERATOR:** Your next question comes from Rhonda Dyce of RBC Capital Markets. Please go ahead.

**RHONDA DYCE:** Yes, thank you. Just following up on that, so the only facility in California that would be impacted by the SRAC decision is Oxnard. Is that correct?

**BRIAN VAASJO:** Generally speaking, that's correct.

**RHONDA DYCE:** Okay.

**BRIAN VAASJO:** And why I say generally is that again, you know, we've got to go through and do a thorough analysis and look at the operating implications, but that's substantially correct.

**RHONDA DYCE:** Okay. And in terms of the equity loss from your investment in Primary Energy, on the cash flow statement, is it flowing through the other portions?

**STUART LEE:** Yes.

**RHONDA DYCE:** It is?

**STUART LEE:** Yes.

**RHONDA DYCE:** Okay, and your maintenance capex for the remainder of the year, do you expect it to be balanced through the last three quarters in terms of the distribution there or is it more weighted in the summer months?

**STUART LEE:** Right now, our expectations is to be kind of higher in the second and fourth quarters.

**RHONDA DYCE:** Okay. Thank you.

**OPERATOR:** We have a follow up question from Tony Courtright of Scotia Capital. Please go ahead.

**TONY COURTRIGHT:** On the statement, cash flow statement, there's a debt repayment, long term debt repayment of almost \$15 million and I note on the balance sheet that your current maturities have declined from year end of \$18 million to \$5 million. These were scheduled debt repayments?

**STUART LEE:** These were our operating ones.

**TONY COURTRIGHT:** So they're not scheduled debt repayments then?

**STUART LEE:** Right.

**TONY COURTRIGHT:** What accounts for the difference in the balance sheet figure from \$18 at year-end to \$5?

**STUART LEE:** The biggest difference will be on FX, so those are all US. The operating line as well as the bridge facilities that we use for PEV were done in US dollars.

**TONY COURTRIGHT:** But in terms of – so you didn't really have very many mandatory repayments or scheduled repayments during the quarter, it was just an FX change and you revolved down your line?

**STUART LEE:** It was an FX change and another thing in the overall debt line is we would have re-classed from the new accounting standards some of the – our transaction costs from other assets to debt.

**TONY COURTRIGHT:** Okay, so we don't –

**STUART LEE:** We've got \$5 million of re-classed – so if you look in our disclosure in our MD&A it talks about the re-class of about \$4.5 million.

**TONY COURTRIGHT:** All right, but no material debt repayments scheduled in the near term. I know you have one facility that's slowly amortizing but that –

**STUART LEE:** Yes, we've got one small facility, as you know Tony that is the Sun Life debt for the Mamquam facility but it's a relatively small. That's the only scheduled, and obviously the bridge facility that comes up in October of this year and then again in 2009.

**TONY COURTRIGHT:** Right. In terms of the California plants, the unplanned outage there in the leased engine, is that under an existing long term service agreement or are you incurring extra costs because of the need to replace that engine?

**BRIAN VAASJO:** There is generally either the arrangement that we have with GE on a lease unit is that there is a cost a) to participate in the pool, there's an annual cost and then there is a fee that you pay as you actually call on a leased engine so it is increasing the overall cost of operations.

**TONY COURTRIGHT:** But otherwise you are part of this leased pool arrangement?

**BRIAN VAASJO:** Correct.

**TONY COURTRIGHT:** As a matter of course right?

**BRIAN VAASJO:** Right.

**TONY COURTRIGHT:** Thank you.

**OPERATOR:** We have a follow up question from Michael McGowan of BMO Capital Markets. Please go ahead.

**MICHAEL MCGOWAN:** Hello, I was wondering if you could provide an update on the PPA negotiations at the Primary Kenilworth and Greeley facilities.

**BRIAN VAASJO:** In both cases discussions are ongoing and have advanced. As yet we have nothing that we can announce or disclose but discussions are continuing and towards resolution.

**MICHAEL MCGOWAN:** Do you have a potential timeline for resolution?

**BRIAN VAASJO:** Unfortunately in both cases, it's substantially out of our hands. You know, our time frame is as soon as possible; unfortunately the counterparties don't have the same objective in mind.

**MICHAEL MCGOWAN:** Okay. Thanks.

**OPERATOR:** We have a follow up question from Bob Hastings of Canaccord Adams. Please go ahead.

**BOB HASTINGS:** Yes, thank you. Looking at the Frederickson with the two-week cable outage, is there any sort of mitigation, not mitigation, but is there any sort of offset that you can get there or are they responsible for anything financially? That wasn't your outage right?

**STUART LEE:** It was on our property so the cable that runs from the facility to the sub station.

**BOB HASTINGS:** Oh, it was yours, okay, okay and that is all fixed then. The PERH loss on the inventories, isn't that something that's normally taken into account in the purchase price with the inventories sort of looked at, I mean, so therefore would you have any potential to get that adjusted in price?

**STUART LEE:** The inventory, so they would have taken an inventory adjustment in the fourth quarter that was reflected in the purchase price adjustment. Typically it's a purchase price adjustment as of whatever date of acquisition and this particular inventory would have been after the year-end count and so –

**BOB HASTINGS:** Yes, but if there's a physical difference, I would have thought maybe you could go back to the seller.

**STUART LEE:** The physical difference would have been accounted for based upon the year-end count.

**BOB HASTINGS:** Okay, so that's already in there then.

**STUART LEE:** Correct.

**BOB HASTINGS:** Okay, and in the Curtis Palmer, the Curtis Palmer in Q1 of '06 there was deferred revenue of \$3.8 million and when I went back to the MD&A last year, I actually didn't see that referred to anywhere in the MD&A. Is that – was there something unusual there?

**STUART LEE:** Not unusual. So you would have seen on our balance sheet, we would have been deferring revenue because our, you know, the way we recognize it for accounting

purposes was basically averaged over the life of the PPA and so the cash payments were higher than the average revenue so you end up deferring a portion of that. That was deferred in, you know, back in 2004. It increased to a balance and then that was drawn down from February last year until May and basically that deferred amount was wiped off the balance sheet, so there's no ability to draw that back into income.

**BOB HASTINGS:** Okay.

**STUART LEE:** Like on a cash basis obviously it doesn't make much difference; it's just an accounting treatment.

**BOB HASTINGS:** Right. Okay and one last question on the PEV purchase. When it was purchased you felt it would be accretive and then there were certain issues that were discussed that made it not so. Looking ahead now with the, hopefully the changes in some of those contractual terms, would you say that this is a positive say to net income or cash flow before any equity issuance so at least it's positive in that regard, and then looking out to say next year when all these things are adjusted and you have that equity issue behind you, do you expect it to be accretive on a per unit basis?

**STUART LEE:** So, you know, when we made that statement Bob, obviously there was a time when our unit price was trading in between, you know, 31 to 33, \$34. So that would have been the basis. Looking at the type of debt and equity structure we're contemplating going out with then and the expectations on accretions obviously post October 31<sup>st</sup> that changed significantly and you know, if we were to continue to carry the amount of debt we have right now, the PEV acquisition would be accretive. However, as we have signaled to the market, we do expect to come out and issue equity based on the, you know, the type of equity that we expect to issue. I would say the overall expectations for the PEV acquisition are relatively flat.

**BOB HASTINGS:** Okay because there – as I recall when you made that adjustment, and you know you can't do much about a sudden tax announcement, but I believe there was like three reasons why the 6 cents accretion went away, one of which was the equity issue or the equity price and there's some other things to do with contracts not happening as quickly as you thought and some other things, but what I was trying to separate was is there – is the PEV net income or cash flow, forgetting about the financing cost of this thing, is it starting to come back closer to your original expectations when you get beyond these contractual arrangements that you're trying to negotiate now?

**BRIAN VAASJO:** I think that in the comments that we made in those areas and as you're rightfully recalling, we did comment that near term cash flows were not going to be to the same level as had been expected. Some of the current contract discussions would have that impact but our outlook was a little bit further than that. It was, you know, it was going into the medium term as opposed to just looking at some of the short term issues.

**BOB HASTINGS:** Meaning so if we were to look out to 2008 and had all this behind us and then it would be – you'd be expecting to see that more positive result?

**BRIAN VAASJO:** One would certainly hope so.

**BOB HASTINGS:** Okay, thank you very much.

**OPERATOR:** We have a follow up question from Daniel Shteyn of Desjardins Securities. Please go ahead.

**DANIEL SHTEYN:** Yes, thanks, I have a question with regards to the coal supply arrangements at the North Carolina plants. Your contractual obligations write up in the MD&A states that during the quarter EPCOR Power entered into one and two year coal supply agreements. I have, I guess a few questions with regards to that. One, are these coal supply agreements sufficient to fully hedge the coal requirements for the plants, i.e. you won't

be buying any more at spot that you can tell at this point in time; and two, why were these contracts relatively short term in terms of maturities of only one or two years, why not go out five years? And actually a third question, do you have the transportation contract locked up as well?

**STUART LEE:** So on the coal supply agreements, we've got most of the coal requirements for 2007 and 2008 I think the contracts go out to mid year so approximately about half of the requirements for 2008 and you know, part of the reason why you don't go out longer is because the PPA itself expires in 2009 and that's part of the reason why we wouldn't have gone in and locked out farther. And with respect to transportation costs, there are transportation agreements in place as well.

**DANIEL SHTEYN:** That match the term of the coal supply contracts?

**STUART LEE:** Right.

**DANIEL SHTEYN:** Okay, thanks.

**OPERATOR:** Ladies and gentlemen, if there are any additional questions at this time, please press the star followed by the one. As a reminder, if you are using a speaker phone please lift the handset before pressing any keys.

Mr. Mah, there are no further questions at this time, please continue.

**RANDY MAH:** Okay, if there are no more questions, that'll be it for this call. Thanks again for joining us today.

**OPERATOR:** Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your lines.

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