

CONFERENCE CALL PARTICIPANTS

Brian Vaasjo

President

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PRESENTATION

Operator

Welcome to the EPCOR Power L.P. 2009 First Quarter 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 you have any difficulty hearing the conference, please press the star-zero for Operator assistance at any time. I'd like to remind everyone that this conference call is being recorded on Tuesday, April 28th of 2009, at 1 p.m. Eastern Time.

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

Randy Mah, Senior Manager, Investor Relations

Good morning and thank you for joining us today. Yesterday, EPCOR Power L.P. released its first quarter 2009 results. The news release on the first quarter results and the presentation slides for this conference call are posted on the partnership's website at epcorpwrp.ca. This conference call is also being webcast from our website. You can access the webcast presentation by clicking on the Webcast link from the homepage.

Joining me on the conference call is Brian Vaasjo, President and Stuart Lee, Chief Financial Officer. Brian will provide a summary of the first quarter, and review the corporate priorities for 2009. Stuart will provide a financial summary of the first quarter results, and review the Partnership's outlook.

Before we begin, let me direct your attention to the cautionary statement regarding forward-looking information on slide number two. Certain information in this presentation and in oral answers to questions contains

forward-looking information. Actual results could differ materially from conclusions, forecasts, or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information. Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts, or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion, or making a forecast or projection as reflected in the forward-looking information is contained on pages 10 and 11 of this presentation, and on pages 23 to 24 of the Partnership's first quarter 2009 Management's Discussion and Analysis filed on SEDAR.

With that out of the way, I will turn the call over to Brian.

Brian Vaasjo, President

Thanks, Randy. Good afternoon. I'll begin my comments starting on slide three with a summary of the first quarter. The Partnership's operating cash flows were slightly below our expectations. The results were impacted by lower water flows at our BC Hydro facilities, and lower waste heat availability at the Ontario facilities. Stuart will provide more details on the financial performance in his remarks.

In the first quarter, we continued making progress on the upgrades to our two North Carolina facilities; Roxboro and Southport, and to our North Island facility. The North Carolina enhancement project is proceeding on schedule. Consistent with our earlier estimates, the project is expected to be approximately \$0.10 accretive to cash flow. Our discussions on the PPA renewals are progressing with no expected material change from our earlier expectation. The re-powering of the North Island facility with the LM6000 gas turbine is currently underway and is expected to be completed within this week. This will coincide with having the North Island facility fully operational for the start of the summer season capacity. The project is expected to be \$0.03 or \$0.04 accretive to cash flow per unit.

Turning to slide four, I'd like to provide you updates on our Williams Lake and Morris Cogeneration facility. As you're aware, the slowdown in the forestry industry has negatively impacted wood waste supply for our Williams Lake facility. One of the two major suppliers of wood waste shut down their mills in January and the second major supplier has significantly reduced its production. The Partnership has identified other alternative sources of supply, but these sources are more expensive. Given the current low power price market and the higher fuel prices, it is not economical to operate the plant, therefore, the Partnership and the

PPA counterparty have agreed to a temporary outage from April 23rd to the end of May 2009.

The temporary outage does not change our previous guidance on Williams Lake. Under the terms of the PPA, approximately 82 percent of the higher fuel cost is a pass through to the PPA counterparty. We expect 2009 operating margin from Williams Lake to be approximately \$2 million lower versus 2008.

In regard to our Morris Cogeneration facility, Equistar, along with LyondellBassell's other North American operating entities, filed a voluntary petition for reorganization under Chapter 11 of the US bankruptcy code in January 2009. Lyondell has recently announced a target of 14 plant closures. Our Morris Cogeneration facility continues to operate and the services provided to Equistar has remained relatively constant at pre-petition levels. In addition, Equistar is up to date on their post petition invoices. Overall, our expectations have not changed. We expect the Morris Chemical plant will continue to operate and the terms of the Energy Service Agreement being fulfilled after Lyondell emerges from Chapter 11 with the timing expected by year-end.

I'll now turn the call over to Stuart.

Stuart Lee, Chief Financial Officer

Thanks, Brian. I'll start on slide five with a review of the financial highlights for the first quarter of 2009. In the first quarter, the Partnership generated revenues, excluding fair value changes, of approximately \$144 million, a 7.8 percent increase from the same period a year ago. The revenue increase was primarily due to the acquisition of Morris in October 2008.

Operating margin, before fair value changes, was \$49.5 million in the first quarter. This was down 9.2 percent compared with the same period a year ago, primarily due to lower margins at the North Carolina facilities from higher planned maintenance costs, lower margins at the California facilities due to inspection work at the Naval Station plant, and lower margins at the Ontario facility due to higher waste heat optimization costs.

In the first quarter, the Partnership reported a net loss from continuing operations of \$32.6 million, primarily due to a \$50.3 million net loss on the change in the fair value of natural gas supply, and foreign exchange contracts, compared to a net gain of \$52.3 million in the first quarter of 2008.

Cash provided by operating activities of continued operations was \$33.7 million, down 19 percent from the prior year, which I'll cover in more detail shortly.

Cash distributions were flat year-over-year, while capital expenditures of \$17 million were significantly higher than the prior year due to the approximately \$13 million for growth capex initiatives.

Turning to slide six. This slide shows the continuity of cash provided by operating activities of continued operations from the first quarter of 2008 to the first quarter of 2009. The main drivers for the \$7.9 million year-over-year decrease was due to \$3 million of lower operating margins from the North Carolina facilities from lower generation and higher maintenance costs for plant repairs during plant outages for the enhancement project.

Foreign exchange contracts had lower pricing settlements in the first quarter of 2009 compared to 2008, which resulted in a decrease in operating margin of \$2.4 million.

Interest expense was \$1.8 million higher from a stronger US dollar relative to the Canadian dollar on US dollar interest expenses, and higher interest cost on the revolving credit facilities.

There was also lower operating margins from the Ontario facilities due to lower waste heat availability and lower operating margins from Williams Lake due to higher pricing under the PPA for the first quarter of 2008.

Turning to slide seven. This slide covers the Partnership's 2009 financial outlook and outlines the various expected impacts for operating cash flow in 2009 compared to 2008.

There's no change to our original guidance as disclosed in our 2008 year-end MD&A. The positive impacts on cash flows include a full year of cash flows expected from the Morris facility, the re-powering of the North Island facility is expected to increase plant efficiency and cash flow, an 18 percent step-up in the pricing under the Curtis Palmer PPA, the non-recurrence of the milestone payment for the Frederickson facility. The negative impact on cash flow include lower settlements on foreign exchange contracts, higher wood waste costs at Williams Lake, higher emission costs at the Southport and Roxboro facilities, forecasted lower natural gas prices, which will result in lower enhancement revenues, and lower waste heat availability in 2009 compared to 2008.

Overall, 2009 cash flow from operations is expected to be roughly in line with 2008.

I will now turn the call back over to Brian.

Brian Vaasjo, President

Thanks, Stuart. To conclude our prepared remarks, I'll briefly review our 2009 corporate priorities as outlined on slide eight. Overall, our eight priorities are on track at this time. As I've already commented on the first three priorities relating to our growth projects at North Carolina and North Island facilities, I'll move on to the fourth priority.

The fourth priority is executing the strategy for our investment in Primary Energy Recycling Holdings. The open auction sales process, which is being managed by Primary Energy Recycling and their financial advisors, is continuing with a group of select buyers.

The next priority relates to our Ontario PPAs. We continue to meet with the Ontario Electricity Financial Corporation, or OEFC, with regards to our PPAs in Ontario. We expect to have an agreement in principle and formal agreement in place in the second and fourth quarters of 2009, respectively.

For the next priority, the short run avoided cost, or SRAC, continues to be delayed, and therefore negotiations with the US Navy have not commenced.

For our two wood waste facilities, the Partnership has begun sourcing new supply from a nearby landfill site at the Calstock facility in Ontario. From the landfill site, and with our other sources of supply, the plant currently has three to five years of available supply. For Williams Lake, I previously discussed the identification of alternative fuel sources.

Finally, the last priority, the Partnership continues to evaluate acquisition and development opportunities, and these will be disclosed when they come to fruition.

I will now turn the call back to Randy.

Randy Mah, Senior Manager, Investor Relations

Okay, Operator, we're ready to start the question and answer session.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you're using a speakerphone, please lift your handset before making your selection. If you have a

question, please press the star, one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. You may now proceed. There will be a brief pause while participants register for questions, and we thank you for your patience.

The first question is from Robert Kwan from RBC Capital Markets. Please go ahead.

Robert Kwan

Great. You referenced just the operating margin impact in Ontario, but if you look at kind of the two factors versus your expectations being the lower hydrology out in BC, and the lower waste heat availability, can you kind of just break out what those two numbers were, the variance versus your expectation?

Stuart Lee, Chief Financial Officer

On the hydrology; it was just under \$1 million.

Robert Kwan

Okay.

Stuart Lee, Chief Financial Officer

And on waste heat, about, just between half a million and a million.

Robert Kwan

Okay. And I guess if you look at your cash flow outlook being similar to last year, what's the gas price assumption that you're working off of for the rest of the year?

Stuart Lee, Chief Financial Officer

Well the gas price assumption, Robert, wouldn't be significantly different than what you're looking at for forwards.

Robert Kwan

Okay. And then for the last question I've got, you've got Williams Lake here, talking about it being down \$2 million versus last year. You're down about a million and a half

already, so you're pretty much looking for the plant, despite kind of the outage and the lost, kind of, excess energy potential, to be similar to how it performed last year?

Stuart Lee, Chief Financial Officer

So what happened, if you recall from last year, is in Q2 there was an outage, and the way the PPA works is the major maintenance, and the way the PPA works is you're effectively held whole in those years where there's major overhauls, which is about every five years. And so what ended up happening is for Q1, Q3, and Q4, the pricing gets adjusted up and we ended up with higher revenues in those periods, and then Q2 when we were offline, we ended up with lower. This is for 2008.

Robert Kwan

Right. So, but on a full year basis it was still kind of a strong year, right, because you were made whole on the outage?

Stuart Lee, Chief Financial Officer

Right. Correct.

Robert Kwan

And so, Q1 this year over Q1 last year, you're down \$1.5 million.

Stuart Lee, Chief Financial Officer

Because the price would've been adjusted in Q1 last year.

Robert Kwan

Yes?

Stuart Lee, Chief Financial Officer

So Q2 this year, we're not going to see the drop that we saw last year.

Robert Kwan

Okay.

Stuart Lee, Chief Financial Officer

So you'll pick up a significant portion of that in Q2.

Robert Kwan

And then the variance versus Q3 and Q4 will be offset by kind of what we saw, or what you're going to see in Q2?

Stuart Lee, Chief Financial Officer

You'll see the same sort of thing happening in Q3 and Q4 as you saw in Q1.

Robert Kwan

Okay, great. Thanks, Stuart.

Operator

Thank you. The next question is from Bob Hastings from Canaccord Adams. Please go ahead.

Bob Hastings

Hi, thank you very much. In terms of your disposition, or the negotiations that are going with PERH, is there anything you can tell us on the process about where we are, sort of number of parties, when you expect to see some conclusion?

Stuart Lee, Chief Financial Officer

Well Stuart, PERC's actually leading that process. Obviously we're participating in it, but I wouldn't want to provide any other disclosure than PERC's already provided on that. And, the sales process continues, but I wouldn't want to elaborate beyond that.

Bob Hastings

Okay, fair enough. And then on Morris, I hear that you say that they're completely current with your expectations in the current contract. Is that correct?

Stuart Lee, Chief Financial Officer

Correct.

Bob Hastings

And while this facility has not been affected, but I think there was a bit of an outage, was there not?

Stuart Lee, Chief Financial Officer

There was a small outage, I think, in January. Yes.

Bob Hastings

And was that related to the bankruptcy protection, or...?

Stuart Lee, Chief Financial Officer

No, it was not.

Bob Hastings

Okay. And do you anticipate that you have to renegotiate your contracts coming out of that?

Stuart Lee, Chief Financial Officer

We do not.

Bob Hastings

Okay. And just to clarify on your Morris and the potential for this year, would the first quarter impact be similar to what we'd expect in the next few quarters?

Stuart Lee, Chief Financial Officer

Overall I think our expectation for the year is slightly above what we saw in the quarter, but not materially different. It's slightly above on an annual basis.

Bob Hastings

You mean if I took this quarter and multiplied by four you'd be doing a little bit better than that for the year.

Stuart Lee, Chief Financial Officer

Correct.

Bob Hastings

Okay. And the impact from the re-powering at \$0.03 or \$0.04, can you tell us what that would be before financial costs, or what's the actual impact on cash flow before financing?

Stuart Lee, Chief Financial Officer

I'd have to circle back with you on that, Bob.

Bob Hastings

Okay, but in terms of how you do that calculation, can you walk us through that then?

Stuart Lee, Chief Financial Officer

The way we actually calculate that is we look at the cash flow that comes out of the projects, we assume our hypothetical capital structure, and typically that would be 50 percent debt, 50 percent equity, and we look at the distributions that would come out of that, the interest payments that would come out of that, and look at the remaining cash flow that would be available to distribute to unitholders.

Bob Hastings

So essentially you assume that for 50 percent of the cost you've issued equity at the current market price?

Stuart Lee, Chief Financial Officer

Or at a market price and our long-term expectations on unit price.

Bob Hastings

And, but there's therefore more shares outstanding and you're paying out more distributions as a result?

Stuart Lee, Chief Financial Officer

Correct.

Bob Hastings

And also interest on the other half?

Stuart Lee, Chief Financial Officer

Correct.

Bob Hastings

Okay. And in terms of looking ahead, obviously the markets have not, the economy has suffered some problems; power prices are down pretty much everywhere. How does that impact, or what's the risk of that longer term to you? Do you have a sensitivity on that?

Stuart Lee, Chief Financial Officer

So I'll maybe just talk briefly about some of the short-term and longer term impacts. Short-term it has the potential, I think, of putting a little bit of pressure on the North Carolina facilities; they're mid-merit facilities, with drop in power demand in the area, you may see those being dispatched at slightly lower levels, and in conjunction with that, you're also seeing relatively low natural gas prices. So as mid-merit facilities, we may see those running at lower rates than we saw in 2008, and so there may be some pressure from that.

Ontario, obviously we're seeing some drop as well, at least in the short-term. Those contracts don't come due until 2012. So I'm not sure that the near-term drop will necessarily have an impact on the PPA renewals. And as I think Brian mentioned, we continue in discussions with Progress [Energy] on the North Carolina facilities on the PPAs, and there's been no real movement as far as the terms that have been discussed previously on that.

Bob Hastings

When do you hope to have that signed by?

Brian Vaasjo, President

We're hoping, as Stuart said, discussions are ongoing, and we expect that something should be done around mid-year or possibly into the third quarter.

Bob Hastings

And even if prices stay low where they are, you don't think that'll influence the price on the contracts?

Brian Vaasjo, President

There has been no indications of that thus far in discussions, and we wouldn't expect so because it is a longer term contract as opposed to looking at the impacts of the spot natural gas price.

Bob Hastings

What kind of term would you be looking at there?

Brian Vaasjo, President

We haven't really talked yet about what kind of term, but it is, let me put it this way, it is a fairly significant term. It's not a couple of years.

Bob Hastings

Okay. And one last question on the SRAC. Gas prices are lower as well, what do you see as the sensitivity there for SRAC pricing, and what are your expectations?

Stuart Lee, Chief Financial Officer

For overall sensitivity, I think for the California facilities is about \$1.00 per MMBtu movement I think has about a million dollar impact on margins. So again, we have favourable earnings from higher gas prices in California, so lower gas prices will put a little bit of pressure on the California facilities' margins.

Bob Hastings

And will that impact your re-powering numbers accretion?

Stuart Lee, Chief Financial Officer

Again, we haven't changed our longer term view on gas, and so in the short-term it may, but in the longer term, I think fundamentally, or at the prices that we've given, I think the estimate was based on \$6.50 gas over the life of the contract.

Bob Hastings

Okay, and the waste heat in Ontario, that was, you'd expected lower earnings or margin because of that. Is it in line with your expectations, the waste heat?

Stuart Lee, Chief Financial Officer

For waste heat we did expect a drop, particularly in Q1. As you'll note from last year, the big drop that happened was in Q2 when a lot of the long-term contracts on the TransCanada Mainline came off, so we did expect to see a drop in Q1. It was higher than we expected as I mentioned to Robert when he asked the question. Our forecast for the balance of the year continues to be based on third party reports as well as TransCanada's view. So that's another one that we'll continue to watch to see if waste heat volumes decline.

Bob Hastings

In the guidance you've given before is that you believe that your cash flows this year would be negatively impacted by a bunch of factors; the maintenance, etc., but that longer term with the changes that you were putting in place, and the rebounds from maintenance, etc., that the cash flows certainly justified your current distribution. Has there been any change in your outlook on overall cash flow?

Stuart Lee, Chief Financial Officer

There hasn't.

Bob Hastings

Okay, thanks very much.

Stuart Lee, Chief Financial Officer

Thank you.

Operator

Thank you. Your next question is from Matthew Akman from MacQuarie. Please go ahead.

Matthew Akman

Thanks very much. Could you guys update us on your financing plans for both long-term financing plans for both Morris and the capital you're putting into Southport and Roxboro?

Stuart Lee, Chief Financial Officer

On the financing side, part of it will depend on the PERH process, and what happens with the PERH process, and depending on the potential cash that may come out of that process. The other aspect of it, I don't think we'd look at anything until we end up completing the programs at both Southport and Roxboro, which will be late this year. But once those are finalized, I think we'd look at putting permanent financing in place at that time.

Matthew Akman

When you talk about \$0.10 of additional cash per unit from the upgrade plans in Carolina, what sort of long-term interest rate does that factor?

Stuart Lee, Chief Financial Officer

I believe the long-term interest rate that we factored was around 7.5 percent.

Matthew Akman

Okay. Separately, I wanted to ask you about governance because there have been some announcements over the past couple weeks from Algonquin and Northland that governance will be changing, and I'm just wondering whether you've got any new thoughts on that in light of that fact that you might be out of step with your peers to some extent if things don't change around EPCOR on that matter?

Brian Vaasjo, President

Brian here, Matthew. We continue to look at that issue. I think as we've said on numerous occasions, while there's no compelling reason for us to change, and there's no compelling reason for us to stay the same, and we are watching the market and watching the market reaction to those who are taking action. And, certainly when we see a clear path that makes sense for our unitholders we'll consider those actions at that time.

Matthew Akman

I'm just asking the question because I'm wondering whether you've given any thought to cost of capital relative to your competitors in that context? You've said in the past, Brian, that you think your cost of capital is a competitive advantage and you've been very acquisitive using that cost of capital. If your governance is viewed as inferior to peers then you may not have that advantage. Is that something that is on your mind at all?

Brian Vaasjo, President

Well certainly we consider all of the market aspects that have an impact on the cost of capital and the long-term viability of the entity. So, it's competitiveness in the market is very important.

Matthew Akman

Okay. Thanks very much.

Operator

Thank you. Your next question is from Richard Lee from Scotia Capital. Please go ahead.

Richard Lee

Hi, good afternoon. Hello?

Stuart Lee, Chief Financial Officer

Hello, Richard.

Richard Lee

Hi. Just wanted to check, verify. How much do you guys have available in our credit facility as of March 31?

Stuart Lee, Chief Financial Officer

We have approximately \$200 million.

Richard Lee

\$200 million? And is it still your guidance that you'll have 100 [million] available at the end of 2009?

Stuart Lee, Chief Financial Officer

Yes.

Richard Lee

Okay. Just sort of to throw this out there with, if you're not able to, let's say, sell PERH in a timely fashion; is it possible for EPCOR Utilities to any way lend you guys some sort of financing? Is that even in the realm of possibilities?

Stuart Lee, Chief Financial Officer

Well I don't think that either one of us would want to comment on what EPCOR might do.

Richard Lee

Okay. Okay, then I guess my last question with Equistar. I think last quarter you guys booked about \$2 million for allowable doubtful accounts.

Stuart Lee, Chief Financial Officer

Correct.

Richard Lee

Has there been any changes in circumstances to possibly change that allowance amount, or no?

Stuart Lee, Chief Financial Officer

There's been no change in circumstances that would warrant us changing our estimate on that at this point in time, although, as I think Brian mentioned, we continue to see positive signs with respect to the facility.

Richard Lee

Okay, but in terms of the pre-petition amount, is it still your expectation, I believe you guys provided \$13 million in services, and you've booked 2 [million] for allowance, so is it fair to assume the worst, worst case scenario would be the \$13 million?

Stuart Lee, Chief Financial Officer

The worst case would be \$13 million.

Richard Lee

Okay.

Stuart Lee, Chief Financial Officer

And the expectation continues to be that we'll fully recover it.

Richard Lee

Okay. Thank you very much.

Operator

Thank you. Once again, please press the star, one on your telephone keypad for any questions or comments.

The next question is from Michael McGowan from BMO Capital Markets. Please go ahead.

Michael McGowan

Good afternoon.

Stuart Lee, Chief Financial Officer

Hi, Michael.

Michael McGowan

Just coming back to the discussions around your methodology on your pro forma accretion calculation. Do you assume any repayment of debts in those calculations or is it sort of interest only bullet-type financing you're assuming?

Stuart Lee, Chief Financial Officer

We assume amortizing debt.

Michael McGowan

Okay. Then, so then the amounts on your credit facility right now, are you assuming that when those mature, and you've put in permanent financing in place, are you looking to put in, amortizing debt, and then I guess what's your strategy to deal with the debt that will come due in 2014?

Stuart Lee, Chief Financial Officer

Well, again, I think the decision around how the permanent financing will be put in place will be done at the time based on what the market fundamentals are. I don't think a firm decision has been made on exactly what that structure will be like. For assumptions that we use in giving guidance on accretion, we assume theoretical capital structure. And with respect to 2014 debt that comes due, again, it's subject to growth of the business and what happens between now and 2014.

Michael McGowan

And you seem to have had some margin compression at the North Carolina facilities, and some of that had to do with the plant upgrade work that you've been performing. What's your outlook for lost margin for the rest of the year due to that upgrade work?

Stuart Lee, Chief Financial Officer

I think overall the expectation is that there won't be any significant margin compression for the balance of the year, but let me check back on that one and just verify it.

Michael McGowan

Okay. Can you provide a refresher of what sort of changes you're looking at; the PPAs at your Ontario facilities, and when you are discussing that with the OEFC whether or not there's any opportunity to extend those PPAs. And, if you do that, are you going to have to invest capital in those plants?

Brian Vaasjo, President

Well, really have been quite careful not to get into the details of the discussions with the OEFC simply because we generally don't disclose commercial aspects of negotiations prior to the point in which we are able to feel very confident and comfortable that they should be disclosed.

In terms of the term and the ability in, for these first few rounds to extend the agreement, the general direction of the Ontario Government is that the OEFC discussions with parties like ourselves basically deal within the terms of the existing contracts. Any extension discussions would be taking place with the other Ontario entities, not the OEFC.

Michael McGowan

So the OPA?

Brian Vaasjo, President

Yes.

Michael McGowan

And I guess my last question, Castleton, you still haven't sold that facility, or sorry, the sale hasn't been finalized yet. Has that been delayed at all, and are you sure that that's going to occur in the second quarter of this year?

Brian Vaasjo, President

Absolutely. We have ended up having to do a filing in New York and that's actually been approved. The issue has ended up being is that there is a 30-day period in which is open for other parties to make comments, and the whole proceeding was prefaced by a period where people could make comments. So from our view it's totally an administrative element that has held up the closing of the transaction.

Michael McGowan

Okay, thanks. Those are my questions.

Brian Vaasjo, President

Thank you.

Operator

Thank you. There are no further questions that are registered at this time. I will now turn the meeting back over to Mr. Mah.

Randy Mah, Senior Manager, Investor Relations

Okay, if there are no more further questions we'll wrap up. Thanks again for your interest in EPCOR Power L.P.

Operator

Thank you. This concludes today's conference. Please disconnect your lines at this time, and we thank you for your participation.