

**EPCOR POWER L.P.
SECOND QUARTER, 2008
RESULTS CONFERENCE CALL
July 29, 2008**

OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the EPCOR Power L.P. Second Quarter 2008 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 hearing the conference, please press star, followed by zero for Operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Tuesday, July 29th 2008, at 1:00 p.m. Eastern Time.

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

RANDY MAH (Senior Manager, Investor Relations, EPCOR Power L.P.): Good morning and thank you for joining us today. This morning EPCOR Power L.P. released its second quarter 2008 results. The news release on the second quarter results and the presentation slides for this conference call are posted on the Partnership's website at epcorpowerlp.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 home page.

Joining me on the conference call is Brian Vaasjo, President, and Stuart Lee, Chief Financial Officer. Brian will discuss the highlights for the second quarter and provide a status update on the 2008 corporate priorities. Stuart's comments will cover the financial highlights for the second quarter and an update on the Partnership's outlook. Following our prepared remarks, we will open the lines up for your questions.

Before we begin, let me direct your attention to slide number 2. I would like to remind you that certain statements in the presentation and 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 the 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 (President, EPCOR Power L.P.): Thanks Randy and good afternoon. I'll begin my presentation starting on slide 3, with the highlights for the second quarter. The Partnership's financial performance in the second quarter was generally in line with our expectations. Stuart will provide more details on the financial performance in his remarks. The second quarter is typically our lowest cash flow quarter due to low summer pricing at the Ontario facilities. Higher capacity payments and incentives for the California facilities are just starting, and higher dispatch from North Carolina facilities typically begins in July.

Last week, the Partnership announced that it had successfully completed a three-year extension on the energy services agreement with Schering Corporation for the Kenilworth facility. Under the terms of the revised agreement, future operating margins are expected to be similar to current levels. The amendments eliminated the early termination provision and allows for the sharing of potential cost savings by both parties. Operationally, in the second quarter, the Partnership successfully completed three major scheduled plant outages that were executed on time and on budget, and I'll cover that in the next slide.

And turning to slide 4, at the Williams Lake facility, major overhauls are scheduled approximately every five years, and it occurred in the second quarter of this year. Major overhaul negatively impacted operating margins at the plant by 49 percent; however, under the terms of the PPA, the pricing for electricity output is adjusted upwards in major overhaul years to effectively keep revenues consistent with non-major maintenance years. Therefore 2008 revenues for the Williams Lake plant is expected to be consistent with prior years with higher revenues forecasted in the latter half of the year.

Major overhauls were also completed at the Manchief and Castleton facilities. The maintenance reduced generation and availability, but under the terms of their respective PPAs the maintenance did not impact capacity revenues. I'll now turn the call over to Stuart to discuss the financial highlights.

STUART LEE (Chief Financial Officer, EPCOR Power L.P.): Thanks Brian. Starting on slide five, second quarter financial performance was impacted by a major scheduled planned outage at the Williams Lake facility and lower waste heat availability in Ontario. The Partnership generated revenues, excluding fair value changes, of approximately \$141 million - a 1.5 percent decrease in the same period a year ago. Operating margin, before fair value changes, was approximately \$48 million in the second quarter. This was down 11 percent, compared to the same period a year ago, mainly due to scheduled major overhauls at the Williams Lake facility that negatively impacted operating margins by \$3.2 million, and lower operating margins from the Ontario plant, due to higher fuel costs and lower waste heat availability.

In the second quarter, cash from operations was down 15 percent due to similar factors outlined for operating margin. Finally, capital expenditures were approximately \$12 million in the second quarter. Our expectation for 2008 annual maintenance CAPEX has not changed and it is expected to be in the range of \$23 to \$25 million for the year. We expect the remaining maintenance CAPEX for the year will roughly be equal between the third and fourth quarters.

The next two slides, slides six and seven, show continuity from the second quarter of 2007 to the second quarter of 2008 for cash provided by operating activities and net income. On slide six, the \$32.6 million increase in cash provided by operating activities was mainly due to the \$22.9 million change in working capital, and a \$15.4 million loss on foreign exchange and interest rate contracts realized in the second quarter of 2007. The increases were partially offset by lower operating margins for the Williams Lake and Ontario plant, and the arbitration award from Mamquam and Queen Charlotte, that we received in 2007.

Moving to slide seven, this slide shows the second quarter continuity for net income. \$173 million increase in net income was primarily due to fair value changes on various contracts of \$161 million, and a decrease in income tax expense of \$62 million in the second quarter of 2008 compared to the prior year. The increase in net income was partially offset by lower foreign exchange gains of \$43 million, compared to 2007.

On slide eight, I'd like to provide a quick review of the Partnership's Ontario operations. Overall revenues from the Ontario facilities were up 14 percent, while operating margins were down 17 percent. At the Calstock plant, production was scaled back due to high moisture levels in the wood waste inventory that resulted in lower generation and revenues. We expect warmer temperatures during the summer months and operational changes will resolve the moisture level issues in the third quarter. Overall inventory levels remained at targeted levels.

For the four natural gas facilities, the Partnership has been aggressively cycling the plants, especially during off-peak hours, to maximize enhancement revenues from higher natural gas prices. Revenues were negatively impacted by lower waste heat availability. Waste heat availability declined 19 percent in the second quarter on a year-over-year basis due to lower throughput on TransCanada's northern mainline. We are in discussions with TransCanada to further optimize the compressor stations as a result of lower throughput. Based on independent third party forecasts, throughput in 2008 and 2009 is expected to decline 10 to 20 percent from 2007 levels, with marginal further declines after 2009 with potential for recovery beginning in 2012.

Turning to slide nine, I would like to briefly comment on the SIFT conversion rules that were recently announced. Conversion rules provide more clarification for income trust structures; however, unlike the trust structure, provisions already existed for the conversion of SIFT Partnerships to corporations. The proposals will, however, ease the administrative burden, if enacted. The rules state that the SIFT Partnerships that intend to convert to corporations must be wound up within a 60 day period, prior to 2013.

For EPCOR Power LP, our expectations have not changed. There's no compelling reason to corporatize at this time. Partnership has optimized its capital structure to defer cash taxes on income. Based on existing portfolio of assets, the earliest expected cash payment of taxes, in Canada and the US is 2013 and 14, respectively. Acquisitions or developments will likely push the dates out further. Once the SIFT tax comes in effect in 2011, we expect the Partnership to be competitive with the corporate structure.

To conclude the financial review I'll provide a brief recap of the Partnership's outlook on the next two slides, beginning on slide ten. In terms of challenges, natural gas transportation costs for the Ontario plants are expected to increase by \$2 million in 2008 due to higher transportation tariffs. Based on forecasts of lower waste heat availability, waste heat operating margins at the Ontario facilities are expected to be lower through the remainder of 2008, compared to 2007, and with higher natural gas prices, it may result in reduced operating margins at the Greeley facility. However, higher natural gas prices also benefits the Partnership, which I will discuss in the next slide.

Slide 11 lists the opportunities for the Partnership. Higher natural gas prices also positively impact the Partnership with increased enhancement opportunities at the Ontario facilities and increased operating margins at the California facilities.

With Primary Energy Recycling Holdings successfully amending the Harbour Coal agreement earlier this year, the Partnership expects more stable PERH distributions going forward, and finally, higher generation and revenues are expected at the Mamquam hydro facility in the third quarter of this year due to above normal snow pack levels.

I will now turn the call back to Brian to conclude.

BRIAN VAASJO: Thanks Stuart. To wrap up I'll provide a brief status update on the Partnership's 2008 corporate priorities, beginning on slide 12. Regarding the Partnership's review of its investment in Primary Energy Recycling Holdings, we are in discussions with the financial advisors to the PERC board. The Partnership has concluded that it may continue to hold its 15.4 percent interest in PERH, but it is not a buyer of the remaining 84.6 percent interest. As well, the Partnership

will not pursue an acquisition of PERC. Our view is that the asset value is higher than we have the ability to pay to make the transaction accretive.

The next priority of executing the Roxboro and Southport enhancements is on track. We have revised our original CAPEX estimate from US\$65 million to \$80 million. The \$15 million increase is due to planned changes in emissions control equipment, further engineering work that has revised our cost estimates, and an increase in the project scope. The expected target accretion for the project is unchanged and remains at \$0.10 per unit on a cash flow basis.

Turning now to slide 13. As I mentioned earlier, the Partnership has successfully completed effective PPA arrangements and an extension of the Kenilworth facility. For Roxboro and Southport, discussions are going well and we have exchanged term sheets with the counterparty. The revised PPA term is expected to be long-term that supports the economics of the \$80 million CAPEX that we have committed to.

The next priority is negotiating the Ontario Electricity Financial Corporation, ways to minimize the cost increases at the Ontario facilities. Discussions with the OEFC have taken place and are ongoing. I will provide an update on the status of these discussions as we progress through the year.

On slide 14, the next priority is maximizing the value of the Castleton facility. Since July 1st of this year, following the expiry of the PPA, we have been running the plant on a merchant basis. Under the merchant scenario, operating margins for the plant are expected to decline and be more volatile compared to operating under the previous PPA. Pricing in the capacity markets in Zone F in New York have been disappointing in around \$3 per kilowatt per month range. The New York ISO recently reduced the state-wide installed reserve margin from 16.5 percent to 15 percent for 2008 and 2009. This combined with a weaker economy will mean capacity prices are likely to remain below expectation in the near term. We expect to make an announcement on this decision shortly.

The final priority is to continue evaluating internal optimization and growth opportunities. This priority is on-track as the Partnership continues to evaluate and implement internal optimization practices as well as evaluating growth opportunities.

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

RANDY MAH: Okay, thanks Brian. Natasha, we're ready to start the question and answer session.

OPERATOR: Thank you. Ladies and gentlemen we will now conduct the question and answer session. If you have a question, please press the star followed by the one on your touchtone 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 speakerphone, before pressing any keys. One moment please for your first question. Your first question comes from Bob Hastings from Canaccord Adams. Please go ahead.

BOB HASTINGS: Thanks for the good wrap up Brian. I think one of the last things you mentioned was the internal optimization opportunities, and I just wondered if you can give us a little bit more colour on maybe the number, or what you think the range of value that might represent and whether it would require any capital spending as well?

BRIAN VAASJO: As I indicated Bob, we're continuing to look at it. We probably won't have a good focus on what the overall scope and the implications might be, probably for another quarter yet. But, early indications are there is a water optimization opportunity that are taking place at our facilities in California and that's being extended to other facilities. We are looking at potentially some upgrades on some of the generating facilities, so there's a broad range of different kinds of opportunities that we're looking at. And again, we won't have that drawn together for probably another quarter.

BOB HASTINGS: Suffice it to say it was important or material enough that you thought you should start talking about it now?

BRIAN VAASJO: Oh, I wouldn't say it wouldn't necessarily be material when we bring it all together. It's just we don't have a strong enough sense of it at this time to necessarily give you any further direction on it.

BOB HASTINGS: Okay, and looking at Southport and Roxboro, the cost is now \$80 million, I see you're still negotiating, you're looking for a long-term contract, and I assume that that is supporting the \$80 million investment now.

BRIAN VAASJO: Yes it is, both in terms of sort of an annual cash flow basis, but also over the term of the contract that's being discussed, there would be a full recovery of the investment.

BOB HASTINGS: Okay, so it's partly CAPEX savings, but also partly through the revenue agreement?

BRIAN VAASJO: Yes.

BOB HASTINGS: And then, if I might ask, you mentioned that the \$0.10 accretion, which I believe would be defined as \$0.10 per unit of additional cash flow, after everything is said and done, would stay about the same even though OPEX would be reduced. I just kind of wondered why that might not be a little higher if you're spending more money?

BRIAN VAASJO: Actually, in spending more money, I think one would naturally expect the accretion to potentially go down with the same cash flow. What actually has happened is as we've indicated, there's a change in technology in terms of what we're utilizing, and it results in a little bit of a higher capital cost. It does result in a lower operating cost on a go forward basis. So the combination of the change in technology, and other factors associated with the economics of it have contributed to allow us to basically maintain our forecast of \$0.10 accretion.

BOB HASTINGS: Okay, and the financing of that would still be additional debt?

BRIAN VAASJO: Yes, that would be the financing strategy. However, just to be clear, when we talk about accretion, although it may well, absent any other opportunities in the short term that the entire facility may be financed out of cash from operations as well as from additional borrowings. When we speak to accretion, we look at the overall capital structure and in those numbers are assuming in the order of 50 percent equity, 50 percent debt.

BOB HASTINGS: Okay, thank you for that clarification. I'll let somebody else jump in; I'll get back in the queue. Thank you.

OPERATOR: Your next question comes from Tony Courtright from Scotia Capital. Please go ahead.

TONY COURTRIGHT: Thank you. In your expenses, there was higher management and admin, and it's referenced that this relates to an arbitration award that the Partnership received in 2007. Can you explain what's going on here? I mean the money came in last year and yet it seems to be going out through the general partner this year. Why wasn't it accrued last year, or have I misunderstood something?

STUART LEE: It's Stuart, Tony. And so last year we would have received about \$2.3 million on the Mamquam and Queen Charlotte arbitration, which was credited back against management and admin costs, and it was credited in the period appropriately. If you look at the management admin costs this quarter, it's about \$5 million, which is probably, I think, in the range of \$1 million higher than the guidance we've given of \$4 million per quarter. Most of that relates to the fact that there's higher enhancement opportunities in the quarter, and therefore higher management fees back to the manager on those particular enhancements.

TONY COURTRIGHT: Okay, so you're just referencing the comparable year over year, that you had a credit last year, you don't have one this year?

STUART LEE: Right.

TONY COURTRIGHT: I'm sorry, all right, and in terms of the TRP mainline, the volumes where you say third parties are indicating there may not be any relief until maybe 2012, are those sort of estimates consistent with TransCanada Pipelines itself, in terms of where they see not so much the volumes, but the actual tariff going? I saw some presentation where it would suggest that the tariff may continue to escalate from the current, I guess its \$1.40 a Canadian GJ trending upwards to \$1.70 by 2015 or something.

BRIAN VAASJO: Tony, unfortunately we here at this moment, don't have what TransCanada's view is and whether it parallels it. Certainly people in our organization are working

closely with them and have that view. I just can't recall it offhand, but I don't think it's too dissimilar, in terms of expecting some recovery taking place after a period of a year or two.

TONY COURTRIGHT: Overall though, where do your Ontario plants stand relative to ability to get any concession from your counterparty for cost escalations? I mean there is, what sort of price mechanism, escalation mechanism, is working in your favour, versus what are the drivers that are working against you? I'm wondering if you could just elaborate?

BRIAN VAASJO: Tony unfortunately at this point I wouldn't feel that comfortable elaborating on that, just simply because we are in discussions.

TONY COURTRIGHT: But have you not, correct me if I'm wrong, achieved some sort of renegotiation, and now you're going back to the table again? Or is that an incorrect understanding?

BRIAN VAASJO: Well we did receive some relief at Calstock as it's related to the cost of wood supply and some changes to the operations there, and so in effect, and there were discussions that had taken place broadly on the fact that some of the index pricing had disappeared underlying the contracts. So those are developments that have taken place over the last couple of years, and now the process we're entering into, and have commenced with OEFC is discussing some of the elements of cost recovery associated with some of the changing circumstances in the Ontario market and from a regulatory standpoint.

TONY COURTRIGHT: Okay, so these are separate discussions from the replacement of the indexation, defunct indexation mechanism that was eliminated when the old Ontario Hydro rate disappeared?

BRIAN VAASJO: Correct, but some of those implications do get weaved into the discussion.

TONY COURTRIGHT: I see, okay, thank you very much.

OPERATOR: Your next question comes from Bill Cabel from TD Newcrest. Please go ahead.

BILL CABEL: Hi guys. Question's kind of following up on what Tony was just asking about. When I look at waste heat availability being down 19 percent in the quarter, how does that compare to the throughput decline experienced on the main line? Do you know that?

STUART LEE: I think overall throughput was down around 19 percent.

BILL CABEL: So then when you said, the next point you said was that the third party independent group forecast it to be down somewhere between 10 and 20 percent through '08 and '09 versus '07. You're kind of, that would imply that the throughput is down at the worst case scenario somewhat?

STUART LEE: Correct.

BILL CABEL: Okay. My next question, on the Calstock moisture issue, could you maybe talk a little bit more about that? I thought that was expected to be corrected during Q2?

BRIAN VAASJO: So there's two elements to that issue. One is that the actual wood coming in has a high moisture content, which through different wood supply arrangements, it can relieve that to some degree. The other issue though is just simply the level of moisture – rainfall, that's taken place in the area, and it's my understanding is it's been one of the wettest springs, winters/early summers, that they've had on record. So it's just hard to keep it dry.

BILL CABEL: Any issues with supply there?

BRIAN VAASJO: There's ongoing issues in the Ontario forestry industry. We've been actively looking at alternate supplies where we expect our supply is getting weaker. We don't foresee any significant problems there though, in the near term.

STUART LEE: And inventory levels Bill, I think are around 45 days, which is consistent with our targets.

BILL CABEL: Okay, that's great. Thank you.

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

MICHAEL MCGOWAN: Good afternoon. I have a question regarding the operations at the Ontario facilities. The margins we've seen, I guess during this quarter, is that, would it be fair to extrapolate and say that that's what can be expected, if you don't get relief from the OEFC or operations at Calstock don't improve slightly?

STUART LEE: Mike, I don't know if it would be fair to characterize those as the norm. For one, Q2 and Q3 are on summer rates, and so by definition summer rates typically were around 20 percent lower than winter rates. So that's one component. Calstock, it's been an operational issue for the last two quarters. We believe that that particular issue is solvable, and so wouldn't expect that to be ongoing going forward.

The waste heat challenges we have, as I think we've indicated in our MD&A discussion, we do expect those to be longer term going out for the next couple of years at least, but we are trying to address those through discussions with TransCanada, looking at better ways to optimize waste heat going forward.

While I don't think Q2 would be representative, necessarily, of our expectations on waste heat, year to date waste heat numbers are probably in line with what we expect for the balance of the year.

MICHAEL McGOWAN: So in terms of just the reduction in margin between Q2 '08, and Q2 '07, have you done an analysis to determine what percentage of the decline comes from, or arose from lower throughput versus reductions, reduced operations at Calstock, versus increased transportation tolls as well.

STUART LEE: Well if you look year-over-year, as opposed to a quarter. Year-over-year waste heat is just over \$5 million of impact. If you look at Calstock, it's down around \$3 million. That's been partially offset, obviously, by higher enhancement.

MICHAEL McGOWAN: And in terms of the repair work you did at Williams Lake, your PPA there allows for the recovery of your higher maintenance costs, so could we expect that \$3.2 million decline in margins during this quarter would be recovered during Q3 and Q4?

STUART LEE: Yes. A part of it was recovered during Q1, but the balance will be recovered through Q3 and Q4.

MICHAEL McGOWAN: And just a very simple question about an item on your cash flow statement. It looks like there's a release of \$5.8 million from a working capital reserve in your investing cash flows. Does that relate to anything specifically?

STUART LEE: I wouldn't characterize it as a release. Basically, because we have higher capital expenditures than we've had in the past, we've broken it out between financing and – sorry between investing and between operations. One of the GAAP requirements is that working capital has to be split. Typically if it's not material, you see most companies will lump it into operations.

MICHAEL McGOWAN: Right.

STUART LEE: That becomes more material and you're required to break it between the two categories and that's what we've done.

MICHAEL McGOWAN: Okay, so it's just a function of your spending this year versus last?

STUART LEE: Correct.

MICHAEL McGOWAN: Okay, I believe those are my questions. Thanks.

OPERATOR: Your next question comes from Robert Kwan from RBC Capital Markets. Please go ahead.

ROBERT KWAN: Good morning. If you're looking at your Primary investment, is being a long-term holder of the units an option, and does the potential monetization of management contract change your thinking?

BRIAN VAASJO: Well, as we've indicated that we are certainly prepared to continue to hold the 15 percent interest. I think we've said all along that even in the past is a reasonable level of investment given the size of the EPCOR Power LP portfolio, and particularly with the stability with Harbour Coal that we're seeing now - in the stability and distributions it is an even better investment for EPCOR Power LP.

ROBERT KWAN: And you're okay to the extent that you can come to some sort of an agreement on the management contract and the monetization? Are you okay being a passive holder of the holding in PERH?

BRIAN VAASJO: That's a different matter if the status quo changes. Obviously at a 15.4 percent interest and without a management contract, you're somewhat of a passive investor. That we'd have to reconsider the investment under those circumstances.

ROBERT KWAN: Okay, and if we just look at the management fees you are getting from Primary – you booked an operating margin that looked like about just under \$2.5 million on an annualized basis. How much G&A would you directly allocate against that, or are you booking a pure profit at that \$2.5 million?

STUART LEE: On an annual basis, Robert, we generate about \$3.5 million, it's actually \$3.4 million in management fees.

ROBERT KWAN: Yes.

BRIAN VAASJO: And I wouldn't comment on the margin that we're making on that.

ROBERT KWAN: Okay, but I think you're, you do have it in the operating margin, and it looks like it's about \$2.4 million on an annualized basis. I guess my only question is, is there anything else down at the G&A level that your, that would be allocated against that?

STUART LEE: There is.

ROBERT KWAN: And is that a direct allocation, or is that just a transfer pricing? I.e., if that management contract were to go away, would you be able to reduce overhead?

STUART LEE: There would be some reduction, but not entirely.

ROBERT KWAN: Okay and then you made the statement that you're aggressively cycling the plants in Ontario to maximize the revenues. I guess the first question is, what do you see as your breakeven gas price for those activities, and then second, what impact are you seeing in terms of future maintenance, given the way you're running the plant?

STUART LEE: On breakeven, it'll vary by facility based on the pricing.

ROBERT KWAN: Okay. Is there just a general number that we can ...

STUART LEE: Generally speaking, as far as whether or not it makes sense to engage in enhancement, is that what you're asking?

ROBERT KWAN: Yes, sure.

STUART LEE: I think if you look at the overall number, you would need pricing in around the \$7.50 mark to make it worthwhile to actually enhance, and again it varies by facility. That's an overall number.

ROBERT KWAN: Okay, and then on the future maintenance?

STUART LEE: Future maintenance, we wouldn't expect any significant changes in future maintenance from cycling facilities. Those particular turbines are meant to cycle, so it's not a significant issue as far as maintenance.

ROBERT KWAN: Okay, and just the last question I have. Can you refresh me on the status of the Frederickson turbine milestone payment?

STUART LEE: The milestone payment is, I think the original expectation is that it would be payable in around the October timeframe. Our view right now is that will be a Q3 payment to GE.

ROBERT KWAN: Great. Thanks Brian, thanks Stuart.

OPERATOR: Your next question comes from Daniel Shteyn from Desjardin Securities. Please go ahead.

DANIEL SHTEYN: Good afternoon everyone. My first question is with regards to the increase in the scope of CAPEX for the Roxboro-Southport project. Just wondering whether the timeline for the project has been increased with the increase in scope?

BRIAN VAASJO: So the general timeline remains the same. There's a little bit of a shift out from, over the two year timeframe, but not as material a change in timing. And the change in scope, just to be clear, a lot of those things, in terms of scope, are for example, because of increased truck traffic, we thought it prudent to develop an additional road that has straight access to a highway, for example. So it's not actually changing the nature of the actual operation itself, it's more around some of the other considerations on the project.

DANIEL SHTEYN: Okay, and you expect to complete the project, I guess at this point, by mid 2010? Would that be correct?

BRIAN VAASJO: No, near the latter part of 2009.

DANIEL SHTEYN: Latter part. Okay, I wanted to ask you one of the points that you mentioned in the outlook was that at the Greeley plant could potentially be impacted by higher natural gas prices in terms of your operating margin. Is there some sort of a sensitivity that you can provide there? Is it meaningful?

STUART LEE: No, the guidance I gave you, Daniel, is right now, that facility is generating a margin loss of about \$200,000 a month, based on current gas prices.

DANIEL SHTEYN: Okay, and do you have any sense of, or can you provide any sense of if gas prices fluctuated by a buck a Gigajoule, does that create a meaningful impact to ...

STUART LEE: That's not a huge impact. I guess the other guidance we've also provided is to breakeven in that facility you need gas prices effectively in around the US\$7 per MMBTU.

DANIEL SHTEYN: Okay. All right. Now this has actually been a pretty major overhaul intensive quarter, and by extension, probably the year as well, 2008. What are you seeing so far in terms of your maintenance CAPEX budget for next year?

STUART LEE: Again we haven't set the specific maintenance CAPEX budget for next year. The guidance that we have provided is over a five year planning cycle. There's expectations it'll run about \$18 million per year.

DANIEL SHTEYN: Okay, but it'll always be lumpier, so what you're saying is you're not ready to actually kind of discuss the lumpiness just yet for next year?

STUART LEE: Right.

DANIEL SHTEYN: Okay. Next point that I had is with regards to the whole PERH situation. So given that you've said you're not a buyer of Primary Energy Recycling Corps stake, due to lack of accretion presumably due to current unit prices, it'd be interesting to know what is the gap in terms of cost of capital, which is generating this lack of accretion. Is the gap between your internal hurdle rate, and where the current market implied cost of capital rates? Is that, is the disconnect very big, or small but big enough to kind of torpedo the transaction?

BRIAN VAASJO: I think, let me answer it this way. Our expectation of the value of PERH on any sort of reasonable range of discount rates is not reflective in the current market value.

DANIEL SHTEYN: Let me try to understand that. So what you're saying is the, okay so — okay, I think I understand. You're saying, you're implying, but you're not stating, that the units are probably overpriced at the current time, relative to your range of discount rates. Is it your expectation that somebody else could pay more?

BRIAN VAASJO: No, sorry. What I was saying was, that it would be our view that it's undervalued.

DANIEL SHTEYN: Okay, so you're saying PERH is undervalued in terms of its unit price, but wouldn't that make the transaction more accretive to you? Of course assuming that you're not even more undervalued.

BRIAN VAASJO: Well the point is when we look at it, one doesn't necessarily look at what is current trading values. One looks at if it went for sale in say an auction process, what would you believe would be sort of the fair market value. So we'd suggest there's probably a gap between fair market value and where it's currently trading today. At least in our perception, utilizing our discount rates.

DANIEL SHTEYN: Okay, but then that begs the question of why aren't you a buyer of the 85 percent stake?

BRIAN VAASJO: Because we believe that if you went through a process to purchase the 85 percent stake, and it were an auction process, and at fair market value, it would go at a dollar value that would be certainly higher than the current trading value.

DANIEL SHTEYN: Okay. So basically your expectation is that a full blown strategic review process, and an auction process by PERH would probably maximize the value of the equity, including the stake that you indirectly hold?

BRIAN VAASJO: I wouldn't say that that necessarily maximizes the value. One can also under existing operations and potential growth in the future, et cetera, may be another way of

optimizing the value to current unitholders. Our comments don't reflect, one way or another, what is the optimal way for it for maximizing value for unitholders. We're just saying that the approach of EPCOR Power LP stepping in and purchasing the balance of the public position would certainly not be at existing trading value.

DANIEL SHTEYN: Okay, well thanks for those clarifications Brian. Appreciate it.

OPERATOR: The next question comes from Matthew Akman from MacQuarie Capital Markets. Please go ahead.

MATTHEW AKMAN: Thanks Brian. I want to continue on this theme. Maybe just ask it a different way. I think that what you're saying about PERH and your lack of interest in buying the float, it raises a big strategic question because I think what you're saying is someone else could pay more, and yet here you guys are the manager of it, and owning 15 percent. So you have a big inside track, and I guess what you're saying is your cost of capital isn't good enough to compete with others out there who might be interested. So doesn't that beg the strategic question, is the Partnership in the right structure and form right now?

BRIAN VAASJO: Certainly one could look at it that the value of our currency may not necessarily be competitive in the marketplace. That might be a conclusion one would draw. I mean when we look at and participate in other auction activity, I think as I disclosed in the last quarter we're finding ourselves in second rounds more so, and still more competitive than certainly, last year, when there was a lot of froth in the market. So I wouldn't necessarily say that our equity value, or currency value is necessarily not competitive. I think if you look at the mathematics and there are views on long-term value, longer term value, what we have said to the market is that we will not engage in a transaction that's not immediately accretive. And that has a significant implications on projects that we look at, and acquisitions that we look at.

MATTHEW AKMAN: Okay, so I, it's just confusing because you're saying the asset value is higher than you have the ability to pay. If you have a good valuation, if it's not accretive to you guys,

then who is it accretive to and why would it have a higher asset value? Just what you're saying doesn't make sense, actually, with respect.

BRIAN VAASJO: That we would perceive that the asset value might be higher than what the trading value is?

MATTHEW AKMAN: Right. I mean the asset value is what someone's willing to pay for it though, right?

BRIAN VAASJO: Right.

MATTHEW AKMAN: So if someone else is willing to pay more than you, than they have a lower cost of capital I guess?

BRIAN VAASJO: Right.

MATTHEW AKMAN: Okay, then is the LP the right form for these assets that EPCOR holds? I mean if you can't even buy this thing that you have a general partnership, and a 15 percent ownership, and that you obviously saw traction in the first place, because you went out and did that deal. I just, I don't see how someone else could pay more than you guys unless maybe, you're not telling your story, or you're not in your right structure, or whatever, or something.

BRIAN VAASJO: Well I think, firstly, just to correct history a bit, and at the time of the Primary Energy acquisition, we had indicated that we entered into the transaction not viewing PERH itself as anything more than just an asset in a portfolio. I.e., even at the time, we had indicated that whether at some point EPCOR would want to take the other 85 percent, or whether at some point might divest it, was an issue to be considered in the future. And other circumstances have pushed it off to this point in time.

In terms of looking at the asset and our general competitiveness, and the nature of that cash flow, I think one would have to do, and have a look at what is the asset value and what is the nature and profile of that cash flow, and contrast that with what would be our financing alternative at this point in time.

MATTHEW AKMAN: Okay, I mean but just, I guess bottom line, the question I'm asking is you don't see any change in this structure of EPCOR Power, and you're happy with the way it's going right now, strategically.

BRIAN VAASJO: Obviously we would certainly like the market to recognize more value than it has, and so trading at higher values would certainly put us in a better competitive position on a go forward basis, but in terms of structure, as Stuart said earlier, we see nothing in the market, or in the tax regime that would drive us to move to corporatization at this point.

MATTHEW AKMAN: Okay. Thanks very much Brian.

BRIAN VAASJO: Okay.

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 speakerphone, please lift the handset before pressing the key. Your next question comes from Tony Courtright from Scotia Capital. Please go ahead.

TONY COURTRIGHT: Thank you. Just as a follow-on in terms of structure and corporatization, slide nine references that the SIFT partnerships must be wound up before 2013 in order to qualify. Can you just elaborate? Qualify for what, the tax rate rollover, is that it?

STUART LEE: For the rollover provision.

TONY COURTRIGHT: Right.

STUART LEE: You're not required to actually convert, but you are required, if you want to use the provisions that are provided then you're required to do it by that date.

TONY COURTRIGHT: So effectively you have no compelling reason at the moment. You've got a five year fuse, and no thoughts, at the moment then, in terms of changing structure?

STUART LEE: Correct.

TONY COURTRIGHT: And do you still believe that you likely have shield through, or not be cash taxable at least, through 2013 and 2014, respectively, in Canada and the States?

STUART LEE: That's right and I'd say that's at a minimum. There is no follow-on investments that have high capital cost allowance or depreciation in the US. If we require assets that have favorable tax benefits, I think we can push that timeframe out.

TONY COURTRIGHT: I see. So the real issue is benefit and interest to unitholders to get distributions on a tax free basis, versus your own need for capital to run your business? To posit it in one fashion, in other words, if you can't, if you have to change your structure to raise capital, and ...

STUART LEE: Yes, I guess at some point Tony if the view in the market was that LPs and trusts are not going to be competitive vehicles for raising capital because the market didn't provide proper valuations for those types of vehicles, then certainly you might look at what changes you may need to make in your structure, and I think we'll wait and see how the market starts to react, as the 2011 timeframe comes in and more trust starts to convert.

TONY COURTRIGHT: Right. All right, that's all. Thank you very much.

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

BOB HASTINGS: Thank you. I hate to keep talking about acquisitions, but just, you made the comment, and I thought was very interesting that you're making it to the second round of bidding more recently where you weren't doing when the market was more frothy last year. We do know of some assets, like the Harbinger assets are up for sale. Are you seeing a lot of assets out there and who are the main competitors? Is it still the pension funds with their low cost of capital?

BRIAN VAASJO: There is a lot of assets that have been coming on to the market, both from a public standpoint, and there's other assets that are less public in terms of potentially being for sale, and we continue to see a full range of bidders, offshore bidders continue to be pension funds are still quite active, as are US equities. So we're not, each asset, depending on its nature, seems to draw, at least from our observation, different potential buyers in terms of mix. But generally those components are continuing to be there.

BOB HASTINGS: Did you say US equities or private equities?

BRIAN VAASJO: Private equity.

BOB HASTINGS: Okay, and in terms of your hurdle rates, or the market hurdle rates, I assume that the hurdle rates changed a little bit. What have yours done?

BRIAN VAASJO: Well we monitor them on an ongoing basis and reset them as significant market conditions move around. So we've actually been sort of going up and down a little bit with the market, but as a general indication, or a general indicator over the last while, discount rates have been moving down a little bit.

BOB HASTINGS: Now Brian you mentioned that some asset values out there would attract too high a number for you to be successful, or to bid on, and use the Primary Energy example. Would that then, turning that around, suggest that maybe there's some assets that you'd be better off selling, and refocusing those monies elsewhere where you could use your operational expertise to enhance value?

BRIAN VAASJO: Well certainly we look very seriously at opportunities where we believe, because of our positioning, or the manager's ability to manage commodity risk and other things, so we look for those opportunities where value can be added, and it's not more or less creating discount rates. But you're absolutely right that that's where we tend to have a primary focus in looking at businesses.

BOB HASTINGS: Yes, I think that's excellent. I don't like passive cash flow streams. The last thing I will ask, just to clear up something, is that when you talked about your dollar sensitivity. I didn't quite understand, I think you said for a \$0.10 change, it would be \$59 million. That's up substantially from the \$24 million stated at the end of the first quarter. I'm just kind of wondering if you could explain that to me?

STUART LEE: Let me get back to you on that Bob.

BOB HASTINGS: Okay, and then I'll, since I got a freebee then, the gas sensitivity – we talked about the Greeley facility and how that was a negative, but you also said that higher gas prices

were a positive for enhancement potential at some of the other plants, and I wondered if you could give us some sensitivity on that metric, on the upside side?

STUART LEE: On the upside, it's not specifically linear and what you'll find is that as gas prices move down the sensitivity is not as high, whereas as you move past the \$10 mark, it actually, the curve gets fairly steep on the positive side.

BOB HASTINGS: Right, because you're doing up a high cost base on your purchase contract.

STUART LEE: Right. As an overall sensitivity, I'd suggest maybe an \$8 base pricing on gas, Canadian dollars per gigajoule, may end with a 2.5 to \$3 million range per dollar movement.

BOB HASTINGS: Are we talking gas in Ontario?

STUART LEE: We are.

BOB HASTINGS: Okay good, thank you very much.

OPERATOR: Your next question comes from Robert Kwan from RBC Capital Market. Please go ahead.

ROBERT KWAN: Thank you. If I can just follow up on the discussion you had with Matthew on Primary. If you feel that an auction process would yield a significantly higher value, are you going to be pushing for an auction process on Primary?

BRIAN VAASJO: So firstly, I'd just like to clarify. What I was suggesting was that our view of the unit value is that, again, with our assumptions and our view of capital markets and so on, is undervalued where it's trading today. I wasn't necessarily attributing any particular magnitude in respect of what degree of value, or undervalue.

In regards to whether or not we'd have a preference to sort of maintain some version of the status quo and remain an investor, or to sell, that I would have to say on a pretty broad basis, so obviously if there's some significant value to potentially be made up in terms of selling the investment, that may have some appeal. A lot of it does rotate around where values might be, but also recognize that from a current standpoint we do have revenues derived from management agreement, as well as

pretty reasonable distributions, and on a go forward basis our expectations are pretty strong -, underlying cash flow. So it's probably, again, depending on numbers and markets and so on, certainly could be a very attractive divestiture. On the other hand, certainly as a hold strategy, has a lot of benefits for us as well.

ROBERT KWAN: Well I guess Brian, you're in the driver's seat here, you've got roughly 15 percent interest and with the management contract, you're in control as to whether you want to monetize that. Is that something then, whether it's the broad auction process, or just going out and making it known and shopping the package to a potential buyer - if you do see the value above the current unit price, doesn't it make some sense to try to realize that value in the near term?

BRIAN VAASJO: I would suggest that we are not in control. What happens to PERC on a go forward basis is substantially in the hand of its Board of Directors. I mean certainly we work cooperatively with them, and have been in discussion with them as to what their future may or may not hold. But I certainly would not agree with the view that we are in the driver's seat. Certainly in certain circumstances we could be obstructionist, but that is not the way that we have been proceeding, and again, we certainly see working constructively with the PERC board and would see a lot of it substantially in their hands.

ROBERT KWAN: Okay, and if I can just move to one last broad question. Is your filter or target for immediate accretion - do you feel that just based on what you're trading right now, is that an insurmountable impediment in the current environment?

BRIAN VAASJO: Nope. Not from what we've seen.

ROBERT KWAN: So then to some extent, are you targeting...

BRIAN VAASJO: Now having said that, it's a lot tougher and it certainly is, if we were trading at \$28 versus \$22, it's a heck of a lot easier, but we don't see it as insurmountable.

ROBERT KWAN: Okay, so presumably then, the cash flow profile that you'd be going at would be a declining profile? Presumably a growing profile's cash flow is just - based on your profile, it just isn't going to make any sense.

BRIAN VAASJO: Correct.

ROBERT KWAN: Okay. Great, thank you.

RANDY MAH: Okay operator, we've been going for an hour now, we'll take one more final question.

OPERATOR: Mr. Mah, there are no further questions at this time. Please continue.

RANDY MAH: Okay that's great then. Thank you for joining us today. Please mark down October 2nd on your calendar, as EPCOR Power LP will be hosting its first annual investor day event in Toronto. Additional details on the event will be communicated to you in September. Once again, thank you for joining us today, and for your interest in EPCOR Power LP.

OPERATOR: Ladies and gentlemen this concludes the conference call for today. Thank you for participating, please disconnect your line.
