

**EPCOR POWER L.P.  
THIRD QUARTER, 2008  
RESULTS CONFERENCE CALL  
October 28, 2008**

**OPERATOR:** Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the EPCOR Power LP third 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 you have any difficulties hearing the conference, please press \* followed by 0 for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded on Tuesday, October 28th, 2008 at 1 o'clock Eastern Time. I will now turn the conference over to Randy Mah, Senior Manager, Investor Relations. Please go ahead, sir.

**RANDY MAH (Senior Manager, Investor Relations, EPCOR Power LP):** Good morning and thank you for joining us today. This morning EPCOR Power LP released its third quarter 2008 results. The news release on the third quarter results and the presentation slides for this conference call are posted on the Partnership's website at [epcorpowlp.ca](http://epcorpowlp.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 third quarter and provide a status update on the 2008 corporate priorities. Stuart will provide a financial summary of the third quarter and update the Partnership's outlook.

Following our prepared remarks we will open up the lines for your questions. 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 contain forward-looking information. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information and certain material factors or assumptions that 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 19 to 20 of this presentation and on pages 24 to 26 of the Partnership's Q3-2008 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, EPCOR Power LP):** Thanks, Randy, and good afternoon. I'll begin my comments by starting on slide 3 with highlights for the third quarter.

The Partnership's financial performance in the third quarter was generally in line with our expectations. Specifically, cash provided by operating activities before working capital changes was \$41 million compared to \$34.7 million in the third quarter of 2007. Stuart will provide more details on the financial performance in his remarks.

During the quarter we've continued to execute on our strategic objectives, announcing the acquisition of the Morris Cogeneration facility and the commencement of a sales process for our interest in Primary Energy Recycling Holdings.

Pending successful completion of these transactions, we believe the Morris acquisition will strengthen our portfolio of high-quality contracted power assets and the sale of PERH will allow deployment of cash to other potential investments. I will provide more details on these transactions later in the presentation.

I'll now turn the call over to Stuart to discuss the financial highlights.

**STUART LEE (Chief Financial Officer, EPCOR Power LP):** Thanks, Brian.

Starting on slide 4, the Partnership generated revenues, excluding fair-value changes, of approximately \$153 million, a 10 percent increase from the same period a year ago.

Operating margin before fair-value changes was approximately \$56 million in the third quarter. This was down 4.3 percent compared to the same period a year ago primarily due to lower operating margins at the Northwest U.S. plants due to a milestone payment for the Frederickson facility under its long-term service agreement with the turbine manufacturer.

In the third quarter, cash from operations was down 4.2 percent due to similar factors outlined for operating margin. Capital expenditures were \$6.4 million in the third quarter. On a year-to-date basis, maintenance capex was approximately \$18 million.

Our forecast for 2008 annual maintenance capex has not changed and is expected to be in the range of \$23 million to \$25 million for the year.

The next two slides, slides 5 and 6, show continuity from the third quarter of 2007 to the third quarter of 2008 for cash provided by operating activities and net income.

On slide 5, cash provided by operating activities was \$21.5 million for the third quarter of 2008 compared to \$26.5 million for the same period in 2007. The \$5 million decrease in cash provided by operating activities was mainly due to the \$11.3 million change in working capital and \$7.1 million lower operating margins from the Northwest U.S. plants primarily due to the Frederickson milestone payment I mentioned previously.

The decreases in cash provided by operating activities have been partially offset by net realized losses on foreign exchange and interest rate contracts of \$8.1 million in 2007.

Moving to slide 6, this slide shows the third quarter continuity of net income. The Partnership reported a net loss of \$153 million for the third quarter of 2008 compared to a \$15.9 million net loss for the same period last year. The \$137 million increase in net loss was primarily due to fair value changes of \$130 million on various contracts.

The majority of the changes in fair value are the result of a larger decrease in the future market prices for natural gas in the third quarter of 2008 compared to the third quarter of 2007.

Foreign exchange losses of \$15.8 in the third quarter of 2008 compared to a gain of \$24.1 million in the same period in 2007 also contributed to the higher net loss.

The increase in net loss was partially offset by a \$22.7 million decrease in net income tax expense relating to future income taxes that have been recorded for the 2011 SIFT tax.

On slide 7, this slide shows the year-over-year change for net enhancement margins and waste heat costs at our Ontario plants for the third quarter and year to date. As you're aware, when natural gas prices are high the Partnership can elect to sell natural gas in the market as opposed to using the natural gas to produce power. Higher

natural gas prices in 2008 compared to 2007 have allowed for greater enhancement opportunities. As a result, higher net enhancement opportunities helps to mitigate to waste heat availability impact from our Ontario operations.

For example, as shown in the graph for the third quarter, the higher increase in the change in net enhancement margins exceeded the change in waste heat costs on a year-over-year basis. For the first nine months of 2008 the \$3 million increase in net enhancement margins partially offset the \$4.4 million higher waste heat cost.

Turning to slide 8, with the current market turmoil impacting global capital markets and negatively impacting our unit price, this slide briefly outlines how the Partnership is relatively well positioned. The Partnership has a good liquidity position with \$300 million of available lines and has no significant near-term debt maturities.

In terms of counterparty credit risk, all of the foreign exchange hedges are with Canadian Schedule I banks. The Partnership also has minimum exposure to international banking and insurance company failures.

The counterparties to the Partnership's PPAs are primarily investment grade which includes a number of government agencies and utilities. In fact, more than 80 percent of the operating margin is generated from counterparties with a credit rating of A-low, A- or higher.

The more significant counterparty risk is with waste wood suppliers given current market conditions, both in terms of slowing demand in the housing industry and its impact on the forest industry in Canada, as well as potential constraints waste wood suppliers may face in raising new capital. We will continue to monitor the financial health of our wood waste suppliers and have been actively seeking new sources of supply.

To conclude the financial review, I'll provide a brief recap of the Partnership's outlook for the next two slides, beginning on slide 9. 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.

In September, an inspection at the Oxnard facility identified damage to the gas turbine. A leased unit has been installed and the damage to the gas turbine is being assessed. The expected repair cost is \$3 million to

\$4 million and may be partially covered by insurance and/or warranty from the company that recently performed maintenance on the turbine.

Slide 10 lists the opportunities for the Partnership. With Primary Energy Recycling Holdings successfully amending the Harbor Coal agreement earlier this year, the Partnership is receiving more stable PERH distributions, which is expected to continue going forward.

At the Greeley facility, the Partnership recently completed a three-year financial natural gas swap contract. The contract covers most of the anticipated supply requirements for Greeley for the next three years, which is expected to generate positive operating margin at the facility.

Based on our forecast, we expect the Curtis Palmer hydro facility will reach the next pricing block on its PPA in December of this year subject to meeting cumulative production thresholds. Under this pricing block, pricing will increase 18 percent, which is the largest increase contained in the PPA.

Finally, withholding taxes on payments between U.S. and Canadian subsidiaries, excluding dividends, are expected to be eliminated by 2010, which will result in a reduction in cash taxes of \$2 million per year.

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

**BRIAN VAASJO:** Thanks, Stuart. Starting on slide 11. As previously mentioned, the Partnership announced in mid-September a definitive agreement to acquire a 100 percent equity interest in the Morris Cogeneration LLC. Morris is a natural gas-fired, 177 megawatt cogeneration facility located in Morris, Illinois, approximately 50 miles southwest of Chicago. We have received the required regulatory approval and the right of first refusal has been waived by the third party. Therefore we expect to close this transaction at the end of the month. Upon closing, the Partnership will finance the U.S. \$73 million under its existing credit facility.

Turning to slide 12. This slide briefly covers the financial aspects of the transaction. The Morris acquisition is expected to be modestly accretive to cash flow based on the existing agreements in place.

Under the first agreement, the right to all the steam and 77 megawatts of electricity are sold to Equistar under an Energy Services Agreement expiring in 2023. There's also a PPA with Exelon which expires in 2011 for capacity and electricity in excess of the needs of Equistar.

After the transaction closes at the end of the week, we will provide more detailed financial information to the market.

Moving on to slide 13. This slide highlights some of the benefits of the Morris acquisition. In addition to the transaction expected to be modestly accretive, there are also numerous other benefits as well. The facility uses Heat Recovery Steam Generator technology, which we are very familiar with, as it's the same technology currently being used in a number of plants in our fleet. We feel we can leverage our operational expertise with the HRSG to add value.

The Morris facility is located near Chicago, which aligns with our geographical footprint and is located near our Oakbrook U.S. office. The facility is located in a highly developed industrial area, which provides growth opportunities to expand the customer base.

From the new relationship with Equistar, there are also potential opportunities in other North American locations where Equistar operates.

Turning now to slide 14. Last month the Partnership and PERC announced the commencement of a sales process to sell the combined 100 percent interest in PERH. After completing our review we concluded that the best economic decision was to sell our 15.4 percent in PERH. The joint sales process being undertaken with PERC to sell the 100 percent combined interest should maximize the PERH value.

In addition, the Partnership and PERC have also agreed on the termination of the management agreement subject to a successful sale.

The rationale for the PERH sale is threefold. The proceeds from the sale will be deployed to other potential investments such as the acquisition of the Morris facility. The Morris Cogeneration facility better aligns with the Partnership's asset base than the minority interest in PERH's recycled energy assets. And finally, the divestiture of PERH will simplify the Partnership's governance structure.

To conclude, I'll provide a brief status update on the Partnership's 2008 corporate priorities beginning on slide 15. We have executed on our priority of evaluating acquisition and development opportunities. In particular, we expect to close the acquisition of the Morris facility at the end of the month.

The joint sales process for PERH was announced last month and is currently under way. With the sales process being an active open auction, our expectation is that it will take a number of months to receive bids with completion targeted for 2009. The next priority of executing the Roxboro and Southport enhancements is on track and expected completion to be in 2009. The projected capex for this project is U.S. \$80 million and has an estimated accretion of \$0.10 per unit on a cash-flow basis.

The next priority is negotiating with OEFC ways to minimize the cost increases at the Ontario facilities. We have had ongoing discussions with the OEFC in this regard and those discussions are expected to continue. Unfortunately, progress on these discussions are moving slower than expected. With only two months left in the year, we felt it would be prudent to push this priority out to 2009.

Turning now to slide 16. The priority of negotiating effective PPA arrangements or extensions for Kenilworth and the two North Carolina facilities are on track. In July, the Partnership successfully completed PPA arrangements with Kenilworth for a three-year extension.

For Roxboro and Southport, discussions are going well and term sheets have been exchanged with a counterparty. A revised PPA term is expected to be long term and will support the economics for the projected \$80 million capex for the enhancements to Roxboro and Southport facilities.

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

On slide 17, the last 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 have been lower and are more volatile compared to operations under the previous PPA.

With the recent reduction in the state-wide installed reserve margins from 16.5 percent to 15 percent for 2008 and 2009 and the weaker economy, capacity prices are likely to remain below expectations in the near term. We continue to evaluate options for the Castleton facility.

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 begin 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 \* followed by the 1 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 next question comes from Tony Courtright, from Scotia Capital Inc. Please go ahead.

**TONY COURTRIGHT:** Good day. I'm curious about the Morris acquisition. You indicate that it strengthens your portfolio. You indicate that it's mildly cash accretive. I guess my questions are then under what basis is it cash accretive in the sense of capital structure applied to this, short term and long term? And are you comfortable accepting the counterparty risks of entities such as Equistar? You mentioned that you might be able to do more business with them. Is this really desirable?

**STUART LEE:** I'll address your question, Tony. It's Stuart. When we model acquisitions and we talk about accretion we typically always look at a normalized capital structure and that would be consistent with our existing capital structure, which would be 60 percent equity and 40 percent debt. And so that's what we would have modelled in providing the guidance on accretion for the Morris facility.

And again, when we talk about accretion we generally talk about accretion over the long term, and I think as we announce further details on that particular facility you'll see that the profile's a little bit more front-end loaded as far as the accretive nature of it. But, again, when we look at accretion we do talk about the long term.

And then the second, I'll let Brian talk to that.

**BRIAN VAASJO:** So in regards of looking at credits and hosts such as Equistar and counterparties in which you deal with there is, of course, the overt ratings and so on and so forth for organizations like that.

The other thing, and particularly in the industrial sphere, you also look at the strength of the facility in which you're the host and that's ultimately your greatest security from a credit standpoint. And we did extensive due diligence on determining where that particular facility would rank among its peers in North America and whether or not, say for example, a very dramatic downturn in the economy, whether it would continue to do business and

others would close first. And the long and the short of that analysis is that we are extremely comfortable with the facility and that it will survive for a long period of time.

**TONY COURTRIGHT:** Does the general partner earn a transaction fee on this acquisition?

**STUART LEE:** The GP does earn a transaction fee on it.

**TONY COURTRIGHT:** What's the magnitude of that?

**STUART LEE:** I believe it's about \$1.7 million.

**TONY COURTRIGHT:** All right. In terms of your Roxboro and Southport – I think I've got it right, facilities – you've provided an indication of an estimate of the contribution that incremental capex is expected to generate, \$0.10 a unit. So a couple of points of clarification.

Is this again a long-term capital structure of 40 debt, 60 equity? And two, what is the FX assumption that you've assumed for that sensitivity?

**STUART LEE:** The first part of your question is yes, we've modelled any type of growth or acquisition based on 60/40, so that's consistent with what we've done on Roxboro and Southport. And on the second part, on both the Morris acquisition as well as the Southport and Roxboro capital expenditures, we've effectively modelled at around par. So there may be some upside based on what's happened in the Canadian dollar. Particularly that we started locking in rates as the Canadian dollar's continued to drop recently.

**TONY COURTRIGHT:** Right, so just to clarify it, the 60/40 is 60 equity, 40 debt?

**STUART LEE:** Correct.

**TONY COURTRIGHT:** Okay. And I acknowledge that the Canadian dollar has weakened dramatically of late, but correspondingly satisfying the capex for Southport and Roxboro, as well as the Morris acquisition will chew up more of your credit facilities, will it not?

**STUART LEE:** It will. But again it will be financed with U.S. debt at this point in time, and potentially with, if the process for PERH is successful, with any proceeds from that sale.

**TONY COURTRIGHT:** Right. But just to be clear, using the prevailing spot rate, if you took the \$80 million and the \$73 million Morris acquisition, \$80 million commitment on the Carolina plants you're consuming about \$197 million of your \$300 million headroom, is that...?

**STUART LEE:** That's right.

**TONY COURTRIGHT:** Right. And then in terms of your reference in the MD&A to the continued distribution levels you indicate, subject to ongoing liquidity, obviously at these levels it's not appropriate to consider issuing equity, nor are the debt markets all that favourable near term.

Are you currently comfortable, even with these future draw downs of your credit facility, with your capital structure? Or do you envisage having to maybe throttle back the amount of debt that you have on your balance sheet?

**STUART LEE:** I think we're comfortable where we're at right now. You know, again, as we add additional debt, part of the consideration will be, are there going to be proceeds from the sale of PERH to offset that.

Clearly, I don't think we'd be going to the market today for additional equity, but post full use of the Southport and Roxboro funds at the end of 2009, when that capital program's completed, I think we contemplate if equity markets are open and they're at attractive rates whether or not to reposition ourselves on the capital side.

But that's something I don't think, given where we're at today, that we'd look at over the next couple of months, given where the markets are at.

**TONY COURTRIGHT:** Right. But would there be any consideration given, and I realize it's a board decision, but the management and the GP would have presumably some recommendation on this issue, about the level of distributions and whether it might not be more appropriate to retain some of the cash that's otherwise being paid out to unitholders to fund the growth that you seem to be wanting to pursue?

**STUART LEE:** And again, it's a decision that's at the board level, as you've rightly pointed out, Tony. And so it's something that the board considers, particularly as we go through our long-term plan and look at what the long-term expectations are, both on the growth side, as well as looking at what the sustainability of the distributions are. And I think, the board will again be looking at that as we go through the year end and budget cycle and long-term forecasts and making the appropriate determination at that time.

**TONY COURTRIGHT:** So the expectation remains that the next quarterly distribution will be at the same level and there won't be any changes until at least fiscal 2009?

**STUART LEE:** That's correct, and I think that's what we disclosed.

**TONY COURTRIGHT:** Thank you.

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

**MICHAEL MCGOWAN:** Hello, good afternoon.

**STUART LEE:** Hi, Mike.

**MICHAEL MCGOWAN:** I just had a question regarding the long-term gas contracts with Fortis. Can you talk about the term of those supply agreements? And you mentioned in the MD&A they were approximately \$3 million positive to... the fair value was \$3 million positive. Now would that be favourable to EPCOR?

**STUART LEE:** It's favourable to the L.P. and to the tune of about \$3 million, and I believe they run out through 2011, at this point in time.

**MICHAEL MCGOWAN:** Okay. Now, for whatever reason, if those contracts were repudiated, how does that change your view of the profitability of the Morris facility?

**STUART LEE:** Our view is in looking at those contracts and given the fact that the Belgian government stepped in to support Fortis, and the fact that the credit rating for that facility hasn't been impacted, or the bank hasn't been impacted. Our view of that type of event is very low. But obviously, it would impact the economics if, for whatever reason, those contracts were to be extinguished because of a bankruptcy or something to that effect with Fortis.

But again, our view is that's a very low probability event.

**MICHAEL MCGOWAN:** Now there was some discussion also about comments made in the MD&A about the level of future cash distributions and maintaining the current level of distribution through 2008. I appreciate you can't comment directly on that since it's a board decision, but at this point in time, are you contemplating any change in the strategy for the Partnership? Do you still see value in maintaining a high yielding equity, such as the Partnership's units?

**STUART LEE:** I think we've been pretty consistent in our view about the Partnership and its strategy and we don't see any reason, at this point in time, to change the strategy for the Partnership. We still believe that high-yield type of investments like ourselves have a place in the market and have demand in the market. And a lot of it will depend, as we move closer to 2011 and see how the market reacts to companies that are changing and changing their strategies going forward. But at this point in time, certainly we haven't contemplated a change in strategy.

**MICHAEL MCGOWAN:** In your financial statements there's actually quite a large non-cash charge related to future income taxes. What exactly did that relate to during the quarter? Was it a change in some of your long-term tax assumptions or...?

**STUART LEE:** No, it would have been specifically related to the mark-to-market adjustments that were taken. Any of the mark-to-market adjustments that relate to post-2010, when we become taxable in Canada you would have ended up with a tax charge, or a tax recovery on those, what I'd refer to as fictional losses.

**MICHAEL MCGOWAN:** Okay. And just given the weakening of the Canadian dollar, have you used the current downturn as an opportunity to lock in some higher-priced hedges?

**STUART LEE:** We have. I think as you would have seen in our disclosure we indicated that we were about 82 percent hedged at the end of September. We have taken the opportunity to layer on some additional hedges through October. I think we're currently at around 90 percent hedged. Most of those hedges that we've put in place have averaged between \$1.17 and \$1.25, and I think our expectation, if the Canadian dollar remains soft, is we'll likely take the opportunity to lay on some additional over the next couple of months.

**MICHAEL MCGOWAN:** Okay, and last question, you also mention that you had re-contracted, or locked in a natural gas contract at Greeley. What's the potential upside associated with that?

**STUART LEE:** Well, it really depends on your view of gas prices. From our point of view, looking at our own kind of long-term forecast, we see that as quite a positive. There was a pretty low inherent value that we were able to lock that in at, relative to the market, and we believe there's pretty significant upside. And not only financially, but also the removal of significant downside risk.

**MICHAEL MCGOWAN:** Okay. Thank you, those are my questions.

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

**BOB HASTINGS:** Thank you. Just a couple of quick ones to clarify something here. On your credit facilities, have there been any material changes to any of the terms or the rates?

**STUART LEE:** No.

**BOB HASTINGS:** And with the dollar change, I know that you have some hedges in place, I know that you have lots of U.S. debt that has more of a natural hedge, but we just saw a major swing in the dollar, and not that I believe

it'll stay here, but if it were to stay here would that be, hedges run out, etc., is that a modest positive for the fund?  
Or the L.P.?

**STUART LEE:** Yes, absolutely. If you look at our asset base relative to our debt and the expected cash flows relative to the debt, it certainly supports the fact that with a weakening Canadian dollar it's beneficial for the Partnership.

**BOB HASTINGS:** But we wouldn't expect to see that near term? Would we see some of that next year? Looking ahead?

**STUART LEE:** You won't see a whole bunch because we've effectively locked in for the next two years effectively 100 percent for 2009 and 2010. So we're pretty much committed as far as our hedging program goes. And what you see is, as you move past say 2010, that there'll be some upside if the Canadian dollar stays low.

**BOB HASTINGS:** Okay. And the strategy, you mentioned that there was no change in strategy. You still believe there was position for an income-oriented product to investors. And certainly I would agree that these markets are not a real test whether people like income trusts or not. Everything's getting hit.

But we did see somebody make a significant change to their strategy last week because they believed that there is greater opportunities in investments, that they conserve cash, they could fund it. The markets seem to disagree with that strategy, but you're certainly not contemplating anything of that magnitude?

**BRIAN VAASJO:** No, I think as Stuart had indicated a few moments ago, our strategy remains the same as it relates to conversion to a Corp. etc., and that is no compelling reason to take action one way or another. And, no compelling reason to stay with the status quo either.

And, as we've said, we'll be watching the market and watching those who do convert and watching those who remain status quo and watching which ones the market somewhat rewards for either action or inaction. And so certainly, what happened with one of our peers is a pretty strong data point at this point in time.

**BOB HASTINGS:** Great, thank you. And then one clarification on the Morris facility. I noticed that Equistar, I think is B-plus rated and Lyondell and several B-plus cyclicals are getting killed in petrochemicals in particular. If one of them, or both of them were to go into bankruptcy, how are you protected? Are you protected against the

assets directly? You know, as long as they're operating you're fine, or could a bankruptcy related party have some impact on the value?

**BRIAN VAASJO:** Bob, that's part of the process I described earlier in terms of looking at it. You look at the same thing when you look at biomass facilities in the lumber industry and it's just a common practice, even if you're dealing with a very good credit in terms of a credit rating, to look underneath that and just see where you're actually building your facilities. Is there significant strength in the facility itself?

So when we looked at the acquisition of Morris we certainly, as we would any acquisition of a facility that has a host, looked at the host both in terms of immediate credit strength, and the credit strength associated with the facility itself.

And in this case, and in going through and looking at Morris, certainly that facility itself is a very strong facility that we have every confidence would continue to operate for an extended period of time. And in the event that one of its parent or a parent-squared happened to move into bankruptcy, the actions that would be taken by firstly presumably in Chapter 11, would be taken by the trustees, etc., would be to continue to operate that facility.

It would continue to be economic in the market and as we provide essential services to that facility, it would not be in the best interest of a trustee at all to look at our contracts and terminate them. They would be essential for the continued ongoing operation of that facility.

And to us, and looking at these kinds of facilities and commercial arrangement, that is a very, very key element.

**BOB HASTINGS:** Okay, thank you. And you mentioned the wood supply issue. How do you expect that to be resolved?

**BRIAN VAASJO:** Well, on a very broad basis, we've got facilities in Ontario and facilities in B.C. and in B.C. we're not experiencing any significant wood supply issues. It continues to be a fairly good supply. And to the extent that we may have to go further to obtain wood supplies, the cost is basically a flow through.

On the Ontario side, we've been investigating a number of ways to supplement the wood supply, and some of them we've talked to you before about. Some of it does require extending, from a distance standpoint, and in some of those circumstances, it is covered by an arrangement with OEFC.

We're also looking at, I'll call it more non-conventional wood waste supplies that are geographically closer, and hopefully we'll have some good news on that front to share over the next couple of quarters. But, we're not saying that we've got a significant exposure that can't be managed.

**BOB HASTINGS:** Excellent. And when I look out to the guidance that you've given here in terms of individual operations, it seems to me on balance being weighted more favourably than previously. So I'll look out to, and you said your cash distribution, what you're expected to be for the year... or for this year. When we look at 2009 on balance things are improving, are they not?

**STUART LEE:** We see a slight improvement given the fact that we don't have a long-term service agreement. We won't have that summer payment. We've got a uptick with Curtis Palmer. Capex, again, conditional on what happens with Oxnard. I think our expectations is capex would come back down and partially offsetting that is our hedge rate for 2009 is below what we were locked in for 2008. But overall, I think our expectation is above the trend of 2009.

**BOB HASTINGS:** And Frederickson payment as well, right?

**STUART LEE:** Yes, that's the long-term service agreement that I talked about.

**BOB HASTINGS:** Oh sorry. Yes. Okay, thank you, that's my questions.

**STUART LEE:** Thank you.

**OPERATOR:** Your next question comes from Bill Cabel, from TD Securities. Please go ahead.

**BILL CABEL:** Hi guys.

**STUART LEE:** Hello Bill.

**BILL CABEL:** Actually, with those last few questions I kind of got wiped out of questions here. But I guess just to follow up on the biomass supply question, did you ever figure out the moisture content? I'm assuming moisture content in the winter turns to ice and can probably cause a few problems. Any thoughts on that?

**BRIAN VAASJO:** When we refer to the wet wood situation that was derived from basically two sources. One was, I'll call it a little bit greener wood which in normal course can be dealt with and is not necessarily an ongoing issue.

The other issue, which is physically how wet the wood we received was, that was in part created and certainly sustained by one of the... this year to date has been one of the moistest in Northern Ontario in decades. So it's basically been substantially a weather problem as opposed to a wood supply problem.

And we are certainly looking at ways in which to mitigate that and you can have elaborate plans that obviously one of the things that we have to keep in mind is that when it's weather driven and it's a very unusual year, you necessarily spend money to ensure that that kind of an event doesn't happen again.

So that's part of what we're weighing off right now in our considerations. So it certainly is an issue that's manageable.

**BILL CABEL:** So really the issue is more on the supply front, not the quality anymore? Or you would expect going forward?

**BRIAN VAASJO:** Well, one of the issues that we had was the supply element of it was a little bit of a surprise in terms of all of a sudden seeing much greener wood. So that we're certainly managing and alert to. So, do see it predominantly as a weather issue.

**BILL CABEL:** Okay, well, that's me then. Thanks a lot.

**BRIAN VAASJO:** Thanks.

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

**ROBERT KWAN:** Good morning. In hearing the answer that you gave to some of the questions around the distribution, it doesn't sound to me that the language doesn't seem particularly strong defending the distribution, at least as we head into 2009. I'm struggling a little bit and it's hard for me not to take away that there's something, a reasonable consideration with respect to cutting the distribution next year. Anything you can provide, or colour on that?

**BRIAN VAASJO:** So maybe what I can provide in colour is that as you may recall this time last year, our comments were very similar from the standpoint of here are some directional elements, things that we know now. Our message was the same, going through a budget process, board issue and we generally take a long-term view. And that hasn't changed and that sort of positioning is exactly the same as it is this year, and we came out last year

with a commitment around distribution being sustained. I would say that you'll find that tentative nature in our discussion will be the same each and every year.

**ROBERT KWAN:** Okay, so it's really just no firm decisions at the board level have been made yet, but nothing has changed in your view. And I guess, Brian, if you can also kind of make that statement as a board member, year-over-year, you're in no different position and so there's nothing to read into the way you've answered the questions today?

**BRIAN VAASJO:** It really wouldn't be appropriate for me to comment as a board member and try to indicate any particular direction. But what I can say is the tone this year and the responses to the questions is the same as last year.

**ROBERT KWAN:** Okay, if you look at Roxboro and Southport, it doesn't look like there's too much of an update. You still exchanged the term sheets. With respect to the counterparties there, have you sensed, is there any kind of change in their view as to actually completing, whether it's against the backdrop of the current market, or demand destruction? Essentially are you highly confident, bordering on certain, that you'll be able to enter into this contract?

**BRIAN VAASJO:** We continue to be very confident that we'll enter into a contract that is consistent with the terms we've been looking at all the way along.

**ROBERT KWAN:** Okay and would you be considering slowing down the spend there until you actually get the contract into place?

**BRIAN VAASJO:** No. There has been nothing. The discussions with the counterparty have been normal course. There has been nothing that has either slowed down or accelerated those discussions. There has been no waiver on their side as to their commitment.

And when I say commitment, just to be clear, that's not a contractual commitment, but they're verbal, to pursue it and get it done. Where this sits in their stack of issues and so on that they have to deal with is taking it's normal and natural course. So there has been nothing that would suggest to us that we should slow down construction at all. We're as positive now as we were when we made the decision to go forward.

**ROBERT KWAN:** Okay, great. And then in Ontario you had a change in the quarter on the gas accruals. Can you just provide some extra colour as to what exactly happened and then what the future implications for the future quarters would be?

**STUART LEE:** That adjustment, Robert, was partially for the current year, partially for prior years, for the Ontario facilities. And really just kind of looking at the overall accrual based on indices and based on our estimate of payments due to suppliers. And I would suggest about just under \$1 million relates to 2008 and the balance relates to prior years.

**ROBERT KWAN:** Okay, and so I think it was roughly somewhere \$2 million to \$3 million benefit in the quarter. So going forward, all things being equal, fuel costs will bump back up by that amount? Or will it stay at this lower level?

**STUART LEE:** I think if you look at kind of adjusting, there's a \$3.4 million adjustment. The majority of that relates to prior years. And if you kind of look at the spend year-to-date adjusting, knowing that about \$2.5 million of that relates to prior years, you get a good idea of what the spend is in the year.

**ROBERT KWAN:** Okay, so a little bit better, but certainly not full amount for the quarter.

**STUART LEE:** Correct.

**ROBERT KWAN:** Okay. And the last question is just on Primary. In terms of your decision-making process on what a fair price is in the current market context, is there an absolute target that you're looking at, or is it some sort of relative target versus where your unit price is trading?

**STUART LEE:** I think it'll be relative, not only to our unit price, but what other options are to employ the capital. So if there are other opportunities at the time of potential divestiture that we're looking at that represent a better deployment of that capital, certainly that'll play into our decision.

**ROBERT KWAN:** Okay, great. Thanks, Brian; thanks, Stuart.

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

**MICHAEL MCGOWAN:** I just had a follow-up question. I'm not sure I caught it in the release, but what was the actual amount of the payment of Frederickson?

**STUART LEE:** It was about \$5 million.

**MICHAEL MCGOWAN:** About \$5 million. Then margins were down by \$7.1 million there?

**STUART LEE:** So not just for Frederickson, so the margin difference was for Manchief and Greeley as well, and with higher gas prices in 2008, you'd have seen a slight loss at Greeley because of the gas and the fact that we didn't have gas locked in for that facility.

And then for Manchief last year, you'll recall there was a lot of Rocky Mountain gas that was locked in, and we ended up having exceptionally low gas prices in the quarter and that facility was dispatched at a fairly high rate. And so we had what I'd call unusual profitability from energy sales for Manchief for the quarter last year.

**MICHAEL MCGOWAN:** Okay, and can you also discuss your purchase price for the Morris cogeneration facility? It went down by about \$4 million, and is that just due to working capital adjustments, or basically did you have... was there some other reason why the purchase price decreased?

**STUART LEE:** Just working capital adjustments.

**MICHAEL MCGOWAN:** Okay. And the final question, how much was received by the manager as fees for the enhancement activities that took place during the third quarter of this year, at the Ontario facilities?

**STUART LEE:** I think if you look in our disclosure under related party transactions it was disclosed in the quarter. What it is I'm trying to figure out what it is off the top of my head, but I believe it's disclosed on page 22 of the MD&A.

**MICHAEL MCGOWAN:** Okay.

**STUART LEE:** Enhancement fees that were paid to the manager were about \$900,000.

**MICHAEL MCGOWAN:** Okay, so your total enhancement revenues were about \$2 million in this year, or this quarter?

**STUART LEE:** Enhancement revenues?

**MICHAEL MCGOWAN:** Yes.

**STUART LEE:** So again, revenues, I think are disclosed back if you look at the revenues for the facilities, it's disclosed in the MD&A on page 10. And those are gross revenues. If you're looking at the actual margin you have to deduct what the imputed lost revenue is from not producing power.

**MICHAEL MCGOWAN:** Okay.

**STUART LEE:** You have to look at the margin, and effectively one way to back into margin is if you look at the enhancement fee that was paid to the manager, it's 35 percent of the actual margin that was earned from those activities.

**MICHAEL MCGOWAN:** Okay, so let me just take a look at the margin on page 7, which is net of management fees. It looks like it's for \$1.5 million. So then if I add the \$900,000 paid to the manager it looks like about \$2.5 million, \$2.4 million in enhancement margins this quarter.

**STUART LEE:** So again, if you look at our presentation, I think we've touched on it in the presentation slide. I think it was in around, the neighbourhood of around \$3 million.

**MICHAEL MCGOWAN:** About \$3 million? Okay. Thanks.

**OPERATOR:** Ladies and gentlemen, if there are any additional questions at this time, please press the \* followed by the 1. As a reminder, if you're using a speaker phone, please lift the handset before pressing the keys.

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

**RANDY MAH:** Okay, if there are no more further questions, we'll wrap up then. Thanks again for your interest in EPCOR Power L.P. and we look forward to working with you over the coming quarters. Thank you.

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

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