

**EPCOR POWER L.P.
FOURTH QUARTER, 2007
RESULTS CONFERENCE CALL
March 7, 2008**

OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the EPCOR Power L.P. 2007 year-end review conference call. At this time, all participants are in listen-only mode. Following the presentation, we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions. If you have any difficulty hearing the conference, please press '*' followed by '0' for operator assistance at any time. I'd like to remind everyone that this conference call is being recorded on Friday March 7th 2008, at 1 p.m. Eastern Time. I'll now turn the conference over to Randy Mah, Senior Manager, IR. Please go ahead.

RANDY MAH (Senior Manager, Investor Relations, EPCOR Power L.P.): Good morning and thank you for joining us today. Yesterday, EPCOR Power L.P. released its 2007 year-end results. The news release and the presentation slides for this conference call are posted on the Partnership's website at epcorpwlrc.ca. This conference call is also being webcast from our website. You can access the webcast, including the slide presentation by clicking on the webcast link from the homepage.

Joining me on the conference call is Brian Vaasjo, president, and Stuart Lee, chief financial officer. Brian will provide a brief recap of the 2007 highlights and will update various company developments. At the conclusion of the presentation, Brian will outline the Partnership's key priorities for 2008. Stuart's comments will focus on summarizing financial highlights for the fourth quarter and year-end, as well as providing a financial 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 Canadian securities regulators. EPCOR Power L.P. disclaims any intention or obligation to update any forward-looking statement unless required by law. I'll now turn the call over to Brian.

BRIAN VAASJO (President, EPCOR Power Services Ltd): Thanks Randy. I'll begin my presentation starting on slide 3. The Partnership's financial performance in 2007 was generally in-line with expectations. Revenues were up 65 per cent year-over-year, driven primarily from acquisitions made in 2006. Cash provided by operating activities before working capital and excluding the one-time net realized losses from foreign exchange and interest rates contracts was up 2 per cent on a year-over-year basis.

In 2007, we also completed numerous initiatives to remove potential risks on future cash flows. These initiatives included positioning the organization to prepare for the upcoming SIFT tax legislation beginning in 2010, completing the permanent financing for the Primary Energy Ventures acquisition, which consisted of a private placement of U.S. debt and equity and preferred share issues. All three of these financing transactions were very successful and raised proceeds of \$470 million.

The Partnership also removed litigation exposure by successfully negotiating settlements with two natural gas suppliers, Devon Canada and NAL Resources for the Tunis power plant. The settlements removed a large financial exposure to the Partnership's future cash flows.

Finally, the Partnership completed the integration of Primary Energy Ventures. With the integration now completed, it provides the Partnership with a solid platform for future

growth.

Overall, 2007 can be characterized as a year where the Partnership continued to focus on minimizing risk and optimizing assets to strengthen its ability to generate stable, sustainable, and predictable cash flows over the long term.

Moving on to slide four. One of the strengths of the Partnership is its long-term PPA's. Currently, the Partnership's overall weighted-average PPA term remaining is 11.4 years. We are in active negotiations with counterparties for the four PPAs that are set to expire in the near term. For Castleton, the PPA expires in the middle of this year. The Partnership will not be extending the PPA with the current counterparty. We have had expressions of interest from numerous parties, and we will continue evaluating the market to determine whether to sell the plant or negotiate a PPA when the pricing is more favourable. Currently, the plant generates approximately \$8 million of annual operating margin, or 4 per cent of the Partnership's total operating margin. When the current PPA expires, our expectation is that the operating margin will decline by at least 50 per cent.

For the Kenilworth facility, PPA renegotiations, although slow, have gone reasonably well. Our expectation is that the PPA will be extended for three years, with operating margins to remain at current levels. We anticipate the PPA terms will be finalized by the second quarter of this year.

For the Roxboro and Southport facilities, ongoing discussions are taking place to amend and extend the PPA. The Partnership will spend up to \$65 million for enhancements to the boilers of both facilities to address environmental requirements and improve operating economics. The combined benefits from the enhancements and potential amendments to the current PPA is expected to be by \$0.10 accretion on a per unit basis based on our existing capital structure.

Turning to slide 5 on the Partnership's growth opportunities, the Partnership has been active in reviewing a number of acquisition and development opportunities. In assessing acquisition opportunities, the Partnership has maintained a patient and disciplined approach based on a set criteria. This includes acquisitions meeting internal hurdle rates, ensuring potential new assets have consistent risk profiles with our current assets, and acquisitions must provide accretive value on a per unit basis. The Partnership has evaluated numerous external opportunities, including the assessment of wind and biomass projects.

We also continue to assess opportunities to optimize existing assets. This includes enhancements to our Roxboro and Southport facility, and changes to one of the California plants to improve output and fleet reliability. Overall, we feel there are attractive growth opportunities for the Partnership, both internal and external. I will now turn the call over to Stuart to review the financial performance.

STUART LEE: (Chief Financial Officer, EPCOR Power Services Ltd.): Thanks, Brian. I'll start on slide 6 with a review of the financial highlights of the fourth quarter. The Partnership generated revenues of approximately \$118 million, a 12 per cent increase from the same period a year ago. The increase is primarily due to the higher revenues from the California and North Carolina facilities, partially offset by lower revenues from Curtis Palmer hydro facility due to low water flows.

Operating margins before fair value changes were approximately \$51 million in the fourth quarter. This was down 7 per cent compared to the same period a year ago, mainly due to lower operating margins for Curtis Palmer facilities. In the fourth quarter of 2007, cash provided by operating activities on a per unit basis was \$0.72, which exceeded cash distributions per unit of \$0.63. Finally, capital expenditures were \$4.6 million in the fourth quarter, down 49 per cent from a year ago.

Slide 7 shows a summary of the annual financial highlights for 2007. As Brian mentioned, the Partnership's revenues of \$579 million increased 65 per cent and was primarily driven by acquisition growth from the Frederickson facility and the Primary Energy Ventures in 2006. Operating margins before fair value changes were approximately \$222 million in 2007, an increase of 12 per cent compared to 2006. The higher operating margins were attributed to higher margins from the California and U.S. Northwest facilities, mainly due to full year of results and were partially offset by lower margins from Curtis Palmer hydro facility. In 2007, cash provided by operating activities on a per unit basis was \$2.53, matching distribution of \$2.52 per unit for 2007.

Due to the deferral of approximately \$2.5 million of maintenance CAPEX in 2008, maintenance CAPEX was \$12.5 million for 2007, which is down 5 per cent from 2006. I'll provide further details on our Partnership's outlook for CAPEX later in the presentation.

The next two slides, slides 8 and 9, show continuity from fourth quarter of 2006 to the fourth quarter of 2007 for cash provided by operating activities and net income. On slide 8, the \$3 million increase in cash provided by working activity were mainly due to an \$8 million increase in working capital and an approximately \$4 million contribution to Ventures. The increase was partially offset by lower cash flows from Curtis Palmer, an increase in cash taxes, and a higher preferred share dividends, which totalled approximately \$10 million.

Slide 9 shows the fourth quarter continuity for net income. The \$58 million increase in net income was primarily due to foreign exchange gains and fair value changes on natural gas and foreign exchange contracts. These two items accounted for \$63 million of the increase in net income, which was partially offset by lower generation from Curtis Palmer and a \$5 million negative impact to net income.

Slide 10 shows our CAPEX maintenance forecast. The maintenance CAPEX in 2008

is forecast to be in the \$23 million to \$25 million range. In addition to the maintenance CAPEX, up to \$65 million in enhancements to the Roxboro and Southport plants will be incurred in 2008 and 2009. The annual breakdown for the enhancements consists of approximately \$35 million to \$40 million in 2008, while the remaining \$25 million to \$30 million will be incurred in 2009. Although the 2008 maintenance CAPEX is projected to be higher than in the past, the 5-year average maintenance CAPEX for the period 2008 to 2012 is estimated to be approximately \$18 million.

Turning to slide 11, this slide addresses the upcoming 2011 SIFT tax legislation. Unlike income trusts, we feel the Partnership structure allows significant flexibility to address the upcoming tax changes. The Partnership has optimized its capital structure to defer the impact of cash taxes on income. Based on the existing portfolio of assets, the earliest cash taxes are expected to be paid in Canada and the U.S. in 2013 and 2014, respectively. Depending on future acquisitions, these dates could be extended further. At the end of 2007, the Partnership has accumulated approximately \$305 million in Canadian tax pools and \$750 million in U.S. tax pools. The tax pools consist of both tax losses and undepreciated capital costs, which are available to deduct against future taxable income. Therefore, when the SIFT tax legislation becomes effective in 2011, the Partnership is well positioned with an expectation that cash taxes will be deferred for at least two years.

Moving to slide 12. This slide outlines the major factors that are expected to impact cash flow in 2008 and 2009 on a year-over-year comparison. In 2008, the factors contributing to lower cash flows compared to 2007 include higher maintenance CAPEX, lower operating margins for Castleton post-PPA, and a one-time \$4 million milestone payment for the Frederickson facility. For 2009, we expect a change in cash flow will include lower maintenance CAPEX compared to 2008 and an 18 per cent increased pricing at Curtis

Palmer and the non-recurrence of the Frederickson milestone maintenance payment, which will be partly offset by a full year of capital operations without the existing PPA.

In 2007, cash provided by operating activities, excluding realized losses on interest rates and foreign exchange contracts for the Ventures acquisitions, plus PERH dividend less maintenance capital spending exceeded cash distributions by \$7 million. This follows surpluses of \$19 million in 2006, \$13 million in 2005, and \$15 million in 2004. In 2008, in part due to forecasts in high maintenance CAPEX, we expect distributions at \$2.52 per unit will exceed cash provided by operating activity plus dividends from PERH, less maintenance CAPEX spending on a per unit basis.

Based on current expectations and subject to any material changes that may occur during the year, we expect that 2008 distributions will be maintained at the current annual level of \$2.52 per unit.

I'll now turn the call back to Brian.

BRIAN VAASJO: Thanks, Stuart. I'll conclude our presentation with a list of the Partnership's priorities for 2008 shown on slide 13. These priorities include maximizing the value for the Castleton facility after its PPA expiry this year, negotiating effective PPA arrangements and extensions for the Kenilworth, Roxboro, and Southport facilities, executing construction of the Roxboro and Southport enhancements, negotiating with OEFC relating to the Ontario cost increases that we are experiencing, continuing evaluation of internal optimization and growth opportunities, and finally, continuing evaluating acquisition and development opportunities. In summary, the Partnership will continue focusing on its strategy and deliver results for the objectives I have outlined on this slide.

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

RANDY MAH: Thanks Brian. Before we begin, I'd like point out that in the appendix of

the presentation it also contains annual continuity schedules for cash provided by operating activities and for net income that will help reconcile analysts' models. Okay operator, we are now ready to start the question and answer session.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct a question and answer session. If you have a question, please press the '*' followed by the '1' on your touchtone phone. You'll hear a tone acknowledging your request. Questions will be polled in the order they are received. Please ensure you lift the handset if you're using your speakerphone before pressing any keys. Your first question comes from Tony Courtright from Scotia Capital. Please go ahead.

TONY COURTRIGHT: Thanks very much. Just in relation to the last point that you were making, Brian, in terms of corporate priorities. Could you elaborate on this negotiation with Ontario Electricity Financial Corporation for, I guess your trying to get some cost recovery for increases that you are experiencing.

BRIAN VAASJO: Those increases are primarily the increases in the natural gas costs at Tunis. As you also know there are increasing pressures on the biomass costs, which we have been successful in negotiating a two-year arrangement with the Ontario government to flow a significant portion of those incremental costs through. But, nonetheless, we see that there is probably an opportunity again through negotiations with OEFC to have them absorb even more of the cost increases that we are experiencing.

TONY COURTRIGHT: At best, what you envision is trying to preserve your margin as opposed, this is not intended to actually improve your returns, it's just to preserve them?

BRIAN VAASJO: Correct.

TONY COURTRIGHT: On page 9 of the MD&A, there was a reference to cash taxes increased by \$5.2 million primarily due to increasing U.S. withholding taxes. Let me ask what

the expectation for withholding taxes in 2008 is, and enlighten me as to what the rate of withholding tax is? What's the particular flow or measure is attracting this tax?

STUART LEE: The expectation in 2008 is that we expect to see lower withholding tax. For two reasons: one is on the expectation that the Canadian and US Treaty will get signed. For the particular legislation being proposed, the withholding tax on interest drops to 7 per cent from 10 per cent in '08, and then further to, I believe zero per cent by 2010. And roughly about half of our cash flow comes out of US in the form of interest payments coming across, that are subject to that particular friction on withholding tax.

TONY COURTRIGHT: All right. You also had quite a detail enumeration of tax issues that might be surfacing. Can I ask, in terms of earnings stripping rule whether you are repatriating on an annual basis whatever the earnings and profits are that the US is generating, or is there inter-year staggering effects of earnings and profits from previous years that might be borne in the future by future unitholders?

STUART LEE: I don't completely understand your question.

TONY COURTRIGHT: I gather that the earnings and profits test is separate from taxable income, and that if you are generating some measure of earnings and profits in the States, if one were to repatriate those across the border, there would be taxes associated with them. You are actually suggesting that the taxes might go higher or something like that, but even under the existing arrangement, are they being repatriated in the period that they are being earned, or are they just being accumulated and therefore in some future periods there may be a bigger bite on taxes?

STUART LEE: They are being repatriated in the period they're being earned? There is a combination of interest that comes back up: dividends and also debt repayment. There is different forms of the cash that comes back across the border, but there's no expectation that

they'll be future cash taxes payable on withholding because of profits that haven't been moved back across the border if that is what you are getting at.

The other thing I'd point out on the tax side is we expect more withholding taxes by a couple million dollars in 2008. There will be an expected increase in Part 6.1 tax on the preferred dividend because you'll have a full year. Again, those particular taxes will provide deductions in 2011, so it is a timing issue. There will be a full year, and so we expect that our cash taxes on Part 6.1 will be up above \$800,000 in 2008.

TONY COURTRIGHT: Getting back to a growth question, it is a chicken-and-egg situation. If you are examining feasibility of undertaking a major refurbishment of Roxboro and Southport, but when do you incur that or commit to that versus when do you get your PPA signed? I guess there is a similar, much smaller level, at Castleton where you mentioned a \$4 million refurb or overhaul.

BRIAN VAASJO: Speaking of, dealing with Castleton first, that's required maintenance, so you know, if for example, you decided that you would sell the asset, it would be sold for \$4 million more because of the major, the necessary major maintenance has been done. That's sort of one that under all circumstances and regardless of outcome make sense to proceed with. In fact, it reduces the uncertainty, particularly if one took the approach of selling the asset, in that there is much greater certainty known when the machine has actually been taken apart and gone through the major maintenance, as opposed to a buyer looking at it and saying, "I've got \$4 million to spend and once I open this up I'm not too sure what all I'm going to find in terms of the condition of the unit." It's actually a positive in that scenario.

On Roxboro and Southport, it's been both—the physical and construction side has been managed in conjunction with those discussions around PPA. You're quite right; it is a little bit of a chicken and an egg. The environmental investments needed to be made in any

event, even if one continues under the existing PPA, but the enhancement associated with fuel handling and fuel mix and the efficiency of the boiler, those are certainly done in anticipation of additional revenue. Just to sort of, for the broader point, at this point in time, we have in our possession a term sheet from one of the potential off-takers. We look for some degree of confirmation that the economics are there before we proceed with committing to the \$65 million.

TONY COURTRIGHT: All right. Lastly just an issue of environmental discussion. Perhaps I'm confused in how I read it, but there's discussion of the Canadian government's new regulatory framework, and then the second paragraph on page 38 has, "Under the proposed legislation, the Ontario natural gas plants would have to reduce their CO₂ emissions by 18 per cent." Is that in relation to the federal regulatory framework?

STUART LEE: It is.

TONY COURTRIGHT: All right. Then because that same paragraph goes on, and then it wraps up by saying, "It remains unclear whether the Canadian federal government will also introduce minimum emission thresholds to which those proposed standards will apply." Could you elaborate what that means?

STUART LEE: The government may come out with emissions standards but it may exempt certain plants that emit CO₂ at below the threshold amounts. If they cap it at anything over 100,000 CO₂ emissions per unit, then it may not apply.

TONY COURTRIGHT: How are your OEFC contracts structured? Is there a pass-through for these sort of costs?

STUART LEE: There isn't, again to Brian's comment about discussions with OEFC that would form part of the discussion basis. If the Federal government came in with changes that would impact those facilities, but again, you know, subject to those negotiations. There's

nothing in the contract that would allow you to push that back through.

TONY COURTRIGHT: I see. All right. Thank you very much.

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

MICHAEL McGOWAN: Good morning, or good afternoon, sorry. Hello?

STUART LEE: Hi Michael.

MICHAEL McGOWAN: I have a question about the decommissioning liability that was disclosed in the MD&A. You mentioned a potential liability of \$139 million that could be incurred for years between 2012 and 2090. I was just wondering what plants were included in the early part of that estimate?

STUART LEE: I think Castleton would be the one to facility in the early end of that range.

MICHAEL McGOWAN: Is Castleton the only one?

STUART LEE: It's the only one that's at the front end of it.

MICHAEL McGOWAN: There's also a comment in the MD&A about reviewing your options regarding PERC when the Harbor Coal facility contract are renegotiated. Can you elaborate on that at all?

BRIAN VAASJO: I think it's as—it's Brian here—as we've always indicated that a significant determinant of the value of Primary Energy Recycling is the performance and contractual arrangements around Harbor Coal. Before the Partnership would be in a position to determine, ultimately, its position associated with Primary Energy Recycling, that had to be resolved, and there had to be, obviously, a clear view on value and cash flow associated with that.

MICHAEL McGOWAN: Is that issue resolved as of yet because I know that they had

signed a preliminary agreement, but I didn't know if it had been finalized?

BRIAN VAASJO: All I can really do on that is refer you to what has been publicly disclosed by Primary Energy Recycling; which just recently was yes, it is, and it is in the process of finalization but it's never over until it's over.

MICHAEL McGOWAN: Right. Just a quick question about the changes at the board at Primary. Is that—just wondering. Brian, your resignation was announced on the 2nd. Does that have anything to do with EPCOR's view on the investment?

BRIAN VAASJO: No, and just to explain that a little bit, over that past while there has been a growing perception by other investors of my directorship being in conflict with the business of PERC. I was not in conflict, and if I were a director today, I would not be in conflict, which is a view that I believe was also held by the PERC board. However, it was becoming very clear that my directorship had become a serious distraction to the PERC board in conducting their business. I came to the conclusion that my resignation would help them focus on the business of PERC going forward. That's the long and short around the rationale for my resignation. But just to underscore - was not in conflict and again, If I were a board member today, I would not be in conflict.

MICHAEL McGOWAN: Okay. The upgrades at your North Carolina facility: you mentioned the capital amount and briefly discussed what had to be done. Can you just elaborate a little further on the actual work that would be performed there on the scenario of the \$68 million capital expenditure?

BRIAN VAASJO: It falls basically into two camps. One is environmental abatement facility from technology being applied to it to reduce the Nox and SOx. In addition to that, the facility is, as you know, today it burns coal, biomass, and tire-derived fuel. The improvements, both in terms of the boiler and in terms of a fuel-handling facility, will allow a much greater

variation among those fuel types, thus being able to take advantage of potentially some green aspects, which could create some value. In addition to that, just the pricing around various fuel types could provide a significant amount of flexibility for the unit. That's the two general camps of expenditures.

MICHAEL McGOWAN: So it's similar to what was contemplated during the last conference call?

BRIAN VAASJO: It was to a degree. The intent when we were looking at other alternatives, and we certainly have to address the environmental issues, but looking for the most effective way to create some fuel flexibility associated with the unit, and what we ultimately came up with is lower costs and economically a much stronger case.

MICHAEL McGOWAN: Okay. If you did proceed with that, would you finance it from cash flow or debt?

BRIAN VAASJO: Just to be clear, we are proceeding with it. The board has approved going forward with the enhancements. It would be - certainly it's not large enough an investment to be financed in and of itself, but certainly in the short term, it would be financed through debt and cash flow.

STUART LEE: We take the opportunity, Michael, at a future date, if we did another development or acquisition, to roll in and kind of readjust our capital structure to be consistent where we are today. In the short term, it doesn't make that much sense to do an equity offering for that small a capital expenditure.

MICHAEL McGOWAN: Okay, thank you. Those are my questions.

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

ROBERT KWAN: Right, thank you. When you look at your cost of capital, do see this

being competitive enough for roll-downs of plants from the parent?

BRIAN VAASJO: At this point in time when you look at where we are on a yield basis and a competitive basis it certainly is challenged. We have a strong belief that the units are being undervalued at this point in time. I think that's probably shared by both boards. We expect that the current position of the LP from a yield standpoint and again from a competitive standpoint is temporary.

ROBERT KWAN: Are you able to get a sense if you look at it just from a peer yield perspective how far off it might be in terms of the current cost of capital versus where the current may be a seller?

BRIAN VAASJO: I would be reluctant to provide that kind of guidance at this point. It's not a long way off; let me put it that way.

ROBERT KWAN: Maybe just following up on Michael's question on PERC and really pending that resolution of that contract. Can you provide some color as to the qualitative and quantitative factors that you're going to consider in your decision-making process on what, ultimately, you want to do with the investment, and maybe also just touching on when you look at the PERC assets, how does the riskiness of those cash flows compare to the existing assets of the Partnership?

BRIAN VAASJO: So what I'll do is I'll kind of summarize what we've been fairly open on over the last number of months. Obviously, the financial attributes of the cash flow and the value and looking at risk adjustment, discount rates and so on, will have to be positive for it to make any sense at all. If we assume that that is the gate, in terms of going forward, and either if you're looking firstly from an acquisitions standpoint, you then have to look at the quality of the assets and whether or not that quality of those assets, again, with the resolution of Harbor Coal, are generally consistent with the quality of the assets that exist today in the

Partnership and looking at factors such as volatility, longevity, and so on and so forth, some of the more qualitative aspects of it. Then, depending on where both the map works out and where you arrive in terms of review on quality of assets, that pushes you into a position of where you're either potentially a buyer or potentially a seller or maintaining the status quo. From a broad standpoint, that's sort of the considerations that we go through with this acquisition or divestiture or positioning that we do with any asset.

ROBERT KWAN: I guess, just when you mentioned the quality of the assets, and also just when I was asking about the risk profile, when you look at the PERC assets, how do they compare to the other assets of the Partnership?

BRIAN VAASJO: I think we've said in the past that without Harbor Coal being resolved we certainly wouldn't consider increasing our position.

ROBERT KWAN: Okay, and with Harbor Coal resolved?

BRIAN VAASJO: That would depend on the resolution.

ROBERT KWAN: Well, assuming it's resolved in terms of a pretty stable tolling agreement, which I think PERC has been out there articulating, if you just look at the contracts and the plants and their expected useful lives, how do they compare? Do they compare favorably from a quality and risk perspective against the Partnership's assets, or the quality a little lower than the assets that you've got?

BRIAN VAASJO: We haven't turned our mind to that specific determination at this point. One of the elements, in terms of the quality of the assets, certainly Harbor Coal, moving toward a tolling arrangement provides some stability. Likewise, you end up with a longer arrangement, but, again, we haven't turned our mind to some of the analytics around the stability of that cash flow. Like the rest of the market, we're waiting until it's definitive.

ROBERT KWAN: Okay. Just a last question. You mentioned that you expect to

maintain the \$2.52 distribution in 08, but using the five-year average maintenance CAPEX, roughly \$18 million a year, do you expect to be able to cover the current distribution without borrowing over the next several years?

STUART LEE: We haven't gone through a detailed 2009 operating and capital plan at this point.

ROBERT KWAN: If you normalize the '08 number for \$18 million, would you expect to cover?

STUART LEE: We generally don't provide specific guidance.

ROBERT KWAN: Okay. Thanks Stuart.

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 speakerphone, please lift the handset before pressing the keys. Your next question comes from Alda Pavao from CIBC World Markets. Please go ahead.

ALDA PAVAO: Hi. Good afternoon. In light of the higher gas price environment we're in, I wonder if we could just talk through the net implications to your cash flow to extent some assets benefit whereas others are not as economic to run. To the extent I think Greeley might be negative impacted, as well as what do you see from that impact under the new SRAC mechanism for your California plants?

STUART LEE: On Greeley, as we've mentioned, as prices pushed past about US\$7 per mmbtu, operating margins become cash flow negative. That is partly offset by the California facilities, even under the new SRAC. Typically as prices move up, it is slightly positive. In the U.S., not quite down, but still slightly negative as prices move up. Then once you factor in the Ontario facility, with the enhancement opportunities, particularly in North Bay and Kapuskasing, we're overall positive as natural gas prices increase. That's the sensitivity

analysis.

ALDA PAVAO: In terms of the revenue contribution from enhancements and gas diversion opportunities on the Ontario fleet, do you anticipate being able to exceed 2007 levels?

STUART LEE: It depends on your view of gas prices. 2007, I think we averaged in around \$7.30, and it depends on what your view is going forward for 2008 for the Ontario market.

ALDA PAVAO: All right. You also alluded to new developments, projects, specifically potentially wind and maybe biomass. Could you just maybe talk about whether you are actively looking to participate in the B.C. RFP?

BRIAN VAASJO: A little bit hesitant to give too much detail around, particularly, projects that are active, in terms of currently ongoing that we're looking at. But, I'll give you some examples maybe to give you an idea of what we are looking at. In respect to B.C., we absolutely have been looking to B.C. on the biomass side for an opportunity to actually twin the plant at Williams Lake. What's evolving is that there is probably insufficient wood waste in the area to support any sort of significant expansion around the Williams Lake facility. Again, there may be things that develop in the market on the wood waste side, particularly the strength of some of the waste wood providers that might change that view a bit. But that's the kind of thing that we are looking at.

We had a similar exercise underway in Northern Ontario, where we're looking at associated with our operations up there, some biomass facility. Again, in Northern Ontario, the wood industry and lumber and pulp and paper industry is in pretty tough shape, and it makes it pretty difficult to base construction on the one hand and our long-term assets on a fairly weak sector of the economy right now. Those are the kinds of things we're looking at on

an ongoing basis.

ALDA PAVAO: Okay, that's great. This clean-up question as it relates to your CAPEX spend for 2008, can you just give a sense on the timing on a quarterly basis for that spend? Is it going to be more in the second half of the year? Is there one quarter that's going to be more heavy?

BRIAN VAASJO: Most of the expenditures in 2008 will be happening in the later half of the year. There is still some engineering design to do and so on before expenditures and construction get well under way. That's generally more so in the latter half of the year.

ALDA PAVAO: That's on the maintenance CAPEX you're referring to?

BRIAN VAASJO: Sorry I thought you were referring to Southport/Roxboro.

STUART LEE: Our high quarters are Q2 and Q4 when you do a lot of your maintenance. In Q1, we're coming out the winter, and Q3, which is going into the summer months, you don't do a whole bunch of CAPEX, so I suggest that we're probably more back-end weighted as we have been over the last couple of years, particularly in Q4 but you will also see relatively high CAPEX, maintenance CAPEX, in Q2.

ALDA PAVAO: Okay, great.

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

ROBERT HASTINGS: Just a few clarification questions if I could. One is the \$65 million investment; you said using the same capital structure, that you have now over the long timeframe, if it's going to contribute \$0.10, that would imply about 14.5 per cent return on equity, according to my calculations. Is that sort of what your target is for new investments or is this just a particularly good one?

BRIAN VAASJO: Well I think that is in sort an order of magnitude or range of which

we'd be looking at new investments, particularly ones that are internal to the company. I would say that in terms of looking at it and construction risk and so on, it may end up being, again, one of the better types of investments that we may have looking forward but it is certainly in the general range of the kinds of returns we'll be looking at.

ROBERT HASTINGS: Okay, and that will be applicable to the greenfield development as well?

BRIAN VAASJO: Every project is a little bit different and different risks associated with it and the length of time in which you've got capital out there or not, producing and so on, years of construction is certainly an issue. I would say it tends to be pretty much project specific.

ROBERT HASTINGS: Okay. Did I hear someone box you in the corner where you said that your unit price was cheap, or cheaper than what you think it should be but not too far away?

BRIAN VAASJO: Just in response to that I mean, certainly, we don't believe we need to have, unit values up at \$30 and \$33 to make transactions between EPCOR and EPCOR Power L.P. to make sense. That's not looking back at those kind of historical numbers.

ROBERT HASTINGS: Okay, but not to infer it's a dollar or something?

BRIAN VAASJO: Yes, I think \$1 or something would be at the other end of the spectrum.

ROBERT HASTINGS: Then, in terms of consolidation, I think you mentioned that there may be opportunities out there you'd might be able to see yourself being a consolidator in the industry. Given the relative attractiveness in yields on yours versus others', do you think that's a possibility or something that may happen this year?

BRIAN VAASJO: I think we shared this with the market before. We've taken a pretty

good look at the consolidation candidates, actually, the full spectrum of consolidation candidates, and some of them don't work mathematically. Some of them do work mathematically. Then again, you look to the quality of the assets and the degree of the structuring, and, quite frankly, the size of various assets. We've come to the conclusion that there's very few that we might be interested in.

ROBERT HASTINGS: When you say "few," would you be also looking at more junior-development kind of companies?

BRIAN VAASJO: We looked at a very broad spectrum of companies and other trusts and so on that might be candidates for acquisition. Again, you know, size is an issue. It takes quite a bit to move the needle.

ROBERT HASTINGS: Okay. Thank you very much. I appreciate that.

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

MICHAEL MCGOWAN: Hi. You mentioned in your annual report about potential risks surrounding waste heat from the plants located along the TransCanada mainline may be increasing this year and costs have increased between 2007 and 2006, quite a bit. What is your outlook regarding your waste heat costs in 2008 and 2009?

STUART LEE: On the optimization side, Michael, what we did see is we saw some increase in costs in 2007 from 2006 and additional charges coming through from the hosts in the neighborhood of, I think, about \$700,000 or \$800,000. Our expectation for 2008 is we're going to see similar types of optimization costs, maybe slightly higher than we did in 2007 to ensure that we get the appropriate waste heat. It becomes a bit of a challenge in looking at the waste heat that we're getting off those facilities in part because of flows through the northern mainline. A lot of it comes back down to items like demand and how cold, what the

weather patterns are like. In northern Ontario, it comes back to drilling activity in Western Canada and what's going through on the flows, so it becomes a bit of a challenge. Certainly, the guidance we've been given is that over the longer term that they'll be lower flows going through the northern mainline. Therefore, expecting we'll see higher optimization costs to keep it at relatively similar levels and possibly lower levels going forward.

MICHAEL McGOWAN: I've got another question about the \$65 million project at the Carolina facilities. Have you talked at all about the timeline and when those upgrades were supposed to be in service?

BRIAN VAASJO: The schedule is that it will all be online by the end of 2009.

MICHAEL McGOWAN: We don't necessarily, we shouldn't necessarily expect any capital expenditures in 2008? Those would occur in '09?

BRIAN VAASJO: No. You'd expect capital expenditures in the latter part of 2008 and through 2009.

STUART LEE: Part of the presentation materials, Michael. I think we've talked about the fact that in 2008 we'd expect \$35 million to \$40 million of capital expenditures. Some of that work may be incurred in 2008, and paid in 2009. Then the balance would be 2009.

MICHAEL McGOWAN: Then that facility should be fully, or the upgrade should be fully implemented at the end of '09?

STUART LEE: Yes. I think it's a bit staggered so I believe Roxboro goes first and expected to be done mid-2009 and Southport by end of 2009.

MICHAEL McGOWAN: Okay. Thanks.

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

RANDY MAH: Okay. If there are no more questions, we'll conclude. Thanks again for joining us today, and we'll look forward to working with you over the coming quarters.

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