

BACKGROUNDER # 3

GENERAL QUESTIONS & ANSWERS

1. What is EPCOR's plan?

EPCOR plans to create Capital Power, a power generation business to be permanently headquartered in Edmonton.

Capital Power plans to acquire all the power generation assets and related operations of EPCOR, including its 30.6% interest in EPCOR Power LP, and be responsible for operating a portfolio of approximately 3,300 MW of owned and/or operated installed power generation capacity across North America.

As a first step, EPCOR is planning an initial public offering of common shares of Capital Power, representing approximately 25% of the power generation business. EPCOR may eventually sell all or a substantial portion of its ownership interest, subject to market conditions, its requirements for capital and other circumstances that may arise in the future, with proceeds from subsequent share sales to be reinvested in EPCOR's growing infrastructure businesses.

As a result of the plan, Edmonton will become home to two significant enterprises, one focused on power generation and the other on utility infrastructure and operations. A "golden share" will ensure that Capital Power remains headquartered in Edmonton.

2. Why has EPCOR decided to create Capital Power?

The plan is the result of EPCOR's success in power generation and water development. Over the past ten years, EPCOR has grown from operating five power and water plants to more than 50. Both lines of business require significant additional capital to be able to realize opportunities.

As EPCOR reduces its ownership interest in Capital Power over time, funds from the sale of Capital Power will be reinvested in EPCOR's regulated and contracted utility operations. The approach will make Edmonton home to two significant enterprises, one focused on power generation and the other on infrastructure.

3. Why would EPCOR be reducing its ownership over time?

EPCOR's long-term investment focus is going to be on growth in regulated and contracted utility infrastructure, such as water, wastewater, power transmission and power distribution.

4. Why did EPCOR choose an IPO rather than another way of selling an interest in Capital Power?

The IPO approach best matches EPCOR's interests, and enables it to permanently establish Edmonton as Capital Power's head office and guarantee that Capital Power maintains a minimum level of employment in Edmonton for a 25-year period.

5. What happens if this IPO can't be completed due to market conditions?

We would assess our options at that time.

6. Are all of EPCOR's power generating facilities to be owned by Capital Power?

Yes, all currently operating plants and those under construction will become part of Capital Power. The plan is that Capital Power will focus on power generation and related activities, while EPCOR will continue to focus on its 'wires and water' utility business.

7. Who will be running the new company?

The CEO of the new company will be Brian Vaasjo. Brian is currently the Chief Operating Officer of EPCOR and President of EPCOR Power Services, the manager of the EPCOR Power LP. He has extensive history with the assets and public company experience.

8. How does the creation of Capital Power affect the status and management of the EPCOR Power LP, which is a publicly traded entity in its own right?

The management responsibilities and financial interests move from EPCOR to Capital Power, but this change has no effect on status and management of the EPCOR Power LP. What is changing is the ownership of EPCOR's power-generating businesses, including:

- its owned and operated facilities, facilities under construction and participation in future projects;
- its PPAs; and,
- its 30.6 per cent interest in the EPCOR Power LP.

9. What will be the effect on local communities in which your facilities are located?

We expect there to be no change in operations.

10. What is Capital Power's anticipated head-count?

We expect to begin operations with approximately 1,000 personnel, virtually all of whom will come from EPCOR.

11. What is the impact on investors who hold bond, commercial paper or credit facility investments with EPCOR?

The intent is to ensure any existing EPCOR bond holders' positions are the same as they were before the transaction. There are no expected changes to the credit ratings of EPCOR. This expectation is subject to the ratings service review. The credit risk profile of EPCOR is expected to improve over time.

12. Does any debt get transferred to Capital Power?

No third party debt is transferred to Capital Power. The intent is to establish back to back debt at terms equivalent to existing obligations. The intent is to ensure any existing bond holders' positions are the same as they were before the transaction.