

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be offered for sale and therein only by persons permitted to sell such securities.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States of America or to U.S. persons. See "Plan of Distribution".

**Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of EPCOR Power Services Ltd., which is the general partner of EPCOR Power L.P., at 10065 Jasper Avenue, Edmonton, Alberta T5J 3B1 (telephone (780) 412-6955) and are also available electronically at [www.sedar.com](http://www.sedar.com). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Corporate Secretary of EPCOR Power Services Ltd. at the above-mentioned address and telephone number and is also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

Initial Public Offering

May 18, 2007



EPCOR  
Power L.P.

### **EPCOR POWER EQUITY LTD.**

**\$125,000,000**

**(5,000,000 Shares)**

### **4.85% Cumulative Redeemable Preferred Shares, Series 1**

This short form prospectus qualifies the distribution (the "**Offering**") of 5,000,000 4.85% Cumulative Redeemable Preferred Shares, Series 1 (the "**Series 1 Shares**") of EPCOR Power Equity Ltd. ("**EPCOR Equity**" or the "**Corporation**") at a price of \$25.00 per Series 1 Share. See "Details of the Offering" and "Plan of Distribution".

The holders of the Series 1 Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors of the Corporation, in an amount equal to \$1.2125 per Series 1 Share per annum, to accrue from and including the date of original issue, payable quarterly on the last business day of March, June, September and December of each year. Assuming a closing date of May 25, 2007, the initial dividend, if declared, will be payable on September 28, 2007 in the amount of \$0.42305 per Series 1 Share. The Series 1 Shares do not carry voting rights, but rank senior to the common shares ("**Common Shares**") of the Corporation and rank *pari passu* with each other and all other series of cumulative redeemable preferred shares of the Corporation (the "**Preferred Shares**") with respect to the payment of dividends and the distribution of the assets of the Corporation on the liquidation, dissolution or winding up of the Corporation. Immediately following the issue of the Series 1 Shares offered hereunder, the issued and outstanding capital of the Corporation will consist of the Series 1 Shares and Common Shares. Certain provisions relating to the Series 1 Shares are summarized under "Details of the Offering" and certain provisions of the Common Shares are summarized under "Description of Share Capital".

The Series 1 Shares will be fully and unconditionally guaranteed by EPCOR Power L.P. (the "**Partnership**") on a subordinated basis as to (i) payment of dividends, as and when declared, (ii) payment of amounts due on redemption of the Series 1 Shares, and (iii) payment of amounts due on liquidation, dissolution or winding up of the Corporation. As long as the declaration or payment of dividends on the Series 1 Shares are in arrears, the Partnership will not make any distributions on the limited partnership units (the "**Units**") of the Partnership or make any distributions or pay any dividends on securities of any successor entity to the Partnership. The guarantee by the Partnership will be subordinated to all of the senior and subordinated debt of the Partnership and will rank senior to the Units. In addition, should the Partnership convert to a corporation, any preferred shares issued by any successor entity will rank *pari passu* or junior to the guarantee. See "Details of the Offering - Description of the Series 1 Shares - Partnership Guarantee".

Standard & Poor's Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation ("**S&P**") assigned a preliminary rating of P2 (low) for the Series 1 Shares and Dominion Bond Rating Service

Limited ("DBRS") assigned a provisional rating of Pfd-3 (high) for the Series 1 Shares. In addition, S&P has assigned the Partnership a stability rating of SR-2 and DBRS has assigned the Partnership a stability rating of STA-2(high). See "Ratings".

On and after June 30, 2012, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash the Series 1 Shares, in whole at any time or in part from time to time, upon payment of the Redemption Price specified below. Such redemption may be made upon payment in cash of \$26.00 per Series 1 Share if redeemed on or after June 30, 2012, but before June 30, 2013, \$25.75 per Series 1 Share if redeemed on or after June 30, 2013, but before June 30, 2014, \$25.50 per Series 1 Share if redeemed on or after June 30, 2014, but before June 30, 2015, \$25.25 per Series 1 Share if redeemed on or after June 30, 2015, but before June 30, 2016 and \$25.00 per Series 1 Share thereafter (each, a "**Redemption Price**"), plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption. See "Details of the Offering".

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**Price: \$25.00 per Series 1 Share to yield 4.85%**

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	<b>Price to the Public</b>	<b>Underwriters' Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Corporation<sup>(1)(2)</sup></b>
Per Series 1 Share .....	\$ 25.00	\$ 0.75	\$ 24.25
Total <sup>(3)</sup> .....	\$ 125,000,000.00	\$ 3,750,000.00	\$ 121,250,000.00

**Notes:**

- (1) The Underwriters' fee is \$0.25 for each Series 1 Share sold to certain institutions and \$0.75 for all other Series 1 Shares sold. The Underwriters' fee set forth in the table assumes that no Series 1 Shares are sold to such institutions.
- (2) Before deducting expenses of the offering, estimated to be \$500,000 which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.
- (3) The Corporation has granted the Underwriters an option (the "**Over-allotment Option**") to purchase up to an additional 750,000 Series 1 Shares (the "**Over-allotment Shares**") at the Offering price, exercisable from time to time, in whole or in part, for a period of up to 30 days following closing of the Offering to cover over-allotments, if any. If the Underwriters purchase all such Over-allotment Shares, the total "Price to the Public", "Underwriters' Fee", and "Net Proceeds to the Corporation" before expenses of this Offering will be \$143,750,000.00, \$4,312,500.00 and \$139,437,500.00, respectively (assuming no Series 1 Shares are sold to those institutions referred to in note (1) above). This short form prospectus also qualifies both the grant of the Over-allotment Option and the distribution of the Over-allotment Shares issuable upon exercise of the Over-allotment Option. See "Plan of Distribution".

<b>Underwriters' Position</b>	<b>Maximum Size or Number of Securities Held</b>	<b>Exercise Period/Acquisition Date</b>	<b>Exercise Price</b>
Over-allotment Option	Option to purchase up to an additional 750,000 Series 1 Shares	Exercisable from time to time up to the 30 <sup>th</sup> day following the date of closing of the Offering	\$25.00 per share

**There is no market through which the Series 1 Shares may be sold and purchasers may not be able to resell the Series 1 Shares purchased under this short form prospectus. This may affect the pricing of the Series 1 Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series 1 Shares, and the extent of issuer regulation. Investing in the Series 1 Shares involves risks which potential investors should carefully consider. See "Risk Factors".** The Toronto Stock Exchange ("TSX") has conditionally approved the listing of the Series 1 Shares distributed under this short form prospectus under the symbol EPP.PR.A. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before August 8, 2007. The issued and outstanding Units of the Partnership are listed and posted for trading on the TSX under the symbol EP.UN. The closing price of the Units on the TSX on May 4, 2007, the last trading day prior to the public announcement of the Offering, was \$26.32.

The offering price of the Series 1 Shares was determined by negotiation between the Corporation, the Partnership and Scotia Capital Inc., CIBC World Markets Inc. and TD Securities Inc., on their own behalf and on behalf of BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., National Bank Financial Inc., and HSBC Securities (Canada) Inc. (collectively, the "**Underwriters**"). **The Underwriters may offer the Series 1 Shares at a price lower than that stated above.** See "Plan of Distribution".

The Underwriters, as principals, conditionally offer the Series 1 Shares, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on

behalf of the Corporation and the Partnership by Fraser Milner Casgrain LLP, and on behalf of the Underwriters by Macleod Dixon LLP (collectively, "**Counsel**").

The earnings coverage ratio of the Partnership for the 12-month periods ended December 31, 2006 and March 31, 2007 after giving effect to the issuance of the Series 1 Shares is 3.0 times and 3.5 times, respectively. **The earnings coverage ratio of the Corporation for the same periods after giving effect to the issuance of the Series 1 Shares is less than one-to-one.** See "Earnings Coverage Ratio of the Partnership" and "Earnings Coverage Ratio of the Corporation".

**TD Securities Inc., BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary of a Canadian chartered bank which is a lender to the Partnership and certain of its subsidiaries under certain bank credit facilities. In addition, TD Securities Inc. acted as financial advisor to the Partnership in connection with the Partnership's acquisition of a 100% interest in Primary Energy Ventures LLC ("PEV"). The Partnership owns all of the issued and outstanding Common Shares of the Corporation. Consequently, the Corporation may be considered to be a connected issuer of each of these Underwriters for the purposes of securities legislation in certain provinces. See "Relationship Among the Corporation and Certain Underwriters".**

Subscriptions for Series 1 Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Series 1 Shares will be represented by a global certificate issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee under the book-based system administered by CDS (the "**Book-Entry Only System**"). A purchaser of Series 1 Shares will only receive a customer confirmation from the registered dealer that is a participant in CDS (a "**CDS Participant**") and from or through whom the Series 1 Shares are purchased. See "Book-Based System".

Closing of the Offering is expected to occur on or about May 25, 2007 but in any event not later than June 25, 2007 (the date on which closing of the Offering occurs being referred to herein as the "**Closing Date**"). Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Series 1 Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

All dollar amounts set forth in this short form prospectus are expressed in Canadian dollars unless otherwise indicated.

The head office and registered office of the Corporation is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1. The head office of the Partnership is located at 10065 Jasper Avenue, Edmonton, Alberta, T5J 3B1. The registered office of the Partnership is 200 University Avenue, Suite 1301, Toronto, Ontario, M5H 3C6.

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## EXCHANGE RATE DATA

All dollar amounts set forth in this short form prospectus are expressed in Canadian dollars unless otherwise indicated. The following table sets forth, for each period indicated, expressed in Canadian dollars, the high and low exchange rates for one U.S. dollar, during such period, the average of such exchange rates on the last business day of each month during such period and the exchange rate at the end of such period based on the noon rate in Canadian dollars as quoted by the Bank of Canada (the "Daily Noon Rate").

	Three Months Ended March 31, 2007	Twelve Months Ended December 31,	
		2006	2005
High .....	1.1853	1.1726	1.2704
Low .....	1.1529	1.0990	1.1507
Average .....	1.1674	1.1308	1.2085
Period End.....	1.1529	1.1653	1.1659

On May 18, 2007, the Daily Noon Rate was US \$1.00 = Cdn. \$1.0884.

### NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain information in this short form prospectus (including information incorporated by reference) is forward-looking and related to anticipated financial performance, events and strategies. When used in this context, words such as "will", "anticipate", "believe", "plan", "intend", "target", "expect" or similar words suggest future outcomes. By their nature, such statements are subject to significant risks, assumptions and uncertainties, which could cause the Corporation's and the Partnership's actual results and experience to be materially different than the anticipated results. Such risks, assumptions and uncertainties include, but are not limited to, the ability of the Corporation and the Partnership to successfully integrate and realize the financial benefits of acquisitions, the ability of the Corporation and the Partnership to implement their strategic initiatives and whether such strategic initiatives will yield the expected benefits, the availability and price of energy commodities, plant availability, waste heat availability and water flows, regulatory and government decisions, the renewal and terms of power purchase contracts, competitive factors in the power industry, current and future economic conditions in North America and the performance of contractors and suppliers.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, the Corporation, the Partnership and the Underwriters disclaim any intention and assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

### DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of EPCOR Power Services Ltd. (the "General Partner"), which is the general partner of the Partnership, at 10065 Jasper Avenue, Edmonton, Alberta T5J 3B1 (telephone (780) 412-6955) and are also available electronically at [www.sedar.com](http://www.sedar.com). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Corporate Secretary of the General Partner at the above mentioned address and telephone number and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents of the Partnership, filed with the various securities regulatory authorities in Canada, are specifically incorporated by reference in, and form an integral part of, this short form prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or

superseded by a statement contained in this short form prospectus or in any other subsequently filed document that is also incorporated by reference in this short form prospectus:

- (a) the Annual Information Form of the Partnership dated March 13, 2007 for the year ended December 31, 2006 (the "AIF");
- (b) the business acquisition report of the Partnership dated January 5, 2007 with respect to the Partnership's acquisition of PEV;
- (c) the audited comparative consolidated financial statements of the Partnership, and notes thereto, as at and for the years ended December 31, 2006 and 2005, together with the auditors' report thereon;
- (d) the management's discussion and analysis ("MD&A") of the Partnership for the year ended December 31, 2006;
- (e) the unaudited comparative consolidated financial statements of the Partnership for the three month period ended March 31, 2007, together with the notes thereto; and
- (f) the MD&A of the Partnership for the three month period ended March 31, 2007.

Any documents of the type referred to above, including the Partnership's most recently filed interim financial statements, MD&A, material change reports (except confidential material change reports), business acquisition reports and information circulars subsequently filed by the Partnership or the Corporation with the various securities regulatory authorities in Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

Pursuant to section 13.4 of National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102"), the Corporation is not required to file with Canadian securities regulatory authorities separate continuous disclosure information regarding the Corporation, except for material change reports in the event there is a material change in respect of the affairs of the Corporation that is not also a material change in respect of the affairs of the Partnership. The Corporation's financial results are reflected in the consolidated financial results of the Partnership incorporated by reference in this short form prospectus and will be reflected in the consolidated financial results of the Partnership filed by the Partnership subsequent to the date of this short form prospectus as supplemented with consolidating summary financial information to be filed by the Corporation in accordance with section 13.4 of NI 51-102. See "Consolidating Summary Financial Information".

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not be deemed to constitute a part of this short form prospectus, except as so modified or superseded.**

## **EPCOR POWER EQUITY LTD.**

The Corporation was incorporated under the laws of the Province of Alberta on June 26, 1998 as 790809 Alberta Ltd. By articles of amendment dated July 6, 1999, September 1, 2005 and April 25, 2007, the Corporation changed its name to TC Power (Castleton) Ltd., EPCOR Power (Castleton) Ltd., and EPCOR Power Equity Ltd., respectively. The Corporation is a wholly-owned subsidiary of the Partnership that operates as a holding company and indirectly holds all of the Partnership's business and power generation and other assets in the United States. The Corporation has inter-company indebtedness owing to the Partnership and has provided guarantees for certain of the Partnership's liabilities. See "Consolidated Capitalization".

The Corporation owns, through subsidiaries, the Partnership's Castleton, Curtis Palmer, Manchief, Frederickson, Naval Station, North Island, Naval Training Center, Oxnard, Greeley, Kenilworth, Roxboro and Southport power generating facilities. These facilities have a total generating capacity of approximately 977 megawatts (representing approximately 75% of the total generating capacity of the Partnership's assets) and approximately three million pounds per hour of thermal energy (representing 100% of the total thermal energy capacity of the Partnership's assets). In addition, the Corporation holds, through a wholly-owned subsidiary, the Partnership's overall 15.4% equity interest in Primary Energy Recycling Holdings LLC ("**PERH**"), which owns four power plants with an aggregate generation capacity of approximately 284 megawatts and nearly two million pounds per hour of thermal energy and a 50% interest in a pulverized coal facility, all located in the state of Indiana. A wholly-owned subsidiary of the Corporation provides management and administrative services to PERH, to certain subsidiaries of PERH and to Primary Energy Recycling Corporation ("**PERC**") (which holds the balance of PERH not owned by the Partnership) under a long-term management agreement.

## **EPCOR POWER L.P.**

The Partnership is a limited partnership created under the laws of the Province of Ontario pursuant to a partnership agreement (the "**Partnership Agreement**") dated March 27, 1997, as amended. The Partnership commenced operations on June 18, 1997. The Partnership owns directly, and through subsidiaries, including the Corporation, a portfolio of 20 independent power generating facilities in the provinces of Ontario and British Columbia and the states of New York, Colorado, Washington, California, New Jersey and North Carolina with a total generating capacity of approximately 1,287 megawatts and approximately three million pounds per hour of thermal energy. In addition, the Partnership, through a wholly-owned subsidiary of the Corporation, holds an overall 15.4% equity interest in PERH, which owns four power plants with an aggregate generation capacity of approximately 284 megawatts and nearly two million pounds per hour of thermal energy, and a 50% interest in a pulverized coal facility, all located in the state of Indiana. A wholly-owned subsidiary of the Partnership and the Corporation provides management and administrative services to PERH, to certain subsidiaries of PERH and to PERC (which holds the balance of PERH not owned by the Partnership) under a long-term management agreement.

The Partnership directly owns the Nipigon, Kapuskasing, North Bay, Tunis and Calstock power generating facilities. These facilities have a total generating capacity of approximately 198 megawatts (representing approximately 15% of the total generating capacity of the Partnership's assets).

The Partnership owns through subsidiaries other than the Corporation, the Williams Lake, Mamquam and Queen Charlotte power generating facilities. These facilities have a total generating capacity of approximately 122 megawatts (representing approximately 9% of the total generating capacity of the Partnership's assets).

The General Partner is an indirect wholly-owned subsidiary of EPCOR Utilities Inc. ("**EPCOR**") and has the responsibility for overseeing the management of the Partnership and cash distributions to Unitholders. The General Partner has engaged certain other subsidiaries of EPCOR to perform management and administrative services on behalf of the Partnership and to operate and maintain the Partnership's power plants pursuant to management and operations agreements.

As at May 18, 2007, EPCOR, through wholly-owned subsidiaries, held 30.6% of the outstanding Units.

On November 1, 2006, the Partnership, through the Corporation and its indirect, wholly-owned subsidiary, EPCOR Power Enterprises Inc. ("**EPE**"), acquired a 100% interest in PEV (the "**PEV Acquisition**"). The total purchase consideration for the PEV Acquisition was \$366 million (US\$326 million) in cash (after working capital adjustments) plus acquisition costs of approximately \$10 million for a total purchase price of \$376 million. In addition, the Partnership assumed \$79 million (US\$70 million) of capital lease obligations.

The cash portion of the purchase consideration for the PEV Acquisition was funded by the Partnership's drawing: (i) an aggregate of US\$230 million under two bridge acquisition credit facilities with two Canadian chartered banks; and (ii) US\$100 million under revolving credit facilities with two Canadian chartered banks. The bridge acquisition credit facilities are unsecured, non-revolving, bear interest at normal market rates and are due, as to approximately US\$186 million on October 27, 2007, and as to approximately US\$44 million on October 27, 2009. Each of the revolving credit facilities are unsecured, bear interest at normal market rates and have three-year terms maturing in September and October 2009, respectively, subject to extension.

The capital lease obligations assumed through PEV and its various subsidiaries relate to the Naval Station Facility, the North Island Facility and the Naval Training Center Facility.

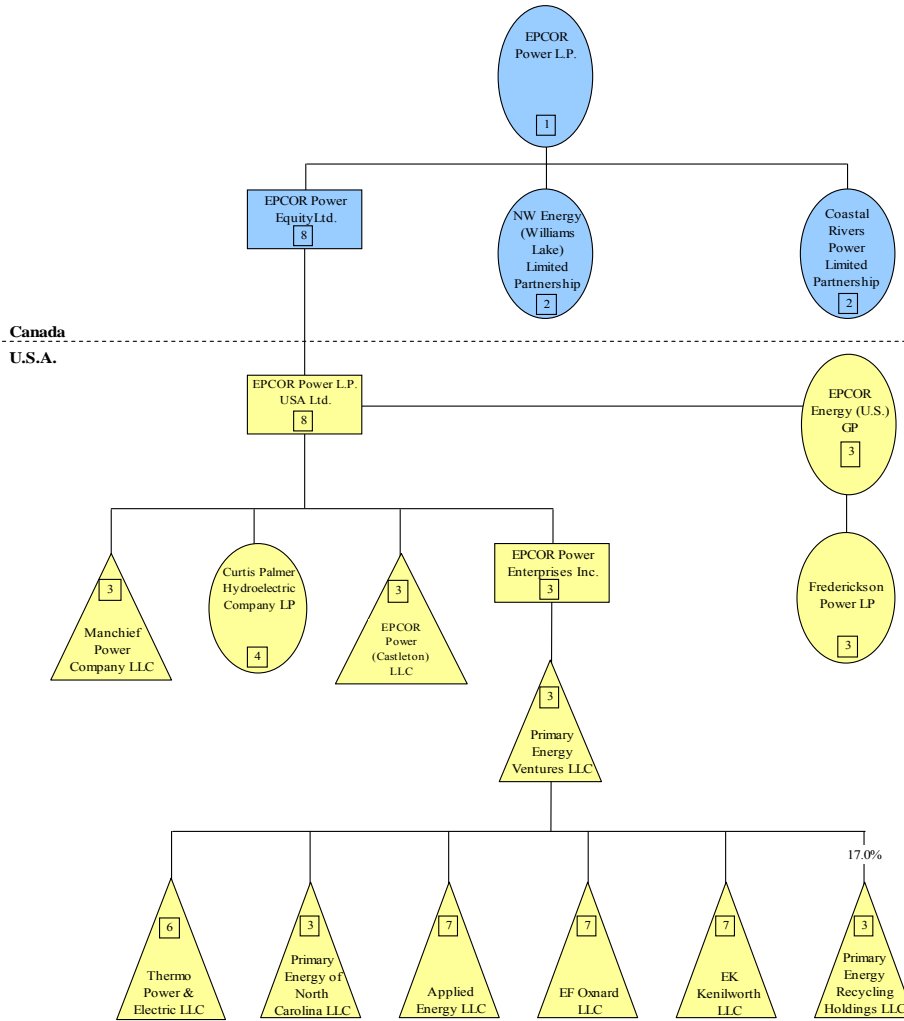
See the Business Acquisition Report of the Partnership dated January 5, 2007 with respect to the PEV Acquisition incorporated by reference herein.

For additional information regarding the Partnership, see the Partnership's AIF incorporated by reference in this short form prospectus.



## CORPORATE STRUCTURE

The following chart illustrates, on a simplified basis, as at the date hereof, the structure of the Partnership and the Corporation (including the jurisdiction of establishment/incorporation of entities material to the business of the Partnership, all of which are, except where otherwise noted, directly or indirectly, wholly-owned by the Partnership).



LEGEND	
<span style="color: blue;">■</span>	Canadian Corporation
<span style="color: blue;">●</span>	Canadian Partnership
<span style="color: yellow;">●</span>	U.S. Partnership
<span style="color: yellow;">■</span>	U.S. Corporation
<span style="color: yellow;">▲</span>	U.S. Limited Liability Company
<small>Note: direct and indirect voting ownership is 100% unless otherwise stated</small>	
JURISDICTION OF ORGANIZATION	
1. Ontario	5. Washington
2. British Columbia	6. Colorado
3. Delaware	7. California
4. New York	8. Alberta

## RECENT DEVELOPMENTS

### Kapuskasing Plant

On May 12, 2007, during a regular maintenance outage at the Kapuskasing plant, the rotor used by the steam turbine generator sustained damage as a result of a serious transport accident. The Kapuskasing plant continues to operate but at a reduced capacity of approximately 20 megawatts (approximately 50% capacity). The Partnership provided Ontario Electricity Financial Corporation, the counterparty under the Kapuskasing plant power purchase agreement, notice of this event and is working diligently to ensure the steam turbine generator is returned to service as quickly as possible. The Partnership currently expects that financial loss resulting from this incident will not exceed approximately \$1 million.

### Primary Energy Recycling Holdings LLC

On May 18, 2007, it was announced that PERH will reduce its distribution level effective in June 2007 by approximately 30%. A negative inventory adjustment at PERH's Harbor Coal joint venture and lost revenue and increased maintenance expense associated with a steam turbine generator failure at PERH's North Lake Energy Project have contributed to reduced year to date cash provided by operating activities. This has affected PERH's ability to maintain compliance with certain loan covenants.

The decrease in distributions will reduce the dividends received by the Corporation on its interest in PERH during 2007 by approximately \$1.3 million below that which would have been received based on a continuation of the dividends received by the Corporation in the first quarter of 2007.

PERH is continuing discussions with its senior debt holders concerning an amendment to its credit agreement that allows it to maintain compliance with the senior debt covenants.

## CONSOLIDATING SUMMARY FINANCIAL INFORMATION

The tables below contain consolidating summary financial information for the three months ended March 31, 2007 and 2006 and the years ended December 31, 2006 and 2005 for (i) the Partnership, (ii) the Corporation and its subsidiaries on a consolidated basis, (iii) the Partnership's subsidiaries, other than the Corporation, on a combined basis, (iv) consolidating adjustments, and (v) the Partnership and all of its subsidiaries on a consolidated basis, in each case for the periods indicated. Such summary financial information for the Partnership and the Corporation and all other subsidiaries is intended to provide investors with meaningful and comparable financial information about the Partnership and its subsidiaries. This summary financial information should be read in conjunction with the Partnership's unaudited interim consolidated financial statements for the three months ended March 31, 2007 and the audited consolidated financial statements for the year ended December 31, 2006, each of which are incorporated by reference herein.

For the three months ending March 31, 2007 and 2006<sup>(1)</sup>:

(in millions of dollars) (unaudited)	Partnership <sup>(2)</sup>		Corporation (consolidated)		Subsidiaries of the Partnership other than the Corporation <sup>(3)</sup>		Consolidating adjustments <sup>(4)</sup>		Partnership (consolidated)	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Total Revenue	44.9	52.0	85.1	25.6	12.9	13.7	--	--	142.9	91.3
Net Income	69.4	33.9	4.4	2.5	4.6	5.7	(9.0)	(8.2)	69.4	33.9
Current Assets	468.5	56.7	80.2	41.8	60.1	29.6	(434.0)	(28.5)	174.8	99.6
Long-Term Assets	1,202.6	1,026.3	1,074.4	547.2	303.0	313.9	(765.0)	(678.4)	1,815.0	1,209.0
Total Current Liabilities	314.3	71.4	428.7	11.8	4.3	3.5	(434.0)	(28.5)	313.3	58.2
Long-Term Liabilities	409.4	220.0	483.1	321.0	8.0	8.3	(171.4)	(90.5)	729.1	458.8

For the years ending December 31, 2006 and 2005<sup>(1)</sup>:

(in millions of dollars) (unaudited)	Partnership <sup>(2)</sup>		Corporation (consolidated)		Subsidiaries of the Partnership other than the Corporation <sup>(3)</sup>		Consolidating adjustments <sup>(4)</sup>		Partnership (consolidated)	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Total Revenue	<b>154.7</b>	152.0	<b>140.4</b>	91.5	<b>55.1</b>	52.2	--	--	<b>350.2</b>	295.7
Net Income	<b>62.1</b>	86.5	<b>(15.5)</b>	15.8	<b>20.1</b>	18.3	<b>(4.6)</b>	(34.1)	<b>62.1</b>	86.5
Current Assets	<b>424.5</b>	50.5	<b>93.2</b>	40.0	<b>52.3</b>	23.6	<b>(440.8)</b>	(24.0)	<b>129.2</b>	90.1
Long-Term Assets	<b>1,123.6</b>	1,028.4	<b>1,094.3</b>	555.7	<b>306.4</b>	317.2	<b>(772.9)</b>	(675.1)	<b>1,751.4</b>	1,226.2
Total Current Liabilities	<b>319.7</b>	71.5	<b>437.3</b>	19.9	<b>4.0</b>	5.9	<b>(440.8)</b>	(24.0)	<b>320.2</b>	73.3
Long-Term Liabilities	<b>423.0</b>	219.8	<b>512.0</b>	322.1	<b>8.6</b>	8.9	<b>(188.6)</b>	(95.4)	<b>755.0</b>	455.4

**Notes:**

- (1) The consolidating summary financial information above is unaudited and is presented in accordance with Canadian generally accepted accounting principles.
- (2) This column accounts for investments in all subsidiaries of the Partnership under the equity method.
- (3) This column accounts for investments in all subsidiaries of the Partnership (other than the Corporation) on a consolidated basis.
- (4) This column includes the necessary amounts to eliminate the intercompany balances between the Partnership, the Corporation and other subsidiaries and other adjustments to arrive at the information for the Partnership on a consolidated basis.

### USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Series 1 Shares offered hereby are estimated to be \$120,750,000 (or \$138,937,500 if all of the Over-allotment Shares are issued), after deducting the Underwriters' fee and the expenses of the Offering and assuming that no Series 1 Shares are sold to certain institutions as described under "Plan of Distribution". The Underwriters' fee and the expenses of this Offering will be paid out of the proceeds of this Offering. All of the net proceeds from the Offering will be paid by the Corporation to the Partnership as a return of capital which will be used by the Partnership to repay a portion of the outstanding bank debt incurred in connection with the PEV Acquisition in November 2006. The Partnership continues to review the alternatives available to it to refinance the balance of the PEV Acquisition financing on a permanent basis, including the issue of Units and long-term debt. See "EPCOR Power L.P." and "Consolidated Capitalization".

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at March 31, 2007 and the pro forma consolidated capitalization of the Corporation as at March 31, 2007, after giving effect to the Offering:

	<u>Authorized</u>	<u>As at March 31, 2007</u> (unaudited) (millions of dollars)	<u>As at March 31, 2007 after giving effect to the Offering<sup>(7)</sup></u> (unaudited) (millions of dollars)
Common equity <sup>(1)(2)</sup> .....	Unlimited	\$242.8 (121 shares)	\$122.0 (121.0 million shares)
Preferred shares, issuable in series	Unlimited		
Series 1 Shares <sup>(3)</sup> .....	5.75 million shares	-	\$120.8 (5.0 million shares)
Short term debt <sup>(4)</sup> .....		\$378.1	\$378.1
Long term debt (including current portion)			
External debt <sup>(5)</sup> .....		\$296.0	\$296.0
Due to the Partnership <sup>(6)</sup> .....		\$171.4	\$171.4

**Notes:**

- (1) On May 4, 2007, the articles of incorporation of the Corporation were amended to split each Common Share issued and outstanding on May 4, 2007 into 1,000,000 Common Shares.
- (2) The net proceeds of the Offering will be paid by the Corporation to the Partnership as a return of capital. See "Use of Proceeds".
- (3) The payment of certain amounts relating to the Series 1 Shares will be fully and unconditionally guaranteed by the Partnership. See "Details of the Offering - Description of the Series 1 Shares - Partnership Guarantee".
- (4) Short term debt consists of US\$327.4 million due October 27, 2007 at an interest rate of approximately 5.9% due to the Partnership.
- (5) External debt (less amortized debt issue costs) consists of US\$190.0 million of senior unsecured notes due in 2014 of Curtis Palmer Inc., an indirect wholly-owned subsidiary of the Corporation. The notes are fully and unconditionally guaranteed as to payment of principal, premium, if any, and interest on a senior unsecured basis by the Partnership. Also included in external debt are capital lease obligations of US\$65.2 million related to three facilities located on US Naval bases in California.
- (6) Due to the Partnership consists of three loans as follows: US\$68.5 million maturing in 2012 at an interest rate of 5.75%, US\$14.2 million due in 2016 at an interest rate of approximately 5.8% and US\$65.8 million due in 2016 at an interest rate of approximately 6.1%.
- (7) Assumes that the Over-allotment Option has not been exercised and that no Series 1 Shares are sold to certain institutions as described under "Plan of Distribution". The "Common equity", "Series 1 Shares", "Short term debt", "External debt" and "Due to the Partnership" amounts as at March 31, 2007 after giving effect to the Offering and the exercise in full of the Over-allotment Option would be \$103.9 million (121.0 million shares), \$138.9 million (5.75 million shares), \$378.1 million, \$296.0 million and \$171.4 million, respectively (assuming that no Series 1 Shares are sold to certain institutions as described under "Plan of Distribution").
- (8) The Corporation has provided full and unconditional guarantees to the lenders under the Partnership's two bridge acquisition credit facilities and two revolving credit facilities of all amounts and liabilities owing thereunder, including principal and interest. See Note (2) to the consolidated capitalization table of the Partnership. In addition, the Corporation will, before the closing of the Offering, provide (i) full and unconditional guarantees in respect of all amounts and liabilities owing under the medium term notes issued, or which may be issued, by the Partnership under the note indenture of the Partnership dated June 15, 2006 (see Note (3) to the consolidated capitalization table of the Partnership), and (ii) all amounts and liabilities, if any, that may become payable by the Partnership under the guarantee provided by the Partnership in respect of amounts owing by Curtis Palmer Inc. under the US\$190.0 million of senior unsecured notes due in 2014 (see Note (5) to the consolidated capitalization table of the Corporation). See also "Risk Factors".

The following table sets forth the consolidated capitalization of the Partnership as at March 31, 2007 and the pro forma consolidated capitalization of the Partnership as at March 31, 2007, after giving effect to the Offering and the repayment of a portion of the bank indebtedness incurred in connection with the PEV Acquisition using the entire net proceeds of the Offering:

	<u>Authorized</u>	<u>As at March 31, 2007 (unaudited) (millions of dollars)</u>	<u>As at March 31, 2007 after giving effect to the Offering<sup>(4)</sup> (unaudited) (millions of dollars)</u>
Partner's equity .....	Unlimited	\$947.4 (49.9 million Units)	\$947.4 (49.9 million Units)
Preferred shares issued by a subsidiary company	Unlimited		
Series 1 Shares <sup>(1)</sup> .....	5.75 million shares	-	\$120.8 (5.0 million shares)
Short-term debt <sup>(2)</sup> .....		\$214.3	\$93.5
Long term debt <sup>(2)(3)</sup> (including current portion)		\$694.0	\$694.0

**Notes:**

- (1) The payment of certain amounts relating to the Series 1 Shares will be fully and unconditionally guaranteed by the Partnership. See "Details of the Offering - Description of the Series 1 Shares - Partnership Guarantee".
- (2) The cash portion of the purchase consideration for the PEV Acquisition and the working capital adjustments were funded by the Partnership drawing: (i) an aggregate of US\$230 million under two bridge acquisition credit facilities with two Canadian chartered banks; and (ii) US\$100 million under two \$100 million revolving credit facilities with two Canadian chartered banks. The bridge acquisition credit facilities are unsecured, non-revolving, bear interest at market rates and are due, as to approximately US\$186 million, on October 27, 2007 and, as to approximately US\$44 million, on October 27, 2009. Each of the revolving credit facilities are unsecured, bear interest at market rates and have three-year terms maturing in September and October 2009, subject to extension. As at March 31, 2007, approximately \$70 million and \$66 million were owed under the revolving credit facilities. Under the terms of the bridge acquisition credit facilities, the Partnership must maintain a debt-to-capitalization ratio of not more than 65% as at the end of each fiscal quarter. In the event the Partnership is assigned a rating of less than BBB+ by S&P and BBB(high) by DBRS, the Partnership must also maintain a ratio of EBITDA (earnings before interest, income taxes, depreciation and amortization as defined in the respective credit facilities) to interest expense of not less than 2.5 to 1.0, measured quarterly. Under the revolving credit facilities, the Partnership must maintain a debt-to-capitalization ratio of not more than 65% as at the end of each quarter. In the event the Partnership is assigned a rating of less than BBB+ by S&P and BBB(high) by DBRS, the Partnership must also maintain a ratio of EBITDA (earnings before interest, income taxes, depreciation and amortization as defined in the respective credit facilities) to interest expense of not less than 2.5 to 1.0, measured quarterly. As at March 31, 2007, the Partnership was in compliance with these financial covenants. In addition, the Partnership has a \$20 million demand credit facility with a Canadian chartered bank. As at March 31, 2007, US\$10 million was drawn under this demand credit facility in the form of letters of credit.
- (3) Long term debt includes \$210 million of unsecured medium term notes issued under a note indenture (the "**Note Indenture**") dated June 15, 2006. The \$210 million principal amount of medium term notes outstanding are due June 23, 2036 and bear interest at 5.95% per annum. The Note Indenture does not limit the aggregate principal amount of medium term notes that may be issued thereunder. Additional medium term notes maturing at varying dates and bearing interest at different rates, in each case as determined by the Partnership, may be issued under the Note Indenture.
- (4) Assumes that the Over-allotment Option has not been exercised and that no Series 1 Shares are sold to certain institutions as described under "Plan of Distribution". The "Partner's equity", "Series 1 Shares", "Short term debt" and "Long term debt" amounts as at March 31, 2007 after giving effect to the Offering and the exercise in full of the Over-allotment Option would be \$947.4 million (49.9 million Units), \$138.9 million (5.75 million shares), \$75.4 million and \$694.0 million, respectively (assuming that no Series 1 Shares are sold to certain institutions as described under "Plan of Distribution").

### **EARNINGS COVERAGE RATIO OF THE PARTNERSHIP**

The following consolidated earnings coverage ratios are calculated for the 12-month periods ended December 31, 2006 and March 31, 2007 giving effect to the issuance of \$125.0 million Series 1 Shares as if this transaction had occurred on January 1, 2006 and April 1, 2006, respectively.

After giving effect to such issuance and assuming the declaration of dividends, the interest requirements and indirect dividend obligations for the Partnership adjusted to a before-tax equivalent using an effective income tax rate of 32.12%, amounted to \$23.1 million and \$8.9 million, respectively, for the 12-month period ended December 31, 2006 and \$28.3 million and \$8.9 million, respectively, for the 12-month period ended March 31, 2007. The consolidated earnings of the Partnership for the 12-month period ended December 31, 2006 before interest on long-term debt and income taxes amounted to \$96.7 million, which is 3.0 times the Partnership's aggregate interest requirements and indirect dividend obligations for the 12-month period ended December 31,

2006. The consolidated earnings of the Partnership for the 12-month period ended March 31, 2007 before interest on long-term debt and income taxes amounted to \$131.3 million, which is 3.5 times the Partnership's aggregate interest requirements and indirect dividend obligations for the 12-month period ended March 31, 2007.

The following pro forma earnings coverage ratios have been prepared based on the Partnership's unaudited pro forma consolidated financial statements as at and for the nine months ended September 30, 2006 and for the year ended December 31, 2005 as included in the business acquisition report of the Partnership dated January 5, 2007. The consolidated pro forma earnings of the Partnership for the nine months ended September 30, 2006 before interest on long-term debt and income taxes amounted to \$93.5 million, which is 3.0 times the Partnership's aggregate interest requirements for the nine month period then ended. The consolidated pro forma earnings of the Partnership for the year-ended December 31, 2005 before interest on long-term debt and income taxes amounted to \$101.5 million, which is 2.6 times the Partnership's aggregate interest requirements for the year then ended.

### **EARNINGS COVERAGE RATIO OF THE CORPORATION**

The following consolidated earnings coverage ratios are calculated for the 12-month periods ended December 31, 2006 and March 31, 2007 giving effect to the issuance of \$125.0 million Series 1 Shares as if this transaction had occurred on January 1, 2006 and April 1, 2006, respectively.

After giving effect to such issuance and assuming the declaration of dividends, the interest requirements and dividend obligations for the Corporation adjusted to a before-tax equivalent using an effective income tax rate of 32.12%, amounted to \$15.5 million and \$8.9 million, respectively, for the 12-month period ended December 31, 2006 and \$16.8 million and \$8.9 million, respectively, for the 12-month period ended March 31, 2007. The consolidated earnings of the Corporation for the 12-month period ended December 31, 2006 before interest on long-term debt and income taxes amounted to \$11.5 million. Additional earnings before interest on long-term debt and income taxes of \$12.9 million would be required to achieve a one-to-one earnings coverage ratio. The consolidated earnings of the Corporation for the 12-month period ended March 31, 2007 before interest on long-term debt and income taxes amounted to \$8.8 million. Additional earnings before interest on long-term debt and income taxes of \$16.9 million would be required to achieve a one-to-one earnings coverage ratio. Earnings before interest on long-term debt and income taxes is net of non-cash depreciation expense of \$38.8 million and \$44.8 million for the 12-month periods ended December 31, 2006 and March 31, 2007, respectively.

### **RATINGS**

The Series 1 Shares have been given a Canadian scale preliminary rating of P2 (low) by S&P. Such P2 (low) rating is the sixth highest of eighteen ratings used by S&P in its Canadian preferred share rating scale. According to S&P, a P2 (low) rating indicates that, although the obligation is considered to exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

The Series 1 Shares have been given a provisional rating of Pfd-3 (high) by DBRS. Pfd-3 (high) is the seventh highest of sixteen ratings used by DBRS for preferred shares. According to DBRS, preferred shares rated Pfd-3 (high) are of adequate credit quality and, while protection of dividends and principal is still considered acceptable for such preferred shares, the issuing entity of preferred shares with a Pfd-3 rating is considered to be more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection.

The Partnership has been assigned debt ratings for the Partnership's senior notes by S&P and DBRS.

S&P rates the Partnership debt as BBB+ under S&P's rating system. This is the fourth highest rating out of 10 rating categories. A "BBB" designation means the obligation exhibits adequate protection parameters. However, S&P notes that adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The plus sign shows the relative standing within the major rating categories.

DBRS rates the Partnership's debt as BBB (high) under the DBRS rating system. This rating is DBRS' fourth highest of 10 categories. Long-term debt rated BBB by DBRS is of adequate credit quality. According to DBRS, protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. The subcategory designation "high" indicates the rating is at the highest level of the subcategory.

The Partnership has also been assigned stability ratings by S&P and DBRS. S&P has assigned the Partnership a stability rating of SR-2 which is the second highest rating of seven categories and indicates that the Partnership has a very high level of stability of distributable cash flow generation relative to other rated Canadian income funds.

DBRS has assigned the Partnership a stability rating of STA-2 (high). STA-2 is the second highest of seven categories in DBRS's rating system for income fund stability. DBRS further subcategorizes each rating category by the designation "high", "middle" and "low" to indicate where an entity falls within the rating category. The ratings take into consideration seven main factors, being operating and industry characteristics, asset quality, financial flexibility, diversification, size and market position, sponsorship/governance and growth. According to DBRS, income funds rated STA-2 have very good distributions per unit stability and sustainability, exhibit performance that is only slightly below the STA-1 category, typically show above-average strength in areas of consideration, and possess levels of distributable income per unit that are not likely to be significantly negatively affected by foreseeable events. According to DBRS, income funds rated STA-2 are above average in many, if not most, areas of consideration.

Ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised entirely by a rating agency at any time if in its judgment circumstances so warrant.

## **DESCRIPTION OF SHARE CAPITAL**

Prior to the issuance of the Series 1 Shares, the articles of incorporation of the Corporation will be amended to create the Preferred Shares and the Series 1 Shares. Once this amendment is effective, the Corporation will be authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. The following is a summary of the rights, privileges, restrictions and conditions attached to the Common Shares. Provisions relating to the Preferred Shares (including the Series 1 Shares) are summarized under "Details of the Offering" below.

### **Common Shares**

Holder of Common Shares are entitled to one vote for each such share held on all votes taken at meetings of the shareholders of the Corporation, except meetings at which only the holders of a specified class or series of shares of the Corporation are entitled to vote. As of May 18, 2007, 121,000,000 Common Shares were issued and outstanding. All of the Common Shares issued and outstanding as of May 18, 2007 were directly held by the Partnership. Subject to the rights of holders of Preferred Shares or any series thereof, and other shares of the Corporation ranking prior to the Common Shares, the holders of Common Shares are entitled to dividends as may be declared from time to time by the board of directors of the Corporation (the "**Board of Directors**").

## **DETAILS OF THE OFFERING**

The following is a summary of the material rights, privileges, restrictions and conditions to be attached to the Preferred Shares as a class and the Series 1 Shares once the articles of incorporation of the Corporation have been amended to create the Preferred Shares and Series 1 Shares. Copies of the articles of amendment of the

Corporation pursuant to which the Preferred Shares and the Series 1 Shares will be created will be filed by the Corporation with the Canadian provincial securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com).

## **Description of the Preferred Shares**

### ***Issuance in Series***

The Board of Directors may at any time and from time to time issue Preferred Shares in one or more series. Prior to issuing Preferred Shares of any series, the Board of Directors is required to fix the number of shares in the series and determine the designation of, and the rights, privileges, restrictions and conditions attached to, that series of Preferred Shares.

### ***Priority***

With respect to the payment of dividends and the distribution of the assets of the Corporation in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation for the purpose of winding up its affairs, the Preferred Shares of each series rank on a parity with the Preferred Shares of every other series and in priority to the Common Shares and the shares of any other class ranking junior to the Preferred Shares.

### ***Voting Rights***

The holders of Preferred Shares do not have the right to receive notice of, attend, or vote at any meeting of shareholders except (i) as required by the *Business Corporations Act* (Alberta), by law or as may be required by an order of a court of competent jurisdiction, or (ii) to the extent that voting rights may be attached to any series of Preferred Shares. Under the *Business Corporations Act* (Alberta), the holders of Preferred Shares are entitled to receive notice of, attend and vote at any meeting (i) called for the purpose of authorizing the dissolution of the Corporation or the sale, lease or exchange of all or substantially all of its property, other than in the ordinary course of business of the Corporation, (ii) in respect of certain amendments to the articles of the Corporation as provided in the *Business Corporations Act* (Alberta), and (iii) for a meeting called for the purpose of approving an amalgamation of the Corporation, other than an amalgamation of the Corporation with a wholly-owned subsidiary. In connection with any matter requiring the approval of the Preferred Shares as a class, the holders of existing series of Preferred Shares which are outstanding are entitled to one vote in respect of each Preferred Share held. In addition, the rights, privileges, restrictions and conditions attached to a series of Preferred Shares may limit the voting entitlements of holders of such shares and may provide the Corporation with a right to redeem or exchange such shares. See "Details of the Offering - Description of the Series 1 Shares - Voting Rights" and "Details of the Offering - Description of the Series 1 Shares - Redemption by the Corporation" below.

### ***Modification***

The rights, privileges, restrictions and conditions attached to the Preferred Shares as a class may only be amended with the prior approval of the holders of the Preferred Shares in addition to any other approvals required by law or court order. The approval of the holders of the Preferred Shares to any matter referred to in the Preferred Share class provisions may be given by a resolution passed by an affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the Preferred Shares duly called and held for that purpose at which the holders of at least 10% of the outstanding Preferred Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Preferred Shares then present would form the necessary quorum.

## **Description of the Series 1 Shares**

### ***Dividends***

The holders of Series 1 Shares will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the Board of Directors, in an amount equal to \$1.2125 per Series 1 Share per annum (less any



tax required to be deducted and withheld by the Corporation), to accrue daily from and including the original date of issue to but excluding September 30, 2007 and, thereafter from and including the last calendar day (each a "**Quarter End Date**") of each of the months of September, December, March and June in each year, as the case may be, to but excluding the next succeeding Quarter End Date, payable quarterly in respect of the period ending on a Quarter End Date in such month on the last business day of December, March, June and September in each year. Assuming an issue date of May 25, 2007, the first such dividend, if, as and when declared, will be payable on September 28, 2007 and will be \$0.42305 per Series 1 Share (less any tax required to be deducted or withheld by the Corporation).

#### ***Redemption by the Corporation***

Subject to the provisions described under "Details of the Offering - Description of the Series 1 Shares - Restriction on Dividends and Retirement and Issue of Shares", the Series 1 Shares will be redeemable at the option of the Corporation on or after June 30, 2012, at any time, or from time to time, upon not less than 30 days and not more than 60 days prior written notice at the Redemption Price specified below. Such redemption may be made upon payment in cash of \$26.00 per Series 1 Share if redeemed on or after June 30, 2012, but before June 30, 2013, \$25.75 per Series 1 Share if redeemed on or after June 30, 2013, but before June 30, 2014, \$25.50 per Series 1 Share if redeemed on or after June 30, 2014, but before June 30, 2015, \$25.25 per Series 1 Share if redeemed on or after June 30, 2015, but before June 30, 2016 and \$25.00 per Series 1 Share thereafter, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to but excluding the date of redemption (less any tax required to be deducted and withheld by the Corporation).

Where applicable, if less than all outstanding Series 1 Shares are at any time to be redeemed, the shares to be redeemed will be selected on a pro-rata basis.

#### ***Purchase for Cancellation***

Subject to applicable law and the provisions described under "Details of the Offering - Description of the Series 1 Shares - Restriction on Dividends and Retirement and Issue of Shares", the Corporation may at any time or times purchase for cancellation the whole or any part of the then outstanding Series 1 Shares on the open market, by private agreement, pursuant to tenders received by the Corporation upon an invitation for tenders addressed to all holders of the Series 1 Shares, or otherwise, at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

#### ***Restriction on Dividends and Retirement and Issue of Shares***

So long as any of the Series 1 Shares are outstanding, the Corporation will not, without the approval of the holders of the Series 1 Shares given as described under "Details of the Offering - Description of the Series 1 Shares - Modification of Series":

- (a) declare, pay or set apart for payment any dividends on any shares of the Corporation ranking as to dividends junior to the Series 1 Shares (other than stock dividends payable in shares of the Corporation ranking as to dividends and capital junior to the Series 1 Shares);
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Series 1 Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Series 1 Shares;
- (c) redeem or call for redemption, purchase for cancellation or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series 1 Shares then outstanding;
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, or except in connection with the concurrent redemption, call for redemption, purchase or pay off of all Series 1 Shares, redeem or call for redemption,

purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares, ranking as to dividends or capital on a parity with the Series 1 Shares; or

- (e) issue any additional Series 1 Shares or any shares ranking as to the payment of dividends or capital prior to or on parity with the Series 1 Shares,

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Series 1 Shares have been declared and paid or monies set apart for payment.

### ***Voting Rights***

Except as otherwise required by law or in the conditions attaching to the Preferred Shares as a class, the holders of the Series 1 Shares will not be entitled to receive notice of, attend at, or vote at, any meeting of shareholders of the Corporation, unless and until the Corporation shall have failed to pay eight quarterly dividends on the Series 1 Shares in accordance with the terms thereof, whether or not consecutive and whether or not such dividends were declared and whether or not there are any monies of the Corporation properly applicable to the payment of such dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Series 1 Shares will be entitled to receive notice of all meetings of shareholders of the Corporation and to attend thereat (other than a separate meeting of the holders of another series or class of shares), and shall at any such meetings which they shall be entitled to attend, except when the vote of the holders of shares of any other class or series is to be taken separately and as a class or series, be entitled to vote together with all of the voting shares of the Corporation on the basis of one vote for each Series 1 Share held, until all such arrears of such dividends have been paid, whereupon such rights will cease unless and until the Corporation shall again fail to pay eight quarterly dividends on the Series 1 Shares as outlined above, in which event such voting rights shall become effective again and so on from time to time. In addition, holders of Series 1 Shares shall be entitled to voting rights attached to Preferred Shares as a class. See "Details of the Offering - Description of the Preferred Shares - Voting Rights". In such circumstances (except in the case of a dissolution), holders of Series 1 Shares will be entitled to vote separately as a series if the Series 1 Shares are affected in a manner different from other series of Preferred Shares.

### ***Liquidation, Dissolution and Winding Up***

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series 1 Shares, the holders of the Series 1 Shares will be entitled to payment of an amount equal to \$25.00 per Series 1 Share, plus an amount equal to all accrued and unpaid dividends up to but excluding the date fixed for payment or distribution (less any tax required to be deducted and withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series 1 Shares. The holders of the Series 1 Shares will not be entitled to share in any further distribution of the assets of the Corporation.

The payment of the amounts to be paid to the holders of the Series 1 Shares upon liquidation, dissolution and winding-up of the Corporation is fully and unconditionally guaranteed by the Partnership. See "Details of the Offering - Description of the Series 1 Shares - Partnership Guarantee".

### ***Modification of Series***

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 1 Shares as a series and any other approval to be given by the holders of the Series 1 Shares may be given by a resolution passed by an affirmative vote of at least two-thirds of the votes cast at a duly called and held meeting at which the holders of at least 10% of the outstanding Series 1 Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series 1 Shares then

present would form the necessary quorum. At any meeting of holders of Series 1 Shares as a series, each such holder shall be entitled to one vote in respect of each Series 1 Share held.

### ***Tax Election***

The provisions of the Series 1 Shares as a series require the Corporation to make an election in prescribed form pursuant to Part VI.1 of the *Income Tax Act* (Canada) (the "**Tax Act**"), and within the time limits provided therein, for purposes of determining the tax payable under Part VI.1 of the Tax Act and to ensure that holders of Series 1 Shares that are corporations will not be subject to tax under Part IV.1 of the Tax Act on dividends received or deemed to be received by such holders of Series 1 Shares. See "Certain Canadian Federal Income Tax Considerations".

### ***Partnership Guarantee***

Each Series 1 Share will be fully and unconditionally guaranteed by the Partnership on a subordinated basis as to (i) the payment of dividends, as and when declared, (ii) the payment of the Redemption Price (and all accrued and unpaid dividends thereon to but excluding the date of redemption) on a redemption of the Series 1 Shares for cash, and (iii) the payment of the amounts due in the event of the liquidation, dissolution and winding up, whether voluntary or involuntary of the Corporation (the "**Guarantee**"). The obligations of the Partnership under the Guarantee will constitute direct, unsecured, subordinated and known obligations of the Partnership, which obligations are to be paid and settled before distributions are to be made by the Partnership of any of its remaining assets among its unitholders. As long as the declaration or payment of dividends on the Series 1 Shares are in arrears, the Partnership will not make any distributions on the Units or make any distributions or pay any dividends on securities of any successor entity to the Partnership. The Guarantee will be subordinated to all of the senior and subordinated debt of the Partnership and will rank senior to the Units. In addition, should the Partnership convert to a corporation, any preferred shares issued by any successor entity will rank *pari passu* or junior to the Guarantee.

## **RELATIONSHIP AMONG THE CORPORATION AND CERTAIN UNDERWRITERS**

TD Securities Inc. and RBC Dominion Securities Inc. are each, directly or indirectly, wholly-owned or majority-owned subsidiaries of Canadian chartered banks which are lenders to the Partnership under two bridge acquisition credit facilities totalling US\$230 million (the "**Bridge Facilities**"). As at March 31, 2007, US\$230 million was owed under the Bridge Facilities.

BMO Nesbitt Burns Inc. is, directly or indirectly, a wholly-owned or majority-owned subsidiary of a Canadian chartered bank which is a lender to the Partnership under a \$100 million credit facility (the "**BMO Facility**"). As at March 31, 2007, approximately \$66 million was owed under the BMO Facility.

RBC Dominion Securities Inc. is, directly or indirectly, a wholly-owned or majority-owned subsidiary of a Canadian chartered bank which is a lender to the Partnership under a \$100 million credit facility (the "**RBC Facility**") and a \$20 million demand credit facility (the "**RBC Demand Facility**"), and together with the RBC Facility, the Bridge Facilities and the BMO Facility, the "**Credit Facilities**", and the lenders thereunder, collectively, the "**Lenders**"). As at March 31, 2007, approximately \$70 million was owed under the RBC Facility and US\$10 million was drawn in the form of letters of credit issued under the RBC Demand Facility.

TD Securities Inc. acted as financial advisor to the Partnership in connection with the PEV Acquisition and was paid a fee by the Partnership for such services.

The Partnership owns all of the issued and outstanding Common Shares of the Corporation. As a consequence of the relationship among such Underwriters, the Lenders under the Credit Facilities and the Partnership, the Corporation may be considered to be a "connected issuer" of each such Underwriter under applicable securities legislation in certain provinces.

The Partnership is in compliance with all material terms of the agreements governing the Credit Facilities and none of the Lenders has waived any material breach by the Partnership of such agreements since their execution.

The financial position of the Partnership has not changed substantially and adversely since the indebtedness under the facilities was incurred.

The decision to distribute the Series 1 Shares offered hereby and the determination of the terms of the distribution were made through negotiations primarily amongst the Corporation, the Partnership and Scotia Capital Inc., CIBC World Markets Inc. and TD Securities Inc., on their own behalf and on behalf of the other Underwriters. The Lenders under the Credit Facilities did not have any involvement in such decision or determination, but have been advised of the Offering and the terms thereof. As a consequence of this Offering, each of TD Securities Inc., BMO Nesbitt Burns Inc. and RBC Dominion Securities Inc. will receive its share of the Underwriters' fee. The net proceeds of the Offering will be used to repay a portion of the Bridge Facilities. See "Use of Proceeds".

## **PLAN OF DISTRIBUTION**

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated May 7, 2007 among the Corporation, the General Partner, on its own behalf and on behalf of the Partnership, and the Underwriters, the Corporation has agreed to issue and sell an aggregate of 5,000,000 Series 1 Shares to the Underwriters, and the Underwriters have severally and not jointly agreed to purchase such Series 1 Shares on May 25, 2007, or on such other date as may be agreed among the parties to the Underwriting Agreement, but in any event, no later than June 25, 2007. Delivery of the Series 1 Shares is conditional upon payment on the Closing Date of \$25.00 per Series 1 Share by the Underwriters to the Corporation. The Underwriting Agreement provides that the Corporation will pay the Underwriters a fee of \$0.25 per Series 1 Share sold to certain institutions and \$0.75 per Series 1 Share with respect to all other sales, in consideration of their services in connection with the Offering.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Series 1 Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series 1 Shares. The Underwriters are, however, obligated to take up and pay for all Series 1 Shares if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation, Partnership and the General Partner will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Series 1 Shares. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series 1 Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc., relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 1 Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Corporation has granted the Underwriters the Over-allotment Option to purchase up to 750,000 Over-allotment Shares on the terms set forth above, exercisable from time to time, in whole or in part, for a period of up to 30 days following the closing of the Offering to cover over-allotments, if any. This short form prospectus also qualifies both the grant of the Over-allotment Option and the distribution of the Over-allotment Shares issuable upon exercise of the Over-allotment Option. The Corporation has agreed to pay the Underwriters an underwriting fee equal to \$0.25 per Over-allotment Share sold to certain institutions and \$0.75 per Over-allotment Share with respect to all other sales of Over-allotment Shares. Assuming that no Series 1 Shares (including Over-allotment Shares) are sold to such institutions, if the Underwriters purchase all such Over-allotment Shares, the total price to the public, Underwriters' fee and net proceeds to the Corporation before expenses of this Offering will be \$143,750,000, \$4,312,500 and \$139,437,500, respectively.

The Corporation has agreed that, subject to certain exceptions, it will not offer or sell, or announce the issue or sale of, Preferred Shares (including Series 1 Shares) or any securities giving the right to acquire Preferred Shares

(including Series 1 Shares) for a period of 90 days following the Closing Date without the consent of the Underwriters, which consent may not be unreasonably withheld or delayed.

**There is no market through which the Series 1 Shares may be sold and purchasers may not be able to resell the Series 1 Shares purchased under this short form prospectus.** See "Risk Factors". The TSX has conditionally approved the listing of the Series 1 Shares distributed under this short form prospectus under the symbol EPP.PR.A. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before August 8, 2007.

The decision to distribute the Series 1 Shares offered hereby and the determination of the terms of the distribution were made through negotiations between the Corporation, the Partnership and Scotia Capital Inc., CIBC World Markets Inc. and TD Securities Inc., on their own behalf and on behalf of the other Underwriters.

The Underwriters propose to offer the Series 1 Shares initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Series 1 Shares at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 1 Shares is less than the price paid by the Underwriters to the Corporation.

The Series 1 Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. Persons. In addition, the Series 1 Shares may not be offered or sold to any persons who are not residents of Canada or partnerships which are not Canadian partnerships for purposes of the Tax Act.

#### **DIRECTORS AND OFFICERS OF THE CORPORATION**

Prior to closing of the Offering, the Partnership, as sole shareholder of the Corporation, will appoint a total of three directors of the Corporation, two of whom will be officers of the General Partner and one of whom will be an individual that is not an officer or employee of the Corporation or its affiliates (as such term is defined in the *Business Corporations Act* (Alberta)).

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Fraser Milner Casgrain LLP, counsel to the Corporation, and Macleod Dixon LLP, counsel to the Underwriters, the following is, at the date hereof, a fair summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series 1 Shares who acquires such shares pursuant to this short form prospectus (a "**Holder**") and who, at all relevant times, for purposes of the Tax Act, is, or is deemed to be, resident in Canada, holds the Series 1 Shares as capital property, deals with the Corporation at arm's length and is not affiliated with the Corporation. Generally, the Series 1 Shares will be considered to be capital property to a Holder provided that the Holder does not hold the Series 1 Shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who are resident in Canada whose Series 1 Shares might not otherwise qualify as capital property may be entitled to obtain such qualification for the Series 1 Shares and all other "Canadian Securities", as defined in the Tax Act, in certain circumstances, by making an irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules) or a Holder whose interest in the Series 1 Shares is a "tax shelter investment" (as defined in the Tax Act). Such Holders should consult their own tax advisors having regard to their particular circumstances.

This summary is based upon the facts set out in this short form prospectus, the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**") in force at the date of this short form prospectus, all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of

Finance (Canada) prior to the date hereof (the "**Proposal Amendments**") and Counsel's understanding of the current administrative practices of the Canada Revenue Agency (the "**CRA**") published in writing prior to the date hereof. This summary assumes that all Proposed Amendments will be enacted substantially in the form proposed, although there can be no assurance that the Proposed Amendments will be enacted in the form proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or practice, whether by judicial, governmental or legislative decision or action or changes in the administrative policies or assessment practices of the CRA, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the income tax consequences to any particular Holder are made. Accordingly, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Series 1 Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

### *Dividends*

Dividends (including deemed dividends) received on the Series 1 Shares by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. An enhanced gross-up and dividend tax credit is available for "eligible dividends" received after 2005 from taxable Canadian corporations such as the Corporation, which are so designated by the Corporation.

The Series 1 Shares will be "taxable preferred shares" as defined in the Tax Act. Counsel is advised that the Corporation will take any required actions, which may include the filing of the necessary election under Part VI.1 of the Tax Act, to ensure that Holders that are corporations will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) by such Holder on the Series 1 Shares.

Dividends (including deemed dividends) on the Series 1 Shares received by a corporation other than a "specified financial institution" (as defined in the Tax Act) will be included in computing the corporation's income and will generally be deductible in computing the taxable income of the corporation. Where the Holder is a specified financial institution, such dividends will be deductible only if the Series 1 Shares are not "term preferred shares" (as defined in the Tax Act) or, if they are term preferred shares, such shares were not acquired by the specified financial institution in the ordinary course of the business carried on by it. A Series 1 Share will not be a term preferred share to a specified financial institution where such share is listed on a prescribed stock exchange in Canada and the specified financial institution, alone or together with persons with whom it does not deal at arm's length within the meaning of the Tax Act, does not receive (and is not deemed to receive) dividends in respect of more than 10% of the issued and outstanding Series 1 Shares.

**Holders that are specified financial institutions and who alone, or together with non-arm's length persons, will receive or be deemed to receive dividends in respect of more than 10% of the issued and outstanding Series 1 Shares should consult their own tax advisors regarding the consequences to them of an investment in the Series 1 Shares.**

A "private corporation" (as defined in the Tax Act), or any other corporation controlled whether by reason of a beneficial interest in one or more trusts or otherwise by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33⅓% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 1 Shares to the extent such dividends are deductible in computing its taxable income.

### ***Dispositions***

A Holder who disposes of or is deemed to dispose of Series 1 Shares (on redemption of the shares for cash or otherwise), will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption or purchase for cancellation by the Corporation of Series 1 Shares will not be included in computing the Holder's proceeds of disposition to any shareholder for purposes of computing the capital gain or capital loss arising on the disposition of the Series 1 Shares. See "Redemption" below.

Generally, one-half of any such capital gain will be included in computing the Holder's income as a taxable capital gain and one-half of any such capital loss may be deducted from the Holder's taxable capital gains in accordance with the rules contained in the Tax Act. Capital gains realized by an individual may give rise to a liability for minimum tax. Any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares.

A "Canadian-controlled private corporation" as defined in the Tax Act may be subject to an additional refundable tax of 6 $\frac{2}{3}$ % on investment income, including taxable capital gains.

### ***Redemption***

If the Corporation redeems Series 1 Shares for cash or otherwise acquires Series 1 Shares other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital of such shares at such time. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "Dispositions" above. In the case of a Holder that is a corporation, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Fraser Milner Casgrain LLP, counsel to the Corporation, and Macleod Dixon LLP, counsel to the Underwriters, provided the Series 1 Shares are listed on a prescribed stock exchange at the relevant time, the Series 1 Shares, if issued on the date hereof, would be qualified investments under the Tax Act and the Regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

## **RISK FACTORS**

An investment in Series 1 Shares offered hereby involves certain risks described below and in the documents incorporated by reference herein, including without limitation, the risk factors described in the AIF of the Partnership at pages 17 to 22 and the MD&A of the Partnership for the year ended December 31, 2006 at pages 27 to 33. Before investing, prospective purchasers of Series 1 Shares should carefully consider the factors set out below and in the AIF and MD&A, as well as the other information contained or incorporated by reference in this short form prospectus.

### **Credit Rating**

The preliminary/provisional credit ratings applied to the Series 1 Shares are an assessment, by the rating agencies, of the Corporation's ability to pay its obligations. The credit ratings are based on certain assumptions about the future performance and capital structure of the Corporation or the Partnership, that may or may not reflect the actual performance or capital structure of the Corporation or the Partnership. Changes in credit ratings of the Series 1 Shares may affect the market price or value and the liquidity of the Series 1 Shares. There is no assurance

that any credit rating assigned to the Series 1 Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency.

**The Corporation's ability to meet its financial obligations is dependent on receipt of funds from its principal subsidiaries and the value of its underlying business and assets**

As the Corporation is primarily a holding company, the Corporation's ability to pay dividends and other operating expenses and interest and to meet its obligations depends to a significant extent upon receipt of sufficient funds from its principal subsidiaries, the amount of intercompany debt between the Corporation and its subsidiaries, the returns generated by its investments (including by way of interest and dividends thereon received and the proceeds of disposition thereof), its ability to raise additional capital and the value of its underlying business and assets, being the U.S. operating entities which carry on a portion of the Partnership's power generation business. Accordingly, the likelihood that holders of the Series 1 Shares will receive dividends will depend to a significant extent upon the financial position and creditworthiness of the principal subsidiaries and affiliates of the Corporation including the Partnership. The payment of interest and dividends by certain of these principal subsidiaries or investee entities to the Corporation is also subject to restrictions set forth in certain laws and regulations which require that solvency and capital standards be maintained by such companies. Should the value of the underlying assets of the Corporation decrease substantially, the Corporation may not legally be in a position to declare or pay its dividends or pay amounts due upon redemption of the Series 1 Shares or upon liquidation, dissolution or winding up of the Corporation, subject to the ability of the Partnership to pay such amounts under the Guarantee. See "Details of the Offering - Description of the Series 1 Shares - Partnership Guarantee", "Earnings Coverage Ratio of the Partnership" and "Earnings Coverage Ratio of the Corporation".

**Declaration of Payment of Dividends**

Holders of Series 1 Shares do not have a right to dividends on such shares unless declared by the Board of Directors of the Corporation. The declaration of dividends is in the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if there are reasonable grounds for believing that (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares. Liabilities of the Corporation will include those arising in the course of its business, indebtedness, including inter-company debt, and amounts, if any, that are owing by the Corporation under guarantees in respect of which a demand for payment has been made. See "Consolidated Capitalization".

**Limitations and Restrictions under the Guarantee**

Although the Series 1 Shares carry cumulative dividends, the Corporation may not be in a position pursuant to law to declare and pay such dividends as contemplated in this short form prospectus. While the payment of such dividends has been guaranteed by the Partnership, such Guarantee only becomes exercisable when such dividends are declared by the Board of Directors of the Corporation or, upon the redemption of the Series 1 Shares or upon the liquidation, dissolution or winding-up of the Corporation.

Payment under the Guarantee will also depend, to some extent, on the receipt by the Partnership of sufficient funds from its indirect subsidiaries, including the Corporation and its operating subsidiaries.

The Partnership has agreed pursuant to the Guarantee that, as long as dividends on Series 1 Shares are in arrears, the Partnership will not make any distributions on the Units or pay any dividends on shares of any successor entity to the Partnership. A failure by the Partnership to pay such distributions or dividends may have an adverse effect on the Partnership, the Corporation and the market values of the Units and Series 1 Shares.



### **There is no trading market for the Series 1 Shares**

There is no trading market for the Series 1 Shares. No assurance can be given that an active or liquid trading market for the Series 1 Shares will develop or be sustained. If an active or liquid market for the Series 1 Shares fails to develop or be sustained, the prices at which the Series 1 Shares trade may be adversely affected.

### **The market value of Series 1 Shares will be affected by a number of factors and, accordingly, its trading price will fluctuate**

The value of Series 1 Shares will be affected by the general creditworthiness of the Corporation. The Partnership's MD&A for the year ended December 31, 2006 and the three months ended March 31, 2007 is incorporated by reference in this short form prospectus. These analyses discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Corporation's business, financial condition or results of operations. See also the discussion under "Earnings Coverage Ratio of the Corporation", which is relevant to an assessment of the risk that the Corporation will be unable to pay dividends on the Series 1 Shares.

The market value of the Series 1 Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. Real or anticipated changes in credit ratings on the Series 1 Shares may also affect the cost at which the Corporation can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

Prevailing yields on similar securities will affect the market value of the Series 1 Shares. Assuming all other factors remain unchanged, the market value of the Series 1 Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline.

The market value of Series 1 Shares may also depend on the market price of the Units. It is impossible to predict whether the price of the Units will rise or fall. Trading prices of the Units will be influenced by the Partnership's financial results and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Units are traded and the market segment of which the Partnership is a part.

### **Creditors of the Corporation and the Partnership rank ahead of holders of Series 1 Shares in the event of an insolvency or winding up of the Corporation or requirement to pay under guarantees**

The Series 1 Shares rank equally with other Preferred Shares of the Corporation that may be outstanding in the event of an insolvency or winding up of the Corporation. If the Corporation becomes insolvent or is wound-up or if the Corporation is required to pay under guarantees provided by the Corporation, the Corporation's assets must be used to pay debt, including inter-company debt and amounts, if any, owing by the Corporation under such guarantees, before payments may be made on Series 1 Shares and other Preferred Shares. See "Consolidated Capitalization".

### **No Voting Rights**

Holders of Series 1 Shares will generally not have voting rights at meetings of the shareholders of the Corporation except under limited circumstances. Holders of Series 1 Shares will have no right to elect the Board of Directors of the Corporation on an annual or other ongoing basis. See "Details of the Offering".

### **Conflicts of Interest**

The Partnership owns all of the issued and outstanding Common Shares of the Corporation. Certain of the officers of the General Partner are or will be officers and directors of the Corporation. As a result of these relationships, the potential for conflicts of interest may arise, including in dealings with the General Partner and the Partnership. Members of the board of directors of the Corporation who are officers or directors of the General Partner must declare their interest in such transactions and refrain from voting on these transactions.

## **Proposed Tax Measures**

On October 31, 2006, the Minister of Finance (Canada) ("**Finance**") announced the "Tax Fairness Plan" which proposed changes (the "**2006 Proposed Rules**") to the manner in which certain publicly traded trusts and partnerships ("**SIFT's**") are taxed. On March 29, 2007, Finance introduced Bill C-52 in the House of Commons which included amendments to the Tax Act to implement the 2006 Proposed Rules. The 2006 Proposed Rules generally operate to apply a tax at the limited partnership level on certain income of SIFT's, like the Partnership, at rates of tax comparable to the combined federal and provincial corporate tax and to re-characterize that income as taxable dividends in the hands of Unitholders.

The 2006 Proposed Rules indicate that they will apply to SIFT's, the units of which were publicly-traded before November 1, 2006, beginning with the 2011 taxation year of the SIFT. However, Finance indicated in their announcement of the 2006 Proposed Rules that while there was no intention to prevent existing SIFT's from pursuing normal growth prior to 2011, any "undue expansion" could result in an acceleration of the effective date for that SIFT. On December 15, 2006, Finance issued guidelines (the "**Guidelines**") on the meaning of "undue expansion" and "normal growth". These Guidelines are incorporated by reference in Bill C-52. The Guidelines indicate that no change will be recommended to the 2011 date in respect of any SIFT whose equity capital grows as a result of issuances of new equity before 2011, by an amount that does not exceed an objective "safe harbour" amount that, subject to certain exceptions, is based on a percentage of the SIFT's market capitalization as of the end of trading on October 31, 2006, which market capitalization, in the case of the Partnership, was \$1,557 million. The Partnership is currently considering the possible impact of the 2006 Proposed Rules and appropriate mitigation strategies, however, the Partnership currently expects that it can issue up to an aggregate of \$1,784 million of new equity before 2011, currently being 135% growth over the Partnership's market capitalization on May 17, 2007, without accelerating the date that it becomes subject to the 2006 Proposed Rules assuming they are enacted in their current form.

The 2006 Proposed Rules may have an adverse impact on the Partnership, its Unitholders and the value of the Units of the Partnership.

## **Proposed Restrictions on Interest Deductibility**

On March 19, 2007, Finance tabled its 2007 Federal Budget which included proposals to change the Tax Act, including restrictions on the deductibility of interest expense related to financing investments in foreign affiliates. On May 14, 2007, Finance announced substantial changes and clarifications to these proposals restricting their scope of application to preventing the use of tax havens and other tax avoidance structures to generate two expense deductions for only one investment, so-called "double dipping". However, until draft legislation and further details are released, the implications of the proposed changes are difficult to fully evaluate. Further, there can be no assurance that such proposed changes will be enacted as proposed or at all. Management is continuing to monitor and examine the proposed changes to assess their potential impact, if any, on the Corporation and the Partnership.

## **BOOK-BASED SYSTEM**

Registration of interests in and transfers of the Series 1 Shares will only be made through the book-based system administered by CDS, subject to applicable law. On or about the date of closing of this Offering, the Corporation will deliver or cause to be delivered to CDS one or more global certificates issued in registered form to CDS or its nominee under the Book-Entry Only System evidencing the aggregate number of Series 1 Shares subscribed for under this Offering. Series 1 Shares must be purchased, transferred and surrendered for redemption or exchange through a CDS Participant. All rights of an owner of Series 1 Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by CDS or the CDS Participant through which the owner holds Series 1 Shares. Upon a purchase of any Series 1 Shares, the owner will receive only a customer confirmation from the registered dealer that is a CDS Participant and from or through whom the Series 1 Shares are purchased. References in this short form prospectus to a holder of Series 1 Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such Series 1 Shares.

The ability of a beneficial owner of Series 1 Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Series 1 Shares through the book-based system, in which event certificates for Series 1 Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

### **LEGAL MATTERS**

Certain legal matters in respect of this Offering will be passed upon on behalf of the Partnership by Fraser Milner Casgrain LLP, Calgary, Alberta and on behalf of the Underwriters by Macleod Dixon LLP, Calgary, Alberta. The partners and associates of Fraser Milner Casgrain LLP, as a group, and the partners and associates of Macleod Dixon LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Corporation or any associated party or affiliate of the Corporation.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation and the Partnership are KPMG LLP, 10125 - 102 Street, Edmonton, Alberta, T5J 3V8.

The registrar and transfer agent for the Series 1 Shares is CIBC Mellon Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the province or territory in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

### AUDITORS' CONSENT

We have read the short form prospectus of EPCOR Power Equity Ltd. (the "**Corporation**") dated May 18, 2007 relating to the sale and issue of 4.85% cumulative redeemable preferred shares, series 1 of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned short form prospectus of our report to the partners of EPCOR Power L.P. (the "**Partnership**") on the consolidated balance sheets of the Partnership as at December 31, 2006 and 2005 and the consolidated statements of income, partners' equity and cash flows for the years then ended. Our report is dated March 9, 2007.

Edmonton, Canada  
May 18, 2007

(Signed) KPMG LLP  
Chartered Accountants

### AUDITORS' CONSENT

We have read the short form prospectus of EPCOR Power Equity Ltd. (the "**Corporation**") dated May 18, 2007 relating to the issue and sale of 4.85% cumulative redeemable preferred shares, series 1 of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned short form prospectus of our report to the members of Primary Energy Ventures LLC on the consolidated balance sheets of Primary Energy Ventures LLC as at December 31, 2005 and December 31, 2004, and the Primary Energy Ventures LLC consolidated statements of income, members' equity and cash flows for each of the years ended December 31, 2005 and December 31, 2004. Our report is dated May 23, 2006, except for footnote 7, as to which the date is June 2, 2006; footnote 17, as to which the date is August 14, 2006; and footnotes 18 and 19, as to which the date is December 21, 2006.

Chicago, Illinois, U.S.A.  
May 18, 2007

(Signed) PricewaterhouseCoopers

**CERTIFICATE OF THE CORPORATION**

Dated: May 18, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

EPCOR POWER EQUITY LTD.

(Signed) Donald J. Lowry  
President and Chief Executive  
Officer

(Signed) Mark D. Wiltzen  
Senior Vice President and Chief  
Financial Officer

On behalf of the Board of Directors of  
EPCOR POWER EQUITY LTD.

(Signed) Brian T. Vaasjo  
Director

(Signed) Stuart A. Lee  
Director

**CERTIFICATE OF THE GUARANTOR**

Dated: May 18, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

EPCOR POWER L.P.

By its general partner:  
EPCOR POWER SERVICES LTD.

(Signed) Brian T. Vaasjo  
President  
(as Chief Executive Officer)

(Signed) Stuart A. Lee  
Chief Financial Officer

On behalf of the Board of Directors of  
EPCOR POWER SERVICES LTD.

(Signed) Donald J. Lowry  
Director

(Signed) Mark D. Wiltzen  
Director

## CERTIFICATE OF THE UNDERWRITERS

Dated: May 18, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

SCOTIA CAPITAL INC.

CIBC WORLD MARKETS INC.

TD SECURITIES INC.

By: (signed) John M. Faris

By: (signed) Brett Gellner

By: (signed) Harold R. Holloway

BMO NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

By: (signed) Aaron M. Engen

By: (signed) David Dal Bello

NATIONAL BANK FINANCIAL INC.

By: (signed) Robert B. Wonnacott

HSBC SECURITIES (CANADA) INC.

By: (signed) Rod A. McIsaac