



EVENT: ALTERRA POWER CORP  
RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2012  
CNW GROUP  
TIME: 11H30 E.T.  
LENGTH: APPROXIMATELY 42 MINUTES  
DATE: MAY 15, 2012

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

**OPERATOR:** Good morning. My name is Adam (phone), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Alterra Power Corp. Quarter Ending March 2012 Results Conference Call with Mr. Ross Beaty, Chairman; and Mr. John Carson, Chief Executive Officer.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during that time simply press \*, and then the number 1 on your telephone keypad. If you would like to withdraw your question press the # key. Thank you.

I would now like to turn the meeting over to Messrs. Beaty and Carson. You may begin your conference.

**ROSS BEATY (Chairman, Alterra Power Corp.):** Thank you very much, Operator, and good morning, ladies and gentlemen. Welcome to Alterra's first quarter 2012 financial and operating results conference call.

First of all, I want to draw your attention to the forward-looking statements and remind everybody that we seek Safe Harbor in connection with our forward-looking statements.

Joining me today in Vancouver are John Carson, Alterra's Chief Executive Officer; Peter Wong, our CFO; Lynda Markwell, our Director of Finance; Cathy Hickson, Vice President Exploration; and Anders



Kruus, Director of Corporate Relations. On the phone via conference call is Ásgeir Margeirsson, our Icelandic Country Manager and Chairman of HS Orka.

We are missing some of our senior operating team today, all of whom are on a field trip in Iceland looking at a very interesting hydroelectric project owned 50 percent by HS Orka.

I'll make some quick comments and then open the call—turn the call over to John and Peter, and then we'll open it to questions.

Here's how I'm going to summarize the first quarter of 2012 versus the first quarter of 2011. We reported a net loss of 10.4 million this year in the first quarter versus net income of 11.9 million in the first quarter of 2011. But we generated much more cash flow in the first quarter of 2012, and actually ended the quarter in far superior financial condition.

So the income statement is really quite misleading in terms of its ability to state how we are actually doing. As previously mentioned, and as spelled out in our financial statements, our income statement simply doesn't present our actual financial condition due to peculiar IFRS accounting rules, which result in many noncash items on the income statement, and the fact that we consolidate our HS Orka results, but only equity account our hydro and wind asset results.

As Peter will describe, this is why we talk in our news release about net interest. This is a non-GAAP measure of our actual results on an apples-to-apples basis, and I really encourage you to look at those numbers in both our news release and our MD&A to understand really what's going on in our business as it's a much more, I think, comprehensible, to the average person anyway, comprehensible description of our operations.

It was a decent quarter in Q1. We had good results in Iceland, reasonable results in Nevada at Soda Lake, continuing exceptional results at Dokie in British Columbia, and no generation, as predicted, at Toba Montrose in B.C.

Our quarterly results will always be affected by seasonal water flows at Toba Montrose, and we took advantage this year of the 2011 to '12 winter freeze up to do a major warranty overall of the penstock runner coatings.



The Toba Montrose plants are running flat out right now with spring freshet in full bloom, and the second quarter and third quarters this year should be great quarters there. Snow packs are heavier than normal, and this should deliver great revenue to us as the year proceeds.

Our growth projects and plans are on track. Our financial condition has strengthened significantly in the quarter with the Icelandic pension fund transaction that added \$38 million to HS Orka's cash balances. And our financial and our management team is as strong and focused as ever.

I'm going to now turn the call over to you, John, to provide some nice—some details of what's up with us today.

**JOHN CARSON (Chief Executive Officer, Alterra Power Corp.):** Thanks, Ross. Thanks again to our shareholders, and the analysts, and others who have joined us on this call. And we will start with a summary of where we are both operationally and financially to get into some more of the details.

And as Ross mentioned, Bruce Ripley, our Chief Operating Officer, is away this week with his team, and so Peter will be doing double duty, and giving us more details on both operational and financial performance.

Peter, over to you.

**PETER WONG (Chief Financial Officer, Alterra Power Corp.):** Thank you, John. Good morning, everyone. I'm very pleased to report another good steady quarter from our existing operations in B.C., Iceland, and Nevada.

As Ross mentioned, we met our combined generation target even though our Toba Montrose hydro facility was off line the entire first quarter for scheduled in stock warranty repairs. All four units at Toba Montrose came back on line in early April, just in time to take advantage of increasing water flows. The other generation facilities operated better or as expected, had high availability, and generated clean renewable power and positive cash flows.

So they continued to generate positive cash flows, although that may not be apparent, as was mentioned, because of a number of noncash items. So let me walk you through them.



Although the Company recorded a net loss of 9.8 million this quarter compared to net income of 11.9 million for the comparative quarter in 2011, the decrease of 21.7 million was mostly the result of noncash items and did not affect our gross profit or EBITDA number.

So we recorded a negative noncash change in the fair value of bonds and derivatives of 20.7 million from the comparative quarter because of lower future aluminum prices. The aluminum market, as you know, is subject to price fluctuations.

We also posted a noncash change in foreign exchange loss of 2.1 million primarily from a weaker Icelandic krona, but this was offset by a noncash change in income tax recovery of 6.2 million.

So if you exclude these noncash items, our consolidated EBITDA for this quarter was 7 million, and our net interest and EBITDA was 5.2 million, which is pretty much what we expected.

Our consolidated revenues from our geothermal operations in Iceland and in Nevada were 2.5 million lower than the comparative quarter, again mainly as a result of lower aluminum prices, which declined 14 percent versus the comparative quarter. As we have pointed out in previous calls, our two Icelandic long-term contracts are tied to aluminum prices and they represent approximately 33 percent of our Icelandic revenue.

On a comparative basis, gross profit was down by only 0.8 million from those lower revenues, and that decrease was offset by lower operating costs.

So moving to operations. We had a very good first quarter with no significant safety or environmental incidents, and generally speaking our power generation has exceeded our operational plan.

A major highlight to note for our Icelandic operations, HS Orka received \$37.5 million in cash from an additional investment by a minority shareholder, which brings the investment in HS Orka from 25 to 33.4 percent and reduces our ownership from 75 to 66.6 percent. This additional cash injection is earmarked for the planned Reykjanes expansion. So looking forward, we're ready for the planned and budgeted maintenance overhaul of Reykjanes Unit 2 in June.

At Soda Lake in Nevada, we'll be installing replacement pumps in two of our production wells in the second half of 2012. This will increase plant energy output and provide greater production reliability. Soda Lake also received a 2.1 million US Treasury grant.



As I mentioned earlier, scheduled warranty repairs on penstock coatings at our Toba Montrose hydro facility in BC were completed in March to our satisfaction and standards. And the four generating units came back on line in early April just in time to capture the increasing water flows. So units are currently functioning well with generation at 132 percent of the stub period in April.

At our Dokie Wind facility in BC, we achieved final completion of the construction contract in January. We exercised a one-time bump in the Dokie firm energy under its PPA with an anticipated increase of 1.2 percent in annual revenue. Dokie generation has exceeded budget eight times in the last 10 months. And Vestas, our turbine supplier and maintenance and service contractor, continues to perform maintenance activities on schedule with high turbine availability.

So to conclude, this quarter we can report good and expected operating results with stable cash flows. We currently operate six power plants totalling 600 megawatts of capacity. Our 300 megawatts share of production generates 1,400 gigawatt hours of clean power annually, providing a solid foundation towards our goal of being a leading global clean power producer.

With that, John, I'll turn it back to you.

**JOHN CARSON:** Great. Peter, thanks for that. And with that, let me take everyone through a brief review of just what we're working on today, and what you should expect to see from Alterra in the coming weeks.

First, let's go to an update on our development projects. Our next project in mind, development wise, is our hydro project, Upper Toba River. Here we're working very hard on a partnership agreement with our partner to be, GE Energy Financial Services, and we're also optimizing our project design and we're working hard getting to the point where we can select a contractor for the project.

As a reminder, this project is fully contracted; it has a 40-year power contracted with BC Hydro, and we really see no major obstacles in the path of getting this project on line.

At our next development project, Dokie 2, also in British Columbia, the gating item there continues to be getting to a contract with BC Hydro. Our contract discussions with BC Hydro continue. I can't give you firm guidance on timing yet, other than to say we are in dialogue. In the meantime, we're making sure every



other aspect of this project is buttoned down and is advanced as it can be so that this project can be quickly brought on line.

For our 80 megawatt expansion at Reykjanes, we also poised to move forward there, except for finalizing our contract discussions with our power purchaser there. These discussions continue to go well. I'm flying to meetings tomorrow for further discussions in an effort to move toward wrapping up this issue. As soon as we've got the PPA issue wrapped, we're moving into financing, and financial, and final construction preparations.

Our earlier staged assets are advancing as well. Just last Friday, I sat with our team and we reviewed and refined a long list of hydro project candidates in Canada. For most of these, we already have land positions or other similar rights in place.

These projects are the Toba Montroses and the Upper Toba Valleys of tomorrow. Some of these are smaller opportunities, less than 60 megawatts, but they are opportunities that ultimately we may group together for construction. And in any event, they're projects that we're looking for the long-term future of this company as we build value.

We also continue to advance our very large hydro opportunities as well, including the Bute Inlet project, and the Fir Point pumped storage project. Hydro will remain a key part of our growth strategy, not only in British Columbia, but throughout North America and elsewhere.

Next, our efforts to grow through acquisition are continuing with the objective to enlarge our development pipeline with well-tailored assets. We're currently looking hard at transactions here in British Columbia, throughout Canada, and in North America. And as before, I will be disappointed if we have not announced one and I'll say two acquisitions during this calendar year.

Wind and hydro remain the most likely growth targets for us, simply because the resource is more plentiful. This doesn't mean we won't do geothermal acquisitions. It just means there are far few geothermal deals to pursue.

Lastly, on our geothermal development projects, we continue to paper transactions for our assets in Chile and Peru. We're hopeful to have both of these deals closed in the next six to eight weeks.



Let me summarize then what you should expect to see from Alterra in the coming months. First of all, finalizing those PPAs; and Reykjanes, again, flying out tomorrow; those discussions are active, continuing well. Dokie 2, we're in dialogue with our off take there.

Second, finalizing our partnership agreements; again around Upper Toba hydro, we and GE are working very hard to paper that transaction as quickly as we can; and in Chile and Peru, same story, working very hard to paper both of those deals.

Thirdly, opportunistic acquisitions in wind, and hydro, and geothermal. We've been working hard for some time, and we hope to announce one or two deals this year.

Fourth, you should see us continuing work here in British Columbia and elsewhere to make sure that renewable power companies face a positive regulatory and political environment, which is very important to our future growth.

And lastly, you should ultimately see that we will be moving those next in-line projects into construction: Upper Toba Valley hydro, Dokie 2 wind, and Reykjanes geothermal. We're excited about all three of those projects as they represent a core feature of our growth and the value that we represent.

We do face some headwinds in this business. Most prominently, the recent growth of natural gas reserves, especially in North America. What this has done is caused it to become more difficult for us to obtain power purchase agreements at prices that make our projects work at high returns.

That doesn't mean we can't do deals and we can't find contracts. It just means it's much more challenging. We'll deal with that issue and we are dealing with it.

One of the key benefits that we have being here in British Columbia is that we think we live in a province where 93 percent of the power is prospectively going to be renewable power in the future. We're excited about that and we'll play a key role in that.

The second headwind we face is really a disappearance and uncertainty around programs that benefit renewable power. In the United States, the production tax credit regime, which for years has fostered the growth of the wind industry there, has now not been continued. It's not certain that it will be continued. But regardless of whether it is or won't, again we think that this company and we know that this company will



continue to advance. The problem is there that we want to continue to work for the benefits that will help companies such as our own.

The third headwind we face is the acceptance of gas as a cleaner source of energy by some. It is cleaner than coal, but it still has a carbon footprint. And we think that though the pendulum has swung in the direction of natural gas recently, it's not going to stay there forever.

Finally, the last headwind we face is that the current investment cycle has also experienced a pendulum swing over to safety and over to, for example, bonds rather than stocks and fixed income. Growth companies have not been rewarded in the recent economic climate. This won't continue forever.

We are attempting to grow this company and to build value. We have real value that we're building. We've built several streams of long-term cash flow in the Toba Montrose, Dokie, and other assets that we have.

We're building more of those long-term streams of cash flow. They're real value and they will be appreciated ultimately. It's akin to having half-built ships in a shipyard. Those ships will be completed, and we're working very hard each day to make sure that that happens. That's a key component of our value.

We are supported by some tailwinds as well. Number one, there is a high supply of capital for our projects. When we go and take these projects later this year and earlier next year into financing, we don't foresee any difficulties in getting that done. There's plenty of capital available for the right projects, which is exactly what we're building, the right projects.

Secondly, we live in an attractive regime here in Canada for industry. A lot of people like where the Canadian currency sits today and its prospects for the future. This is a resource-rich country with a good future, so there's a lot of investment capital that wants to come here. We sit in a good position to be the beneficiary of that capital.

Thirdly, because of the slowdown in the United States around renewable power projects, it's caused a compression of technology prices. To put it simply: wind turbine prices have come down recently in response to fewer projects being built. That stands to benefit us in the projects that we do build. We are moving forward with projects and will benefit if technology prices continue to decline.



And finally, tough times really do create tough—create good opportunities, excuse me, as others face some of the same headwinds that we face and perhaps aren't solvent and moving forward as we are, we'll see opportunities for acquisitions and we'll take advantage of that.

Growth investors will return and our growth trajectory will be rewarded. We're not a company that's sitting on its assets and its operations waiting to clip the coupons. We are a company that knows how to build value and that's exactly what we're doing, continuing to build value.

So that's our update of where we are in building the Company. We're excited about where we're headed and we certainly invite you to join us as we go. Our pledge is we're going to be smart and adept as we build this company and optimize value and return to our shareholders.

Thanks. And, Ross, with that I'm back to you.

**ROSS BEATY:** Thanks, John. I appreciate that good update on the growth assets, particularly. I'm just going to finish off with a couple words on sort of our low share price today.

And I admit it's low. In fact, I could agree our company is valued today on just either our operating geothermal assets alone or just our hydro and wind assets alone, just the operating ones.

We sold 8 percent, for example, of our Icelandic business in Q1 for \$38 million in new capital in HS Orka. You can do the numbers yourself to see that our current market capitalization is close to the value of our stake in HS Orka at that 2012 valuation. Everything else is free, our wind and hydro operations, our growth projects, our geothermal assets in Chile, Peru, and Italy, and our cash reserves.

In any event, the certain recipe for share price improvement is long-term asset growth, and the certain way to achieve that is hard work, steady focus, and smart business deals. We have the projects, the people, and the money to get there over the medium and long term, and we are dedicated to doing that.

Our business is long term, our cash flow is long term, and our value proposition as a significant clean energy power producer is clear. We will stay focused. We represent outstanding value today by any measure.

And therefore on closing, before we open the call to questions, I'd just like to thank all of the analysts who cover us and all those who support us, our employees, communities where we work, contractors, First Nations, and of course, our shareholders.

And with that, we'll open the call to questions, Operator.

**OPERATOR:** At this time, I would like to remind everyone in order to ask a question, please press \*, then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Jeremy Mersereau from National Bank Financial. Your line is open.

**JEREMY MERSEREAU:** Good morning, everyone.

**ROSS BEATY:** Good morning, Jeremy.

**JEREMY MERSEREAU:** Just wondering if you could provide me with the latest on the regulatory issues you're seeing in BC and the long-term energy requirements in the province? What are the regulators or politicians telling you about your potential growth?

**JOHN CARSON:** There's a binary aspect to it, Jeremy. As soon the projects that are attempting to get permitted to build liquefied natural gas facilities in the province, as soon as that occurs there will be a binary effect of we need more power now.

For the facilities that have already permitted, the province is pretty confident that they've got enough to make it, but there's a strong effort going on by other large entities to make this happen here in the province. When it does, there should be a significant call for power, so there really is a binary aspect to growth on that side.

Aside from that, though, it's not just liquefied natural gas facilities. There's also plenty of mines that are seeking to build and establish their operations in the province as part of the continuing and ongoing development of the mining industry here, and other growth in the province that should ultimately result in a need for new power.

But the binary aspect of the liquefied natural gas facilities remains, and once that happens that should be huge boost to demand.

**ROSS BEATY:** And that should be in 2012, later on in 2012.

**JEREMY MERSEREAU:** Okay. And I guess following up on that, when should we hear more on Upper Toba? If you're going to start construction by 2013, I figure we should be hearing a lot more about it in the coming quarters?



**ROSS BEATY:** Yeah. You will, Jeremy. Every single quarter we'll give you updates, as we did today, on progress of that project and as we hit different milestones of completing feasibility work on capital and operating and getting financing organized, and so on.

Our agreement with GE is a very important milestone as well. That's in the late stages, as John described. So every quarter we'll give you good updates on what's going on there. Again, we're aiming at seeking all three projects to be construction ready by the end of this year, early 2013.

**JOHN CARSON:** Okay. And that one in particular is full-steam ahead. We're working on it every single day and you will see rapid developments on that one Jeremy.

**JEREMY MERSEREAU:** Okay. Great. Just, I guess, as part of housekeeping, you may have mentioned this in your prepared statements, but could you maybe let me know what the reduction in production or revenue that we should see from the maintenance that you have scheduled for this year?

**PETER WONG:** Yeah. Jeremy, it's Peter here. We've provided you with guidance, I think, in our MD&A for the entire 2012. That includes the planned scheduled maintenance.

**JEREMY MERSEREAU:** Oh, okay. Okay. Great. And just finally, did I understand correctly that you said that you might have, I guess, some news out of Chile in the next six weeks or so?

**ROSS BEATY:** Yes. You did. That's correct.

**JEREMY MERSEREAU:** Okay. Thank you.

**ROSS BEATY:** That, like many other things, we've said lots of forward-looking statements there. We expect to have some in—we cannot confirm we will, but we certainly expect it right now.

**JEREMY MERSEREAU:** Thanks.

**ROSS BEATY:** Thanks, Jeremy.

**OPERATOR:** Your next question comes from the line of Mohamed Abo Daff from Northland Capital. Your line is open.

**MOHAMED ABO DAFF:** Hi, everyone. Just a couple of questions, if you don't mind; regarding the cost of sales at HS Orka and Soda Lake, there was—it came in a little bit lower comparatively on a year-to-year basis, and I just wanted to know if this is the level that you expect going forward or not? Or do you expect additional reductions? The other question is about the 10 percent increase in energy allotment at

Dokie. You had in your budget, I think, 91 megawatt hours, and I was just wondering if you were planning on increasing that after this increase in energy allotment?

**PETER WONG:** Thank you. It's Peter here. On the cost of sales, the reason why cost of sales went down is we had some significant maintenance costs at HS Orka last year. We didn't have those this year, so the maintenance costs will vary from year to year, quarter to quarter. But we expect it to be relatively stable for the next foreseeable few quarters.

**JOHN CARSON:** With respect to that second question just on the revenue at Dokie, we don't actually project that we're going to have an increased number of megawatt hours. What it is, it's a contractual allowance to classify and to project more of that power to be classified as firm energy. So we don't expect the wind turbines to spin more.

However, when you run the analysis of upsides and downsides and how we look at how the contract will handle the revenue shape from the project, we do expect a 1.2 percent revenue increase. We did a lot of analysis around this. Our partner joined us in that analysis, and even the lenders at the project all did the same analysis to look and to see what the effect of this would be.

And so all in all, it's a very low risk bump up in their firm energy end of the PPA. And again, it results in not increased generation, but increased revenue.

**ROSS BEATY:** And that's all free. Basically that's all bottom line revenue.

**MOHAMED ABO DAFF:** Perfect. Thank you very much.

**OPERATOR:** Your next question comes from the line of Gus Hochschild from Mirabaud Securities. Your line is open.

**GUS HOCHSCHILD:** Yes. Good morning to you all. A couple of questions, if I may; perhaps the first for Peter with regards in the first instance with regard to the noncash charge, 7 million charge for the Toba Montrose. I mean that's a pretty meaty charge. So I was wondering if you could give us perhaps a bit more colour on that? Then also I'm a little bit confused about the IFRS EBITDA of 7 million because I would calculate it about 4 million? And then the last question, I don't know if it's for John or for Ross, perhaps you could give us a little more colour on this hydro development in Iceland and who you would expect perhaps to

take—with whom you would expect to get the PPA for that project? And could one— dare one wish to get perhaps a rather more generous tariff on that?

**ROSS BEATY:** Thank you very much, Gus, and very nice to hear from you today.

**GUS HOCHSCHILD:** Very kind.

**ROSS BEATY:** Nice report in Q1 which was a good analysis, I think, of the sum of the parts valuation of Alterra that I kind of spoke to as well in my comments where we're worth a lot more just looking at the sum of the parts than we are as a whole today.

So I'm going to have Lynda answer your first questions, and then I'll ask Ásgeir Margeirsson in Iceland to answer the question about the hydro opportunity there.

Go ahead, Lynda.

**GUS HOCHSCHILD:** Thank you.

**LYNDA MARKWELL:** Thank you very much. Just in response to your question, the loss at Toba was 7.4 million. Of that, the actual cash component was 4.7 million, and it included—the noncash component included 1.3 million of depreciation, and the remainder was actually due to the interest rate swap, so that's a noncash adjustment.

The biggest component actually of expenses is always our interest expense, and that was 2.9 million shown in Note 4 to the statements. So that unfortunately has to stay. That's a constant throughout. Does that help at all with that question?

**GUS HOCHSCHILD:** Yes, but I think just the fundamental work carried out on the penstocks, I would have thought—should that not have been covered by the O&M contracts?

**ROSS BEATY:** Oh, it was, Gus. It was covered by the contractor as a warranty item...

**GUS HOCHSCHILD:** Yep.

**ROSS BEATY:** And that was not included in any of that \$7.4 million charge.

**JOHN CARSON:** Yeah. If what you're asking, Gus, is whether as a part of that work there was a revenue makeup, there wasn't a revenue makeup per se. However, the work was very thoroughly and well done actually.

We observed it extremely strongly. Very happy with the result there and happy that that plant is now up and operating again. And I'm sure you noticed that during the stub month of April we generated at 130 percent of plant, so back up, back running, very happy.

**GUS HOCHSCHILD:** Okay. Yep. And so would you expect, and how often would you expect to have to do such work?

**JOHN CARSON:** Well...

**ROSS BEATY:** 10, 15 years those...

**GUS HOCHSCHILD:** Okay.

**JOHN CARSON:** That's a one and done.

**ROSS BEATY:** And then on Iceland.

**PETER WONG:** I think Gus had a question on EBITDA? Gus...

**GUS HOCHSCHILD:** Yes. I did please. Thank you.

**PETER WONG:** Take it offline, and we can certainly, guide you how we calculated that number for you.

**GUS HOCHSCHILD:** Okay. That'd be kind Peter.

**ROSS BEATY:** We'll do that. And, Ásgeir, please?

**ÁSGEIR MARGEIRSSON:** Thank you. Gus, the project is estimated to be online around 2021, '22. The schedule says late 2021, so it's pretty far out as of now. It's an...

**GUS HOCHSCHILD:** Right.

**ÁSGEIR MARGEIRSSON:** It's an early-stage project, very early stage. We think that—we hope that the Meitillinn, Reykjanes, and Henry (phon) will be built after that. We believe that there will be little, if not any development of aluminum smelters in Iceland.

What we expect to develop is (unintelligible) of different grades, sulphur farms, storing data, very decent power consumers, and then of course there is the idea of a subsea cable to Europe.

**GUS HOCHSCHILD:** Yes.

**ÁSGEIR MARGEIRSSON:** So believe that there will be a shift in the power market from aluminum to other uses.



**ROSS BEATY:** Thanks very much, Ásgeir.

**ÁSGEIR MARGEIRSSON:** Okay.

**ROSS BEATY:** I think—I said also, it's the first time we've really talked about this and was just on, very much on an aside basis because that's where our operating team is today. It just shows some of the buried assets inside Alterra, here and there.

This is an asset of HS Orka that is an ownership asset, and there is money being spent on it to do a kind of a prefeasibility study on the project right now, and the environmental impact statements because it's very important. I think that any hydro project determine the real impact before you can really say it's a project that can proceed or not.

And especially in the context of Iceland's planning world, they have to know the real impacts that are there, if there are any material ones or not. And so that kind of work is being done right now on that asset so we can really determine whether it is a valuable asset or not, and until it's done it's up in the air. So that'll be done this year with about \$0.5 million budget that'll be shared by the partners.

**GUS HOCHSCHILD:** Okay. Thank you very much.

**OPERATOR:** Your next question comes from the line of Jared Alexander from Canaccord Genuity. Your line is opened.

**JARED ALEXANDER:** Great. Thank you. Just a few quick questions here; I guess first on the Reykjanes expansion. Now, John, I know you mentioned that PPA negotiations are still in full force here. I'm just wondering what's a good online date for this asset? Should we be thinking about this like early 2014? Or do we need to push it back from there?

**JOHN CARSON:** It will be a function of when we get that done and the financing, et cetera. Online though, producing megawatt hours, yeah, 2014 and really 2015 may end up being the actual date, so can't give you hard dates yet, but I'd say that you're in the right ball park there with 2014, 2015.

**JARED ALEXANDER:** Okay. Great. Thanks for that. I also wanted to ask you on the last couple calls I don't think we have discussed dividends, and we used to discuss them regularly. I was just wondering if you could give me a little insight on what you think about the future of having a dividend? When that might occur? And I guess, of course, if you can, any kind of level that you would be thinking of?



**ROSS BEATY:** Sure, Jared. I think we didn't talk about dividends today. We have talked about it in the past, and the mantra is exactly the same. We can't wait to pay a dividend and we can't wait to pay a large one. The reality is today we're generating 15 to \$17 million of free cash flow, and we're putting that back into the growth projects, things like Upper Toba, Dokie 2, the Reykjanes expansion, some of our pipeline projects, and of course our overhead.

And the overhead really is a development and growth company overhead. We've got lots of people doing lots of things on future growth that will add value to the Company as those projects evolve from development projects into construction and then into operation projects.

So if we were to stop the growth we could pay a dividend tomorrow. We'd have to make the Company just a clipping the coupon kind of company or we'd have to finance the growth through different measures, different means, either selling assets or increasing our debt burden. But the basic principle here is to get to the point of paying a dividend as soon as possible in the range of the numbers I've indicated there, whatever we can justify while still maintaining our business as a growth business.

Certainly today, we think the best plan for the Company, the best plan for our investors long term is to build our assets, and that's where our money's going. We can't wait till we change that.

**JARED ALEXANDER:** Okay. So just in terms of I guess reaching that critical mass where you'd be in a position to pay a dividend, presumably that would be I guess post the Reykjanes expansions coming on line?

**ROSS BEATY:** If we have Reykjanes and Dokie 2 and Upper Toba running, our EBITDA will almost double or maybe it will about double...

**JOHN CARSON:** Yeah. Almost double.

**ROSS BEATY:** It's going to go from about 55 million a year today to 100 and some million, and that should spin out enough free cash flow to pay a dividend for sure. That's the current plan, but as I say, there may be a situation where we can actually speed that up and if we can do that we'll do it.

**JARED ALEXANDER:** Okay. Great. Thanks for that. Those are my questions.

**ROSS BEATY:** Thanks, Jared.



**OPERATOR:** As a reminder, if you would like to ask a question press \*, 1 on your telephone keypad.

Your next question comes from the line of Matt Gowing from Mackie Research Capital. Your line is open.

**MATT GOWING:** Good morning, everyone. Thanks for taking the questions. First off, on the outlook for the BC Hydro project. You've mentioned that it's running at 132 percent of budget into April, and the outlook is strong for the rest of the quarter due to a healthy snow pack there. Would it be reasonable to sort of apply or extrapolate the same sort of 130 percent to the remaining quarters to the remaining months in the quarter? Or should we kind of tone that down a little bit?

**JOHN CARSON:** Matt, I am all in favour and will be ecstatic were that to ever happen, but no, not at all. We really do—we won't plan anymore than 100 percent of our generation through the rest of the year. I bring up the 130 anecdotally as a strong indicator that it's back on line and back on line strongly.

So no, there's no long-term indication of that. It's really an anecdotally indicator of how the asset's performing out of the gate. So, yep, we're back to 100 percent of plan for the rest of the year, although, we'll be, of course, excited if we can beat 100.

**MATT GOWING:** Okay.

**ROSS BEATY:** Yeah. We had the perfect year last year, heavy snow packs and that. It really comes down to August power, to be honest. The real financial result of the year is whether we get strong power in August and then September or not, and that's a function of climate.

The snow pack and the speed of the thaw and the freshet and the duration, and none of those you can predict until September really, but obviously you model an average year. That's what we've modelled. That's what 100 percent means.

We do have more snow up there than normal, so we hope we're going to have a better than 100 percent year, but we certainly have to wait and see.

**JOHN CARSON:** That's right. And to remind everybody, weather does have a strong impact as to what our water flows will be at any given period during the year. And even if the snowpack is greater than average, that does not necessarily at all equate to greater water flow.

If temperatures remain low, that snow remains frozen. So it's not a true indicator. It's a hopeful indicator, and we'll see what happens.

**MATT GOWING:** Okay. Great. Thanks. And the cost of sales for Toba Montrose for the quarter, \$2.4 million, I'm wondering how much of the repair costs were in that 2.4 million? Or asked differently, if the asset wasn't down on the quarter and it was operating and the penstock repair didn't take place, what would you have expected the cost of sales to be on the quarter? Thanks.

**PETER WONG:** Yeah. It's very little of that operating cost related to the penstock repairs. The bulk of the costs were paid by our contractor. We did supervise and we did monitor and we did check on the work, but that was a very small amount.

**MATT GOWING:** Okay. Great. Thanks. And then question on the impact of aluminum prices in the quarter. You mentioned that the aluminum price was down about 14 percent. What sort of cash impact did that decrease have on your operations? Or asked differently, if the aluminum price would have been flat on a year-over-year or quarter-over-quarter basis, how much higher would your cash flow have been on the quarter? Thanks.

**PETER WONG:** It would have been approximately \$2.5 million is what I think I had indicated earlier. That's assuming aluminum prices in this current quarter would have equated to what we had in the comparative quarter.

**ROSS BEATY:** 2.4.

**PETER WONG:** Yeah, 2.4. Yes.

**MATT GOWING:** Okay. Great. Thanks. And very interested to hear your comments on declining technology prices and how that's going to be hopefully a tailwind for Alterra in the long term. Recognizing that the technology prices of some of the equipment have come down, are you in a position to kind of come out with updated capital cost guidance, as you see it, on both geothermal construction or project development and wind and hydro kind of on \$1 million per megawatt basis in each of those three kind of growth platforms?

**JOHN CARSON:** Yeah. Really those are really project-specific numbers in every case. What I spoke to there was a general trending on wind technology, and don't think that the bottom has dropped out.



It's not a tremendous game changer, but it's one of the factors. It is a tailwind for us in helping get our projects across the finish line.

Project by project otherwise, geothermal, hydro, and wind, we'll come at you with more refined numbers as we go. They really are very project specific, location specific, domicile specific; all those things work together for capital costs, so we'll give you more information later.

**MATT GOWING:** Great. Thanks for that. And just one really quick last question, you mentioned in the commentary or I think it was in the Q&A that depreciation component of Toba Montrose costs was \$1.3 million. Is that number in the MD&A somewhere? Did I miss it? Or is that just something that you've talked about verbally on the call?

**ROSS BEATY:** Short of cash it's going.

**LYNDA MARKWELL:** Yeah. It's not actually mentioned in the MD&A because we equity account for Toba and Dokie, so it's not a component that we have to disclose, so I was just disclosing it on the call, so yeah, 1.3 million for the quarter for Toba.

**MATT GOWING:** Okay. Excellent. Thanks very much.

**OPERATOR:** There are no further questions. I turn the call back over to you, Mr. Beaty and Mr. Carson.

**ROSS BEATY:** Well, thank you very much, Operator, and thanks to all of, especially the analysts who cover us. We're very grateful for your support and coverage, and needless to say, any further questions you've got, please call John or Anders and they'll answer them all.

And so on that note, I thank you again for listening in and good day.

**OPERATOR:** This concludes today's conference call. You may now disconnect.

\*\*\*\*\*