

BY-LAW NO. 3

A By-Law Relating to Nominating Directors

CAPITAL POWER CORPORATION

BE IT ENACTED as a by-law of Capital Power Corporation (the “**Corporation**”) as follows:

1. In this by-law:
 - (a) “**Act**” means the *Canada Business Corporations Act*, and the regulations thereunder, as amended from time to time;
 - (b) “**Affiliate**” means, in respect of any person, any other person that, directly or indirectly, controls, is controlled by or is under common control with the first mentioned person; and “control” means, with respect to the definition of “Affiliate”, the possession, directly or indirectly, by a person or group of persons acting in concert of the power to direct or cause the direction of the management and policies of another person, whether through the ownership of voting securities, contract, as a partner or general partner, or otherwise;
 - (c) “**Applicable Securities Laws**” means the applicable securities legislation of each province and territory of Canada, as amended from time to time, the rules and regulations made or promulgated under any such statute, and the national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each province and territory of Canada;
 - (d) “**Articles**” means the articles attached to the Certificate of Incorporation of the Corporation, as amended or restated from time to time;
 - (e) “**Board**” means the board of directors of the Corporation;
 - (f) “**Business Day**” means any day except Saturday, Sunday, any statutory holiday in the Province of Alberta, or any other day on which the principal chartered banks in the City of Edmonton are closed for business.
 - (g) “**NI 54-101**” means National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, as amended, supplemented, restated or replaced from time to time;
 - (h) “**notice-and-access**” has the meaning specified in NI 54-101;
 - (i) “**Notice Date**” means the date the Public Announcement of an annual shareholder meeting or special shareholder meeting (which is not also an annual shareholder meeting), as applicable, is made;

- (j) “**Public Announcement**” means the filing under the Corporation’s profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com of the notification of meeting and record date required by section 2.2 of NI 54-101;
 - (k) “**proxy-related materials**” has the meaning specified in NI 54-101; and
 - (l) “**Special Voting Shares**” means the class of shares designated as “special voting shares” in the Articles of the Corporation at the date hereof.
2. Subject only to the Act, the Articles and any other by-law of the Corporation, only persons who are nominated in accordance with this by-law shall be eligible for election as directors of the Corporation.
 3. At any annual meeting of shareholders or any special meeting of shareholders (where one of the purposes for which such special meeting was called was the election of directors), nominations of persons for election to the Board may be made:
 - (a) by or at the direction of the Board or an authorized officer of the Corporation;
 - (b) by or at the direction of the holders of Special Voting Shares in accordance with, and subject to, the Articles;
 - (c) by one or more shareholders pursuant to a “proposal” (as defined in section 137(1) of the Act) made in accordance with the provisions of section 137 of the Act, or a requisition by one or more of the shareholders made in accordance with the provisions of section 143 of the Act; or
 - (d) by any person (a “**Nominating Shareholder**”) who at the close of business on the date of the giving of the notice provided for below and at the close of business on the record date for notice of such meeting, is a registered or beneficial holder of one or more shares carrying the right to vote at such meeting, and who complies with the timing and notice procedures set forth below in this by-law.
 4. In addition to any other requirements under applicable law, the Articles and any other by-law of the Corporation, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with section 5) and in proper written form (in accordance with section 6) to the Secretary of the Corporation.
 5. To be timely, a Nominating Shareholder’s notice to the Secretary of the Corporation must be made:
 - (a) in the case of an annual meeting of shareholders (except where notice-and-access is used for delivery of proxy-related materials), not fewer than 30 days nor more than 65 days prior to the date of the annual meeting of

shareholders (but in any event, not prior to the Notice Date); provided, however, that in the event such meeting is called for a date that is fewer than 45 days after the Notice Date, notice by the Nominating Shareholder must be made not later than the close of business on the 15th day following the Notice Date;

- (b) in the case of a special meeting of shareholders (which is not also an annual shareholder meeting and except where notice-and-access is used for delivery of proxy-related materials) called for the purpose of electing directors (whether or not also called for other purposes), not later than the close of business on the 15th day following the Notice Date; or
- (c) in the case of an annual meeting of shareholders or special meeting of shareholders where notice-and-access is used for delivery of proxy-related materials, not fewer than 40 days nor more than 75 days prior to the date of the annual meeting of shareholders or special meeting of shareholders (but in any event, not prior to the Notice Date).

The time periods for the giving of a Nominating Shareholder's notice set forth above shall in all cases be determined based on the original date of the applicable annual meeting of shareholders or special meeting of shareholders, and in no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of such notice.

The Board may, in its sole discretion, amend the time periods for the giving of a Nominating Shareholder's notice set forth above in order to comply with changes to applicable laws or recommended best practices.

6. To be in proper written form, a Nominating Shareholder's notice to the Secretary of the Corporation must set forth:
 - (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, citizenship, business address and residential address of the person; (ii) the principal occupation or employment of the person; (iii) the class or series and number of shares in the capital of the Corporation which are controlled or directed or which are owned beneficially, directly or indirectly, or of record by the person as of the record date for notice of the meeting of shareholders (if such date shall have occurred) and as of the date of such notice; and (iv) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and
 - (b) as to the Nominating Shareholder (which, for the purpose of this subsection 6(b), includes the Nominating Shareholder's Affiliates): (i) the class or series and number of shares in the capital of the Corporation which are controlled or directed or which are owned beneficially, directly

or indirectly, or of record by the Nominating Shareholder as of the record date for notice of the meeting of shareholders (if such date shall have occurred) and as of the date of such notice; (ii) full particulars regarding any proxy, contract, agreement, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation; (iii) full particulars of any derivatives, hedges or other economic or voting interests (including short positions) relating to the Nominating Shareholder's interest in shares in the capital of the Corporation; and (iv) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee. The Corporation may also require any proposed nominee to provide the Corporation with a written consent to be named as a nominee and to act as a director, if elected.

7. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this by-law; provided, however, that nothing in this by-law shall be deemed to preclude discussion by a shareholder (as distinct from nominating directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the Chairman of the meeting.
8. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in this by-law and, if any proposed nomination is not in compliance with the procedures set forth in this by-law, to declare that such defective nomination shall be disregarded.
9. Notice given to the Secretary of the Corporation pursuant to this by-law may only be given by personal delivery, facsimile or email (at such fax number or email address as set forth on the Corporation's profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com), and shall be deemed to have been given and made (i) if personally delivered, only at the time it is served by personal delivery to the Secretary of the Corporation at the principal executive office of the Corporation or (ii) if transmitted by facsimile or email, if sent before 5:00 p.m. (Edmonton time) on a Business Day, on such Business Day, and otherwise on the next Business Day.
10. Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this by-law.