

{ Capital Power  
{ Investor Meetings

**Brian Vaasjo, President & CEO**  
January, 2013



# Capital Power overview



## Growth-oriented independent power producer (IPP)

- Trading on the TSX (CPX); ~\$2.2B market cap (diluted); EV ~\$4.1B
- IPO in mid-2009 from the spin-off of power generation assets from EPCOR
- Growth through acquisitions / robust development pipeline



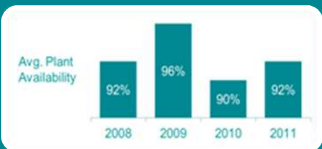
## Straight-forward business model

- Balanced portfolio of long-term contracted assets and merchant components, supported by an investment grade credit rating
- Focused on target markets in Alberta, B.C., Ontario, US Southwest, US Northeast, and Mid-Atlantic US



## High-quality generation portfolio

- Young and modern fleet with generation capacity of more than 3,600 MW
- Current generation focused on three fuel types: natural gas, coal and wind



## Proven operating and construction history

- 4-year average plant availability of ~93%
- Significant experience in the construction and operation of both thermal (coal, natural gas) and renewable (wind) facilities



## Financial strength and strong cash flow generation

- Investment grade credit rating from S&P and DBRS
- 7.2% CAGR of cash flow per share from 2009-2011
- Attractive dividend yield of ~5.5%

# 2012 Accomplishments



## *Commission 292 MW from two wind projects on time and under budgets*

- Quality Wind - COD Nov/12 and ~10% under budget
- Halkirk - COD Dec/12 and ~3% under budget

## *Rationalized fleet and sharpened focus*

- Divested small hydro facilities

## *Announced major expansion plans in Alberta*

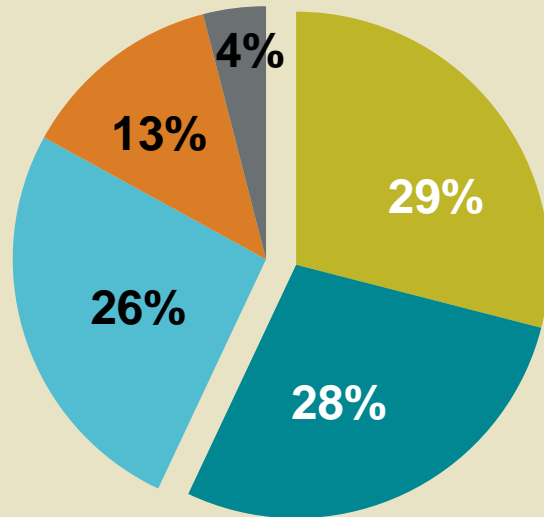
- Acquired a 50% interest (400 MW) in the Shepard Energy Centre with Enmax
  - Natural gas combined cycle facility located SE of Calgary
  - ~50% complete; expected COD early 2015
- Plan to develop the Capital Power Energy Centre; natural gas facility (up to 900 MW)

# Balanced portfolio of merchant and contracted generation<sup>(1)</sup>

## Today - 2012

15 facilities (3,603 MW)

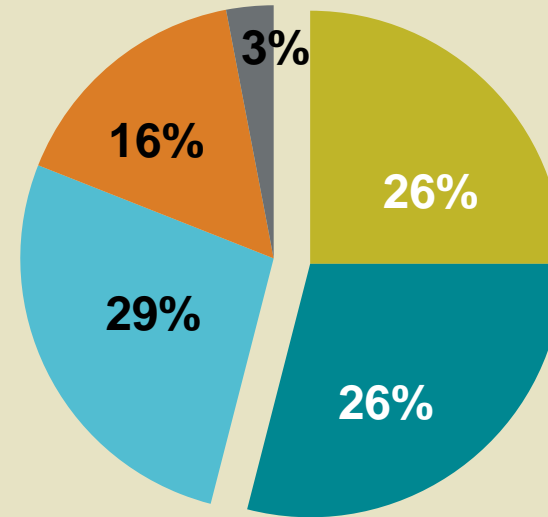
- 43% capacity contracted



## Year-end 2015E

17 facilities (4,048 MW<sup>(2)</sup>)

- 48% capacity contracted



AB commercial    
  US Northeast commercial    
  Mid-Atlantic contracted  
 AB contracted    
  ON / BC contracted

***With the addition of the Shepard facility, contracted operating margin improves to 64% in 2015E compared to 37% in 2012E***

(1) Based on MW owned capacity as of Jan 1/13; excludes Sundance PPA (371 MW) and Clover Bar Landfill Gas (4.8 MW).

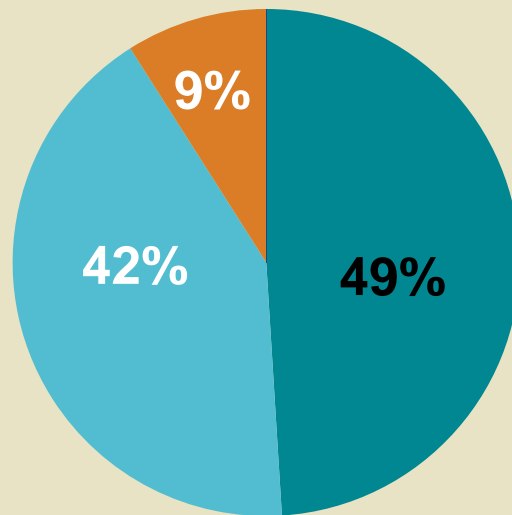
(2) Based on existing plants plus committed development projects.

# Technology focus<sup>(1)</sup>

*Operations and growth are focused on: natural gas, coal, wind and solar*

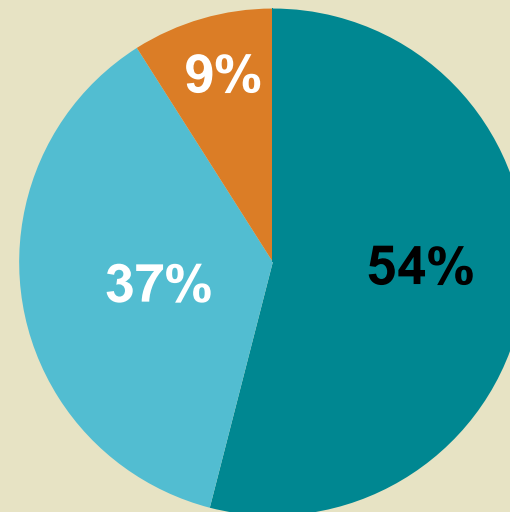
## Current

15 facilities (3,603 MW)



## By 2015 year-end

17 facilities (4,048 MW<sup>(2)</sup>)



■ Gas ■ Wind ■ Coal & solid fuels

*Interest in Shepard facility (400 MW) will increase natural gas generation from 49% to 54% of overall generation by 2015*

(1) Based on MW owned capacity as of Jan 1/13; excludes Sundance PPA (371 MW), and Clover Bar Landfill Gas (4.8 MW).

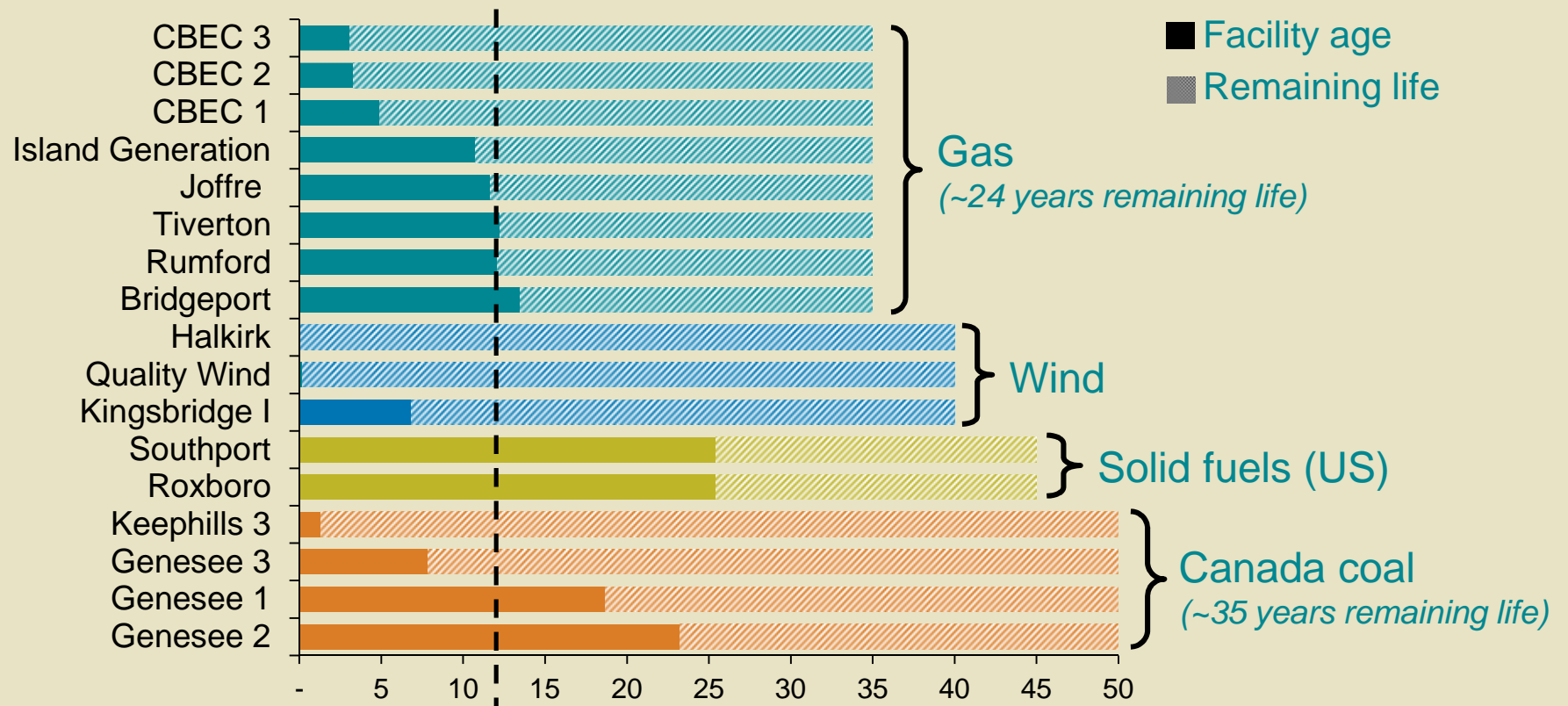
(2) Based on existing plants plus committed development projects.



# Modern fleet

*Helps keep availability high and reduces risk of unplanned outages*

- Average weighted facility age of the current fleet is 12.1 years<sup>(1)</sup>
- 2 new wind projects (195 MW) begin commercial operations in 2013 - 2014

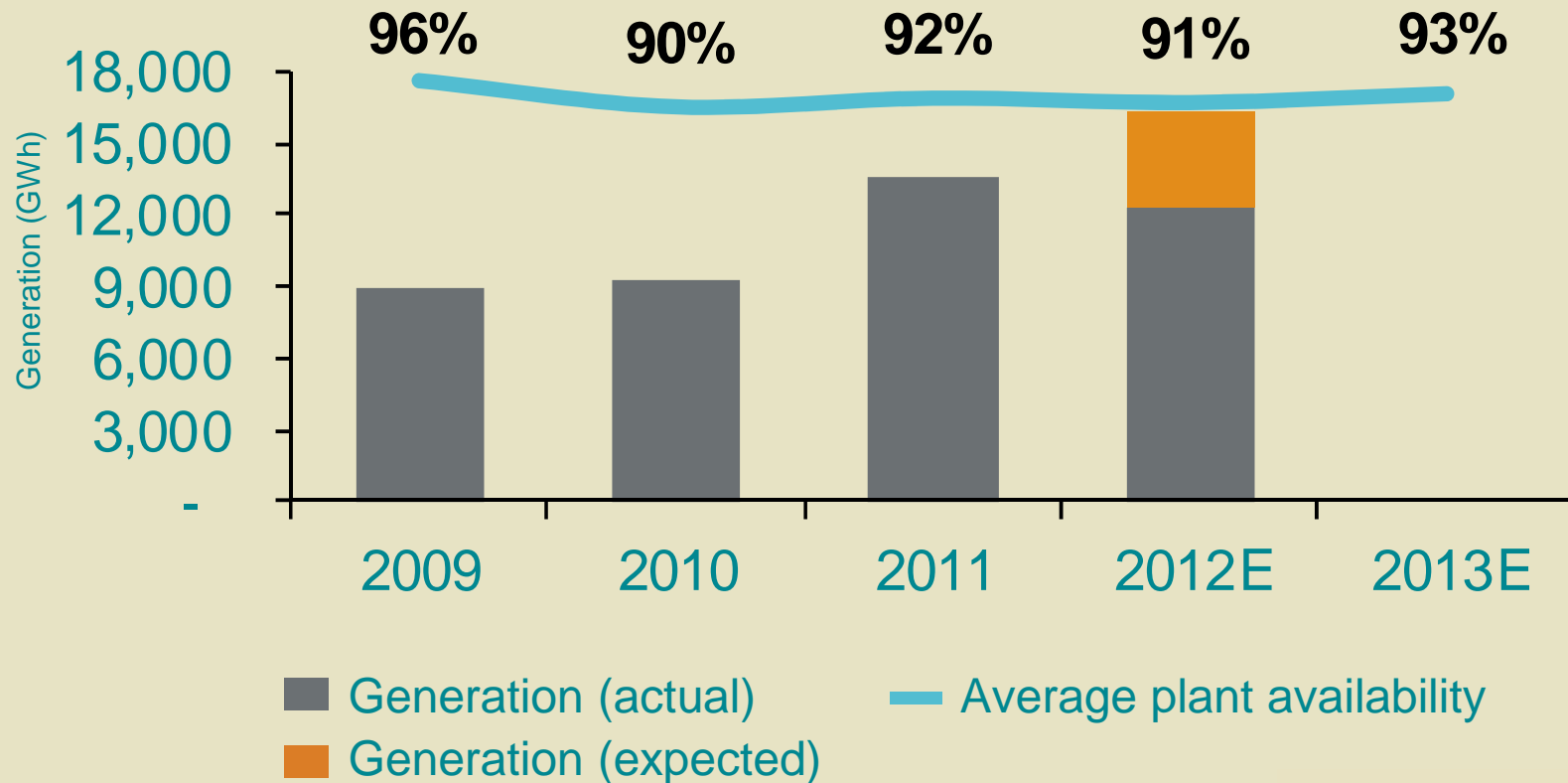


(1) Average facility age and remaining life weighted by owned capacity as of Jan1/13.

# Proven operating excellence

*Operating availability consistently 90%+ over a growing fleet and production volumes*

## Operating performance



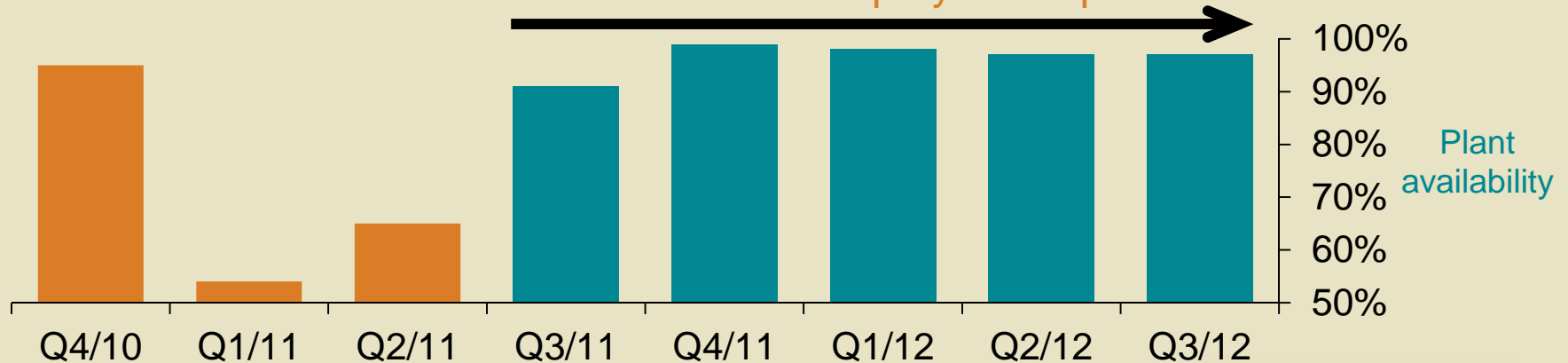
# Enhanced reliability at Clover Bar

*Participation in GE lease-pool minimizes outage periods and provides prudent risk management*

- LMS 100 units can be replaced by a leased unit from GE in 2 - 4 days
- Clover Bar (243 MW) provides significant ability to manage our portfolio
  - Can power up to full load in 10 minutes, providing flexibility to respond to sudden changes in price and manage overall portfolio
  - Provides upside on power price increases and protects downside on plant outages

## Clover Bar Energy Centre

Reliable performance  
backstop by lease-pool

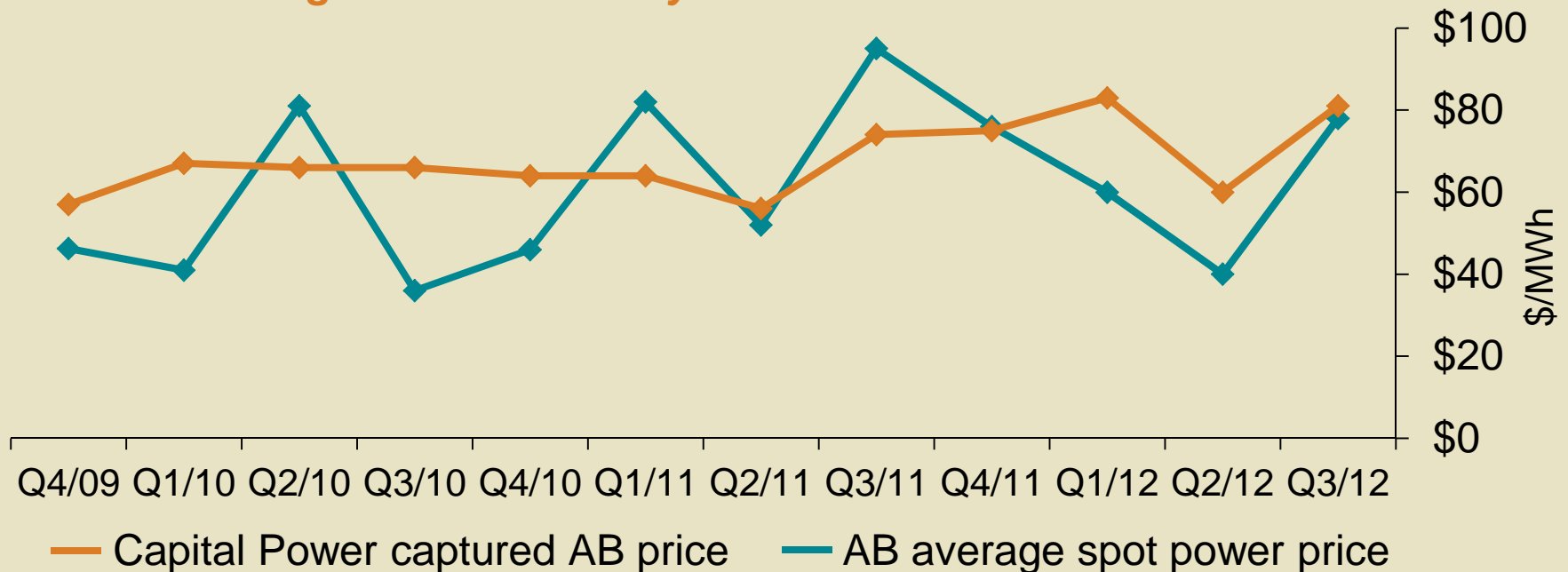




# Capturing upside from AB power prices

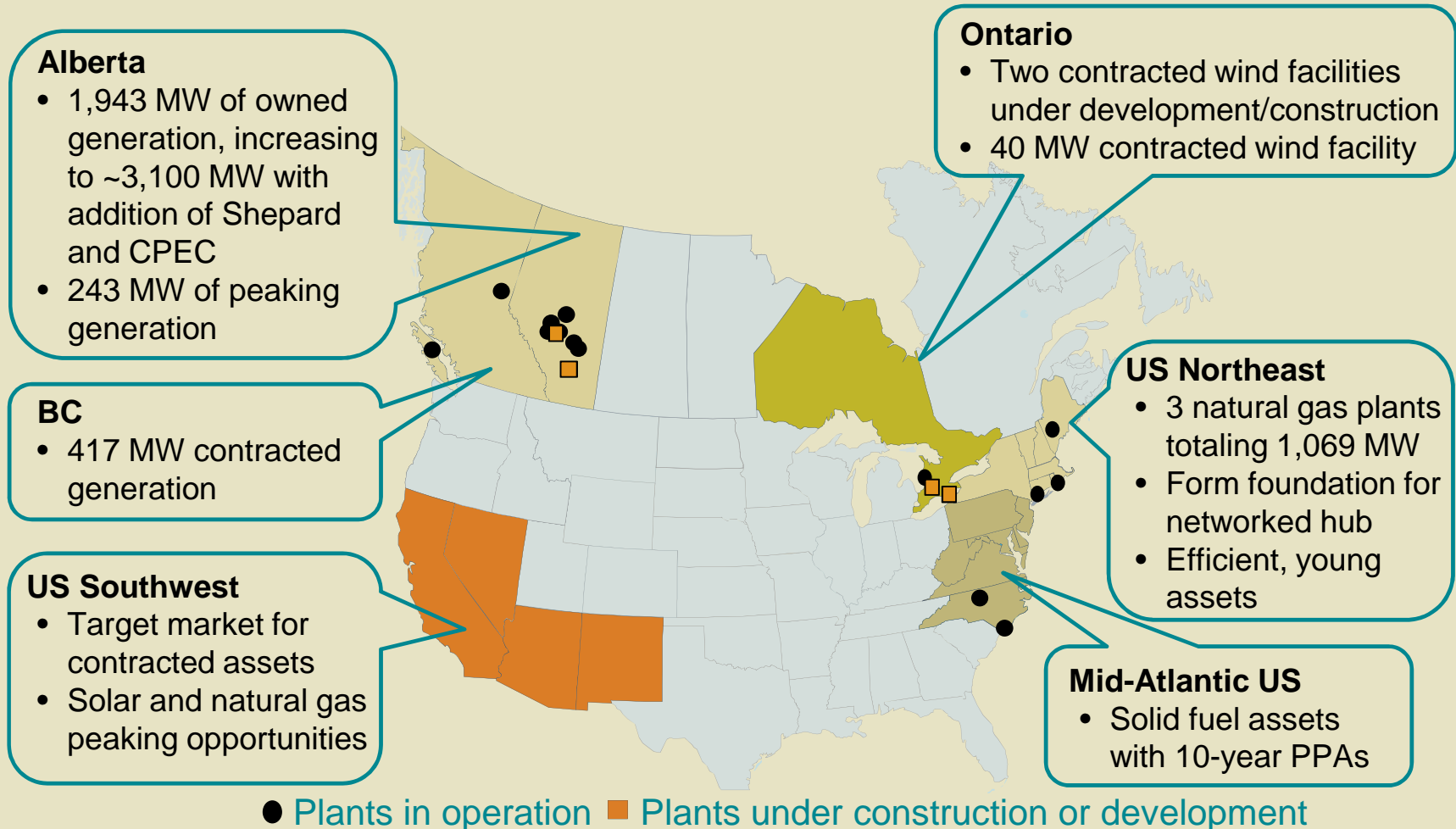
- Hedging positions based primarily on generation from Genesee 3 and Keephills 3 baseload coal plants and output from the Sundance PPA
- Actively trading throughout various time periods to minimize portfolio risks, create incremental value, and reduce volatility

*CPX's average realized power price has exceeded spot power prices by ~20% on average over the last 3 years*



# North American footprint & target markets

Ownership interest in 15 facilities with more than 3,600 MW<sup>(1)</sup>



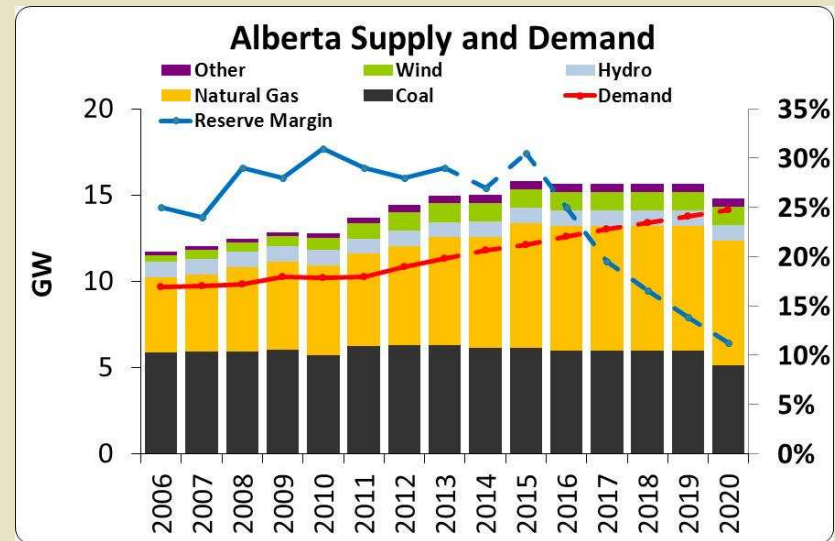
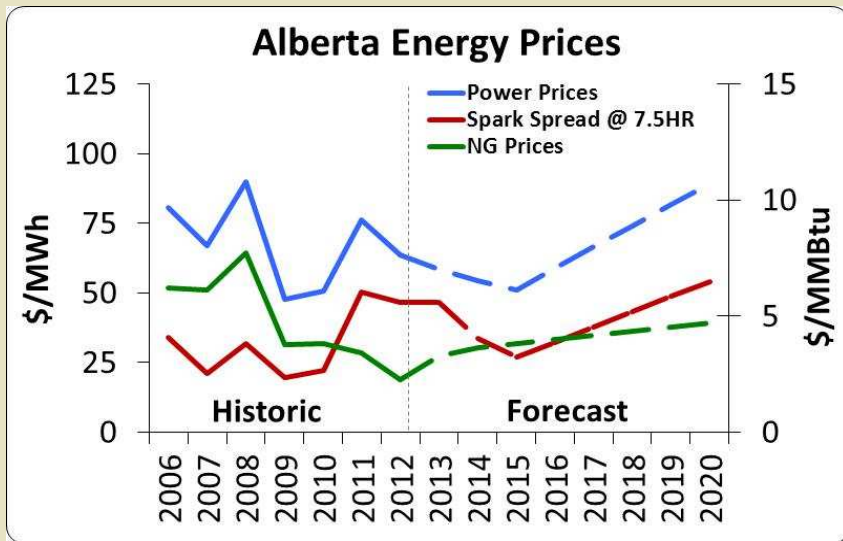
(1) Based on MW owned capacity as of Jan 1/13; excludes Sundance PPA (371 MW), and Clover Bar Landfill Gas (4.8 MW).

# Alberta market

*Positive long term supply dynamics*

*Forecast spark spreads above historical average*

*Projected reserve margin signals the need for new capacity in the 2017-2020 timeframe*



*AB market design expected to continue to provide timely pricing signals for the addition of new supply*

Source: AESO and CPC Estimates

# Shepard Energy Centre

*Excellent fit with our strategy and will strengthen our position in Alberta*



## *Provides stable cash flows*

- 20-year tolling agreement on 50% of owned capacity with ENMAX
- Additional 25% contracted for 2015-17 which increases cash flow certainty during an expected period of low pool prices in Alberta
- Additional cash flow certainty created by hedging Capital Power's existing portfolio by 100 MW in 2013, 300 MW in 2014 and 100 MW in 2015

## *Located in target region*

- Adds to existing Alberta portfolio which will facilitate additional economies of scale and trading synergies

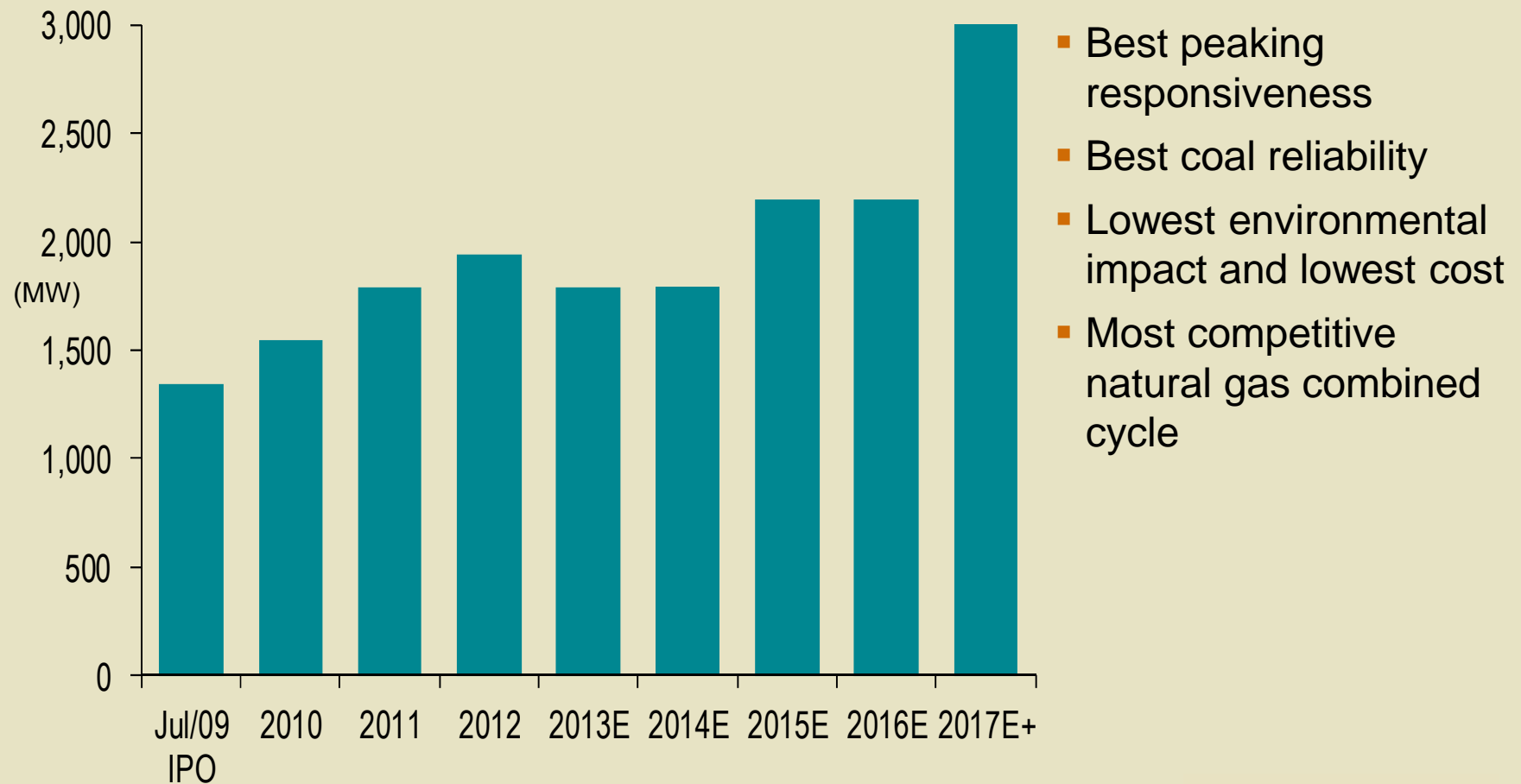
# Capital Power Energy Centre to be built to meet Alberta's power needs

## *Expands our market share in the attractive Alberta market*

- Working with General Electric in the development of the project, and would utilize GE's latest gas turbine technology
  - Looking to partner with 3<sup>rd</sup> party in the development of the project
- Evaluating two attractive sites for the project; both sites have existing infrastructure, utilities and close proximity to gas pipelines and transmission
- Targeting COD in 2017-20 to meet additional supply projected to be required from the province's economic growth and retirements of existing coal-fired facilities

# We will own the best fleet in the fastest growing power market in North America

*Expansion plans will increase our Alberta portfolio to ~3,100 MW*



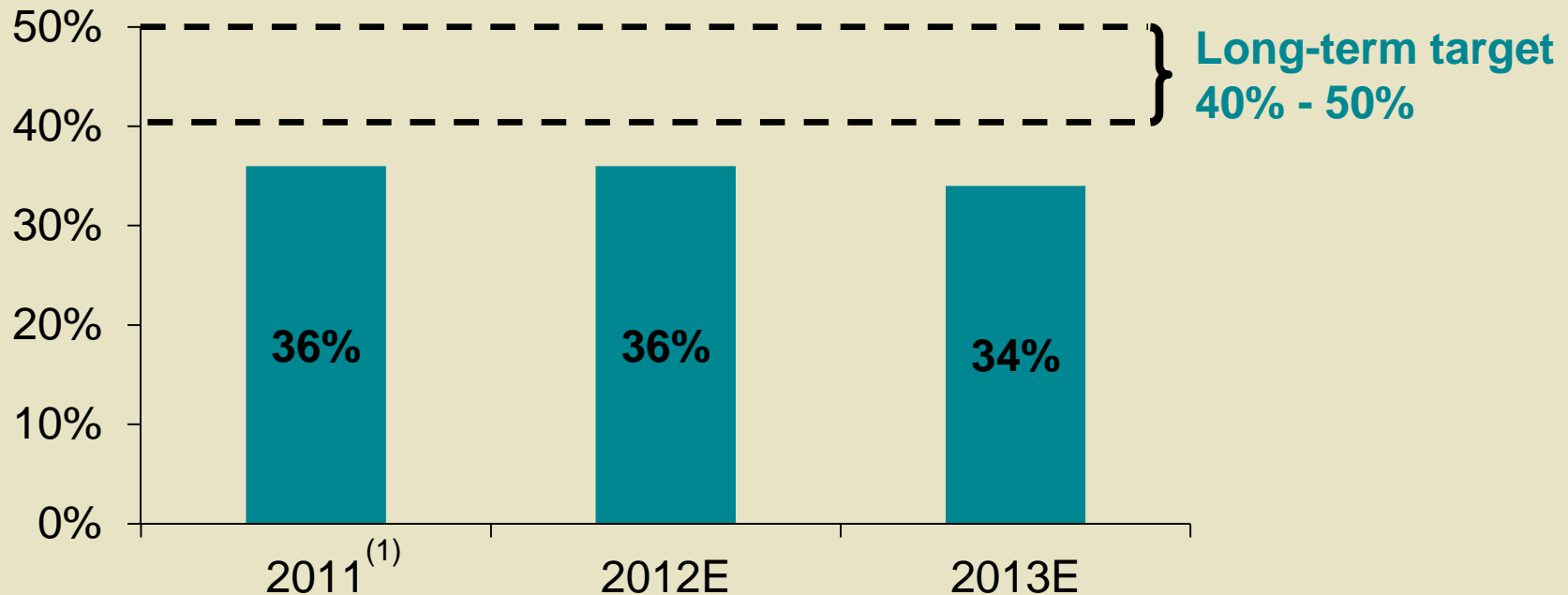


# Financial strength and access to capital

## Strong balance sheet

- Assets of ~\$5.0B with ~\$1.6B of long-term debt
- \$1.2B in credit facilities, of which ~\$1.0B available
  - In 2012 added \$300M accordion feature

## Debt to Total Capitalization



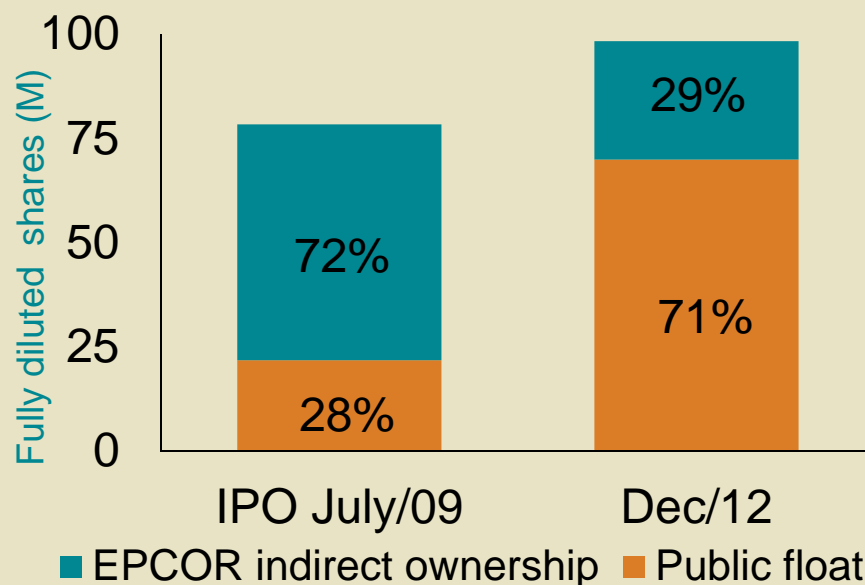
(1) CPILP accounted for on an equity basis

# Capital markets financings & liquidity

## Successful debt/equity offerings in 2012

- 7-year medium term note issuance in Feb/12, \$250M raised
- Secondary offering of common shares Apr/12, ~\$230M gross proceeds to EPCOR
- Primary offering of 4.60% Cumulative Rate Reset Preferred Shares, Series 3, in Dec/12, \$150M raised

## Increased public float & improved liquidity

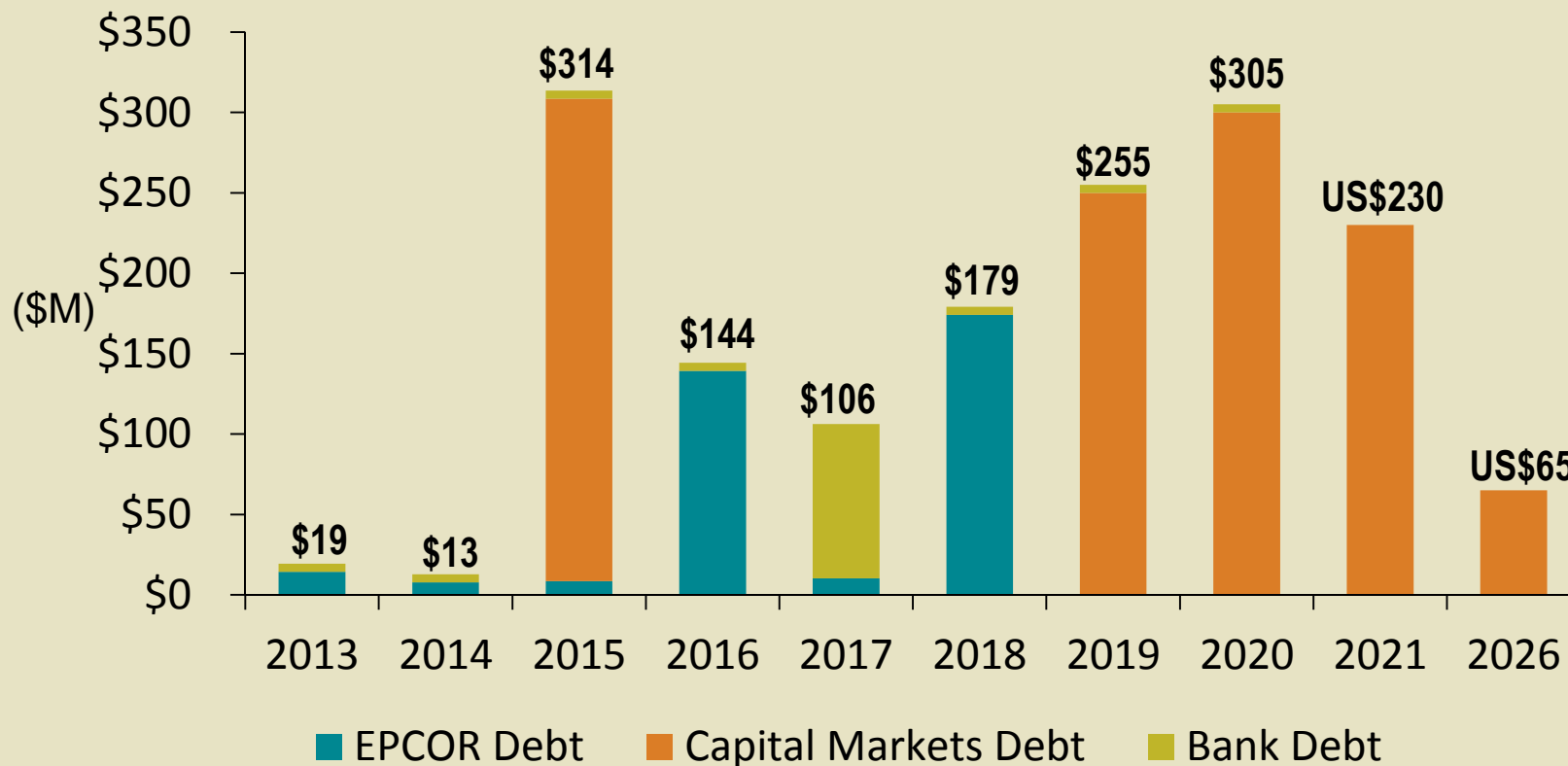


- Fully diluted market cap of ~2.2B
- EPCOR indirect ownership now 29%
- Added to S&P/TSX Composite Index in Jun/11
- 2012 average daily trading volume of ~158K has doubled compared to 2010

# Debt maturity schedule<sup>(1)</sup>

*Well spread-out debt maturities are supported by long asset lives*

- Term on credit facilities extended to 5 years



(1) As of Nov 30/12.

# Development projects - capex

(\$M)	Prior to 2012	2012E	2013E	2014E	Project Total
Halkirk	\$183	\$137	\$25	-	\$345 <sup>(1)</sup>
Quality Wind	\$155	\$255	-	-	\$410
Port Dover Nanticoke	\$49	\$40	\$251	-	\$340
K2 Wind Ontario	\$1	\$3	\$21	\$33	\$58 <sup>(2)</sup>
Shepard Centre	-	\$50	\$335	\$470	\$855
<b>Total growth capex</b>		<b>\$485</b>	<b>\$632</b>	<b>\$503</b>	

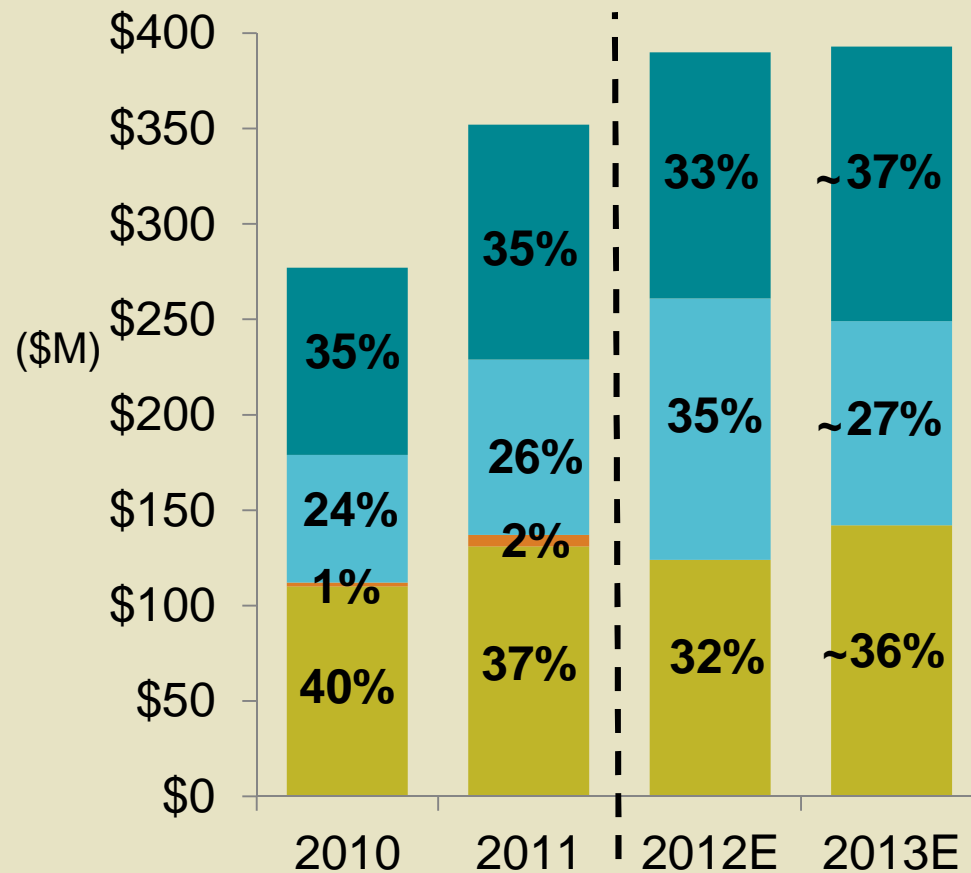
*Continue strong execution of capex program*

(1) Based on current projections

(2) Balance of proceeds from project financing and partners

# Continued strong cash flow generation

## Funds From Operations (FFO)



- Targeting \$385M-\$415M in FFO in 2013
  - ~36% expected to be discretionary cash flow<sup>(1)</sup>
- 32%-40% of 2010-12 FFO is discretionary cash flow
- Additional cash flows in 2013 from:
  - Full year operations from Halkirk and Quality Wind
  - PD&N expected COD in Q4/13

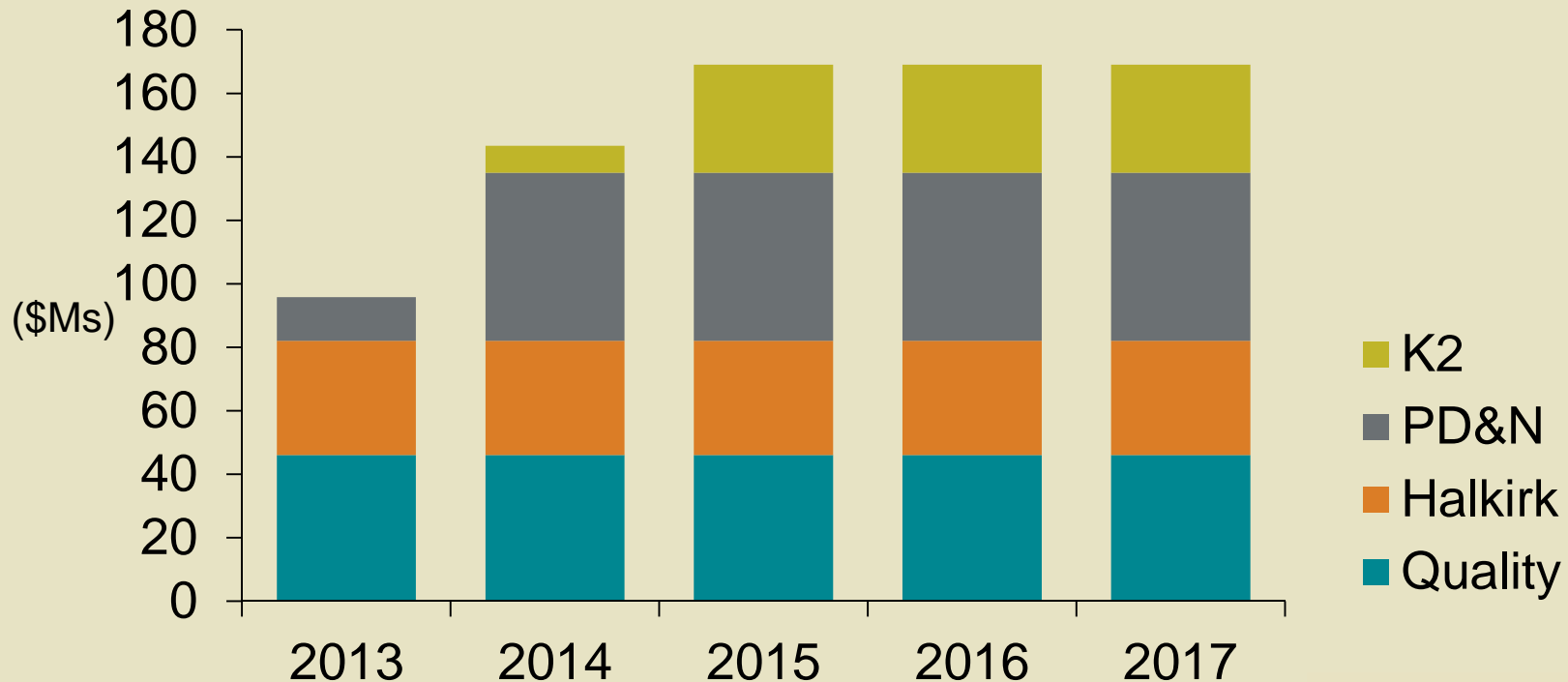
- Dividends (common and preferred)
- Sustaining capex
- Other sustaining capex
- Discretionary cash flow

(1) Discretionary cash flow is a non-GAAP financial measure. See page 34.

# Strong financial performance of 4 wind projects

- Wind projects are forecast to provide \$165M - \$175M of annual cash flow before financing
- Strong accretion of ~\$1.05 - \$1.10 in cash flow per share and ~\$0.35 - \$0.40 in EPS for all 4 wind projects

## Forecast cash flow from wind projects





# AB commercial portfolio positions

*Acquisition of 50% interest in Shepard increases our hedged position*

- Alberta portfolio hedged positions for AB baseload plants and Sundance PPA (% sold forward)

2013	2014	2015
Hedged positions (% hedged)		
44%	44%	17%
Average hedged prices (\$/MWh)		
Mid-\$60	Mid-\$50	Mid-\$50

- Sensitivity analysis<sup>(1)</sup> to +/- \$1/MWh change in Alberta power prices
  - 2013: +/- \$3.7M to EBITDA
  - 2014: +/- \$3.7M to EBITDA
  - 2015: +/- \$5.6M to EBITDA

(1) Based on hedged positions as of Oct 31/12.

# New England power price sensitivities

- Sensitivity analysis<sup>(1)</sup> to +/- \$1.00 MWh change in New England spark spreads
  - 2013: +\$5.7M and -\$6.0M to EBITDA
  - 2014: +\$6.5M and -\$7.1M to EBITDA
  - 2015: +\$7.4M and -\$7M to EBITDA



***Expect market fundamentals in US Eastern region will normalize in future years resulting in a positive impact on New England plants***

(1) The spark spread sensitivity provided is general guidance. Estimates may vary depending on dispatch and pricing differences for individual plants.

# Financial outlook – 2013 vs. 2012

## *Expect year-over-year increase in capacity and production*

- Full year of operations from Quality Wind and Halkirk Wind
- EBITDA from North Carolina plants expected to be comparable to 2012 based on better operating performance partially offset by lower contract REC pricing in 2013-14 and return to 2012 levels in 2015
- EBITDA from New England facilities is expected to be comparable to 2012

## *Additional wind capacity expected to come on-line in 2013*

- Full year cash flow (after financing costs) for Quality Wind and Halkirk Wind of ~\$50M
- Expected COD for Port Dover & Nanticoke in Q4/13

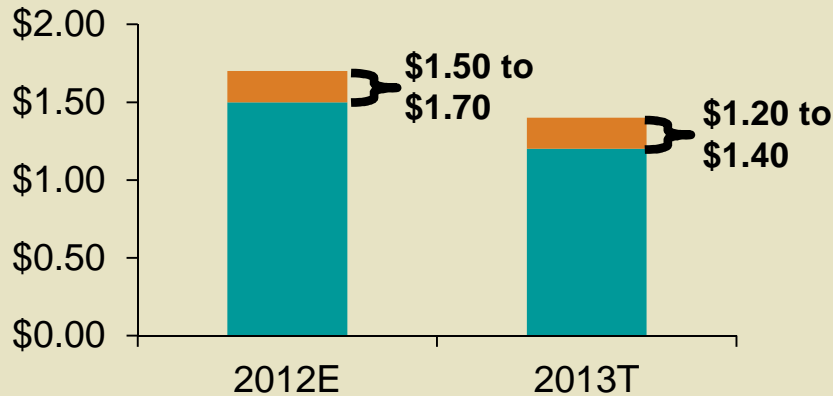
## *Relatively balanced merchant/contracted position provides opportunity*

- 44% of the Alberta Commercial portfolio sold forward in 2013 at the mid-\$60/MWh

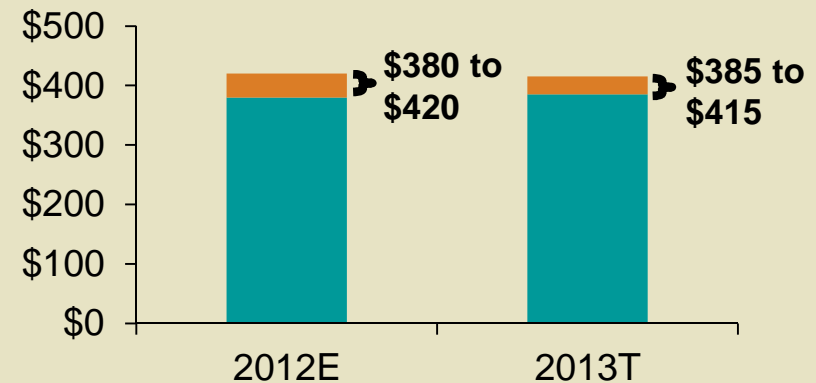
# 2013 Financial targets<sup>(1)</sup>

*Normalized EPS of \$1.20 - \$1.40 and CFPS of \$3.80 - \$4.20 are based on a forecasted average Alberta power price of \$58/MWh*

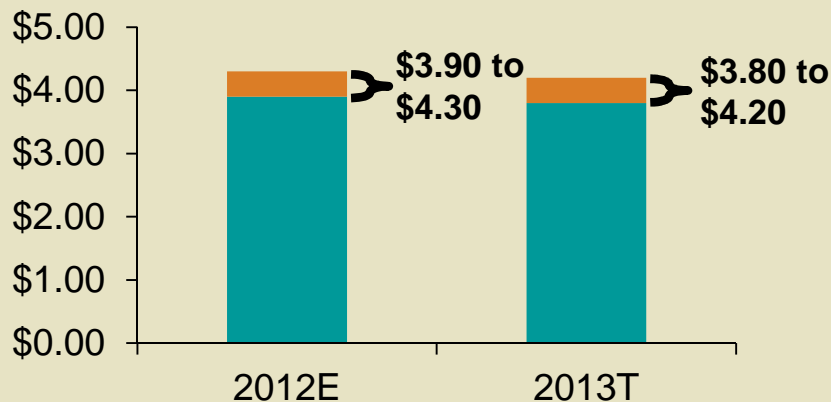
## Normalized EPS target



## Funds from operations target (\$M)



## Cash flow per share target



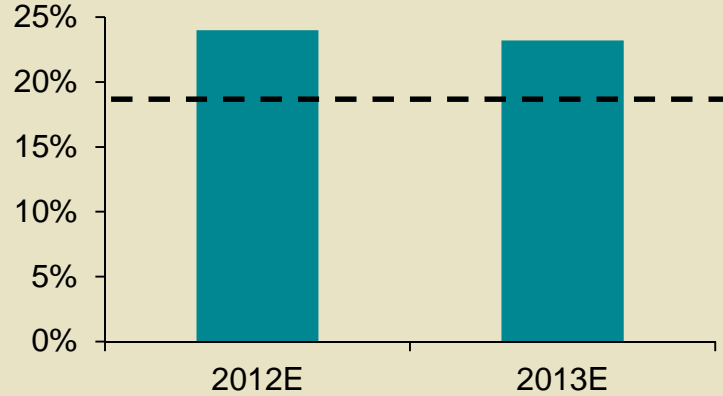
- Base expectations
- Range of expectations

(1) All financial measures are non-GAAP measures, see page 34.

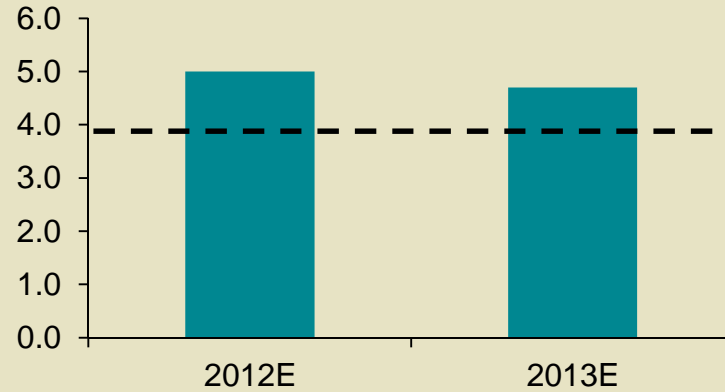
# Credit rating agency metrics<sup>(1)</sup>

*In line with DBRS financial criteria for current rating*

## Cash flow/Adj. Debt

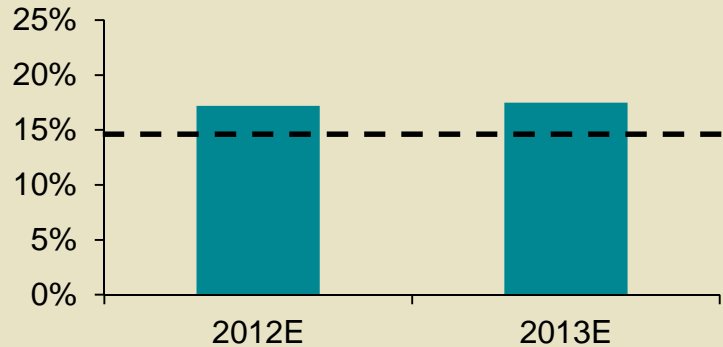


## EBITDA/Adj. Interest

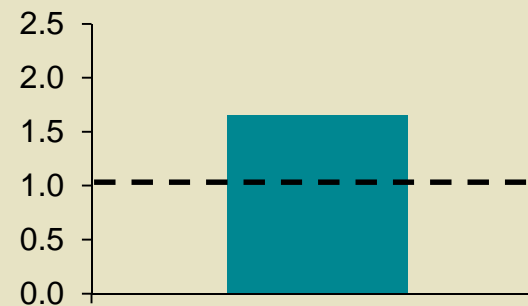


*Above S&P financial criteria for investment grade rating*

## AFFO/Adj. Debt



## Corporate Liquidity<sup>(2)</sup>



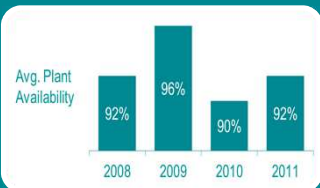
(1) Metrics applicable to Capital Power L.P. and include effects of Shepard Energy Centre (SEC) participation.

(2) As of Nov 30/12; adjusted to include announced SEC participation and preferred share issuance.

# Summary



**Straight forward business model with long-term contracted assets and merchant position that provides stable cash flows and upside opportunities**



**Large, high quality generation portfolio**

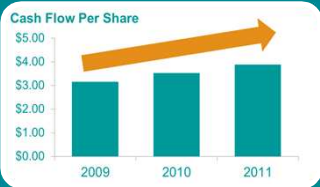
**Young and modern fleet with proven operating history**

**Technology focus on natural gas, coal, wind and solar**



**North American footprint in attractive target markets**

**Dominant AB power producer with increasing exposure to the fastest growing power market in North America**



**Investment grade credit rating**

**Financial strength with access to capital**

**Strong cash flow generation**



## Alberta power market

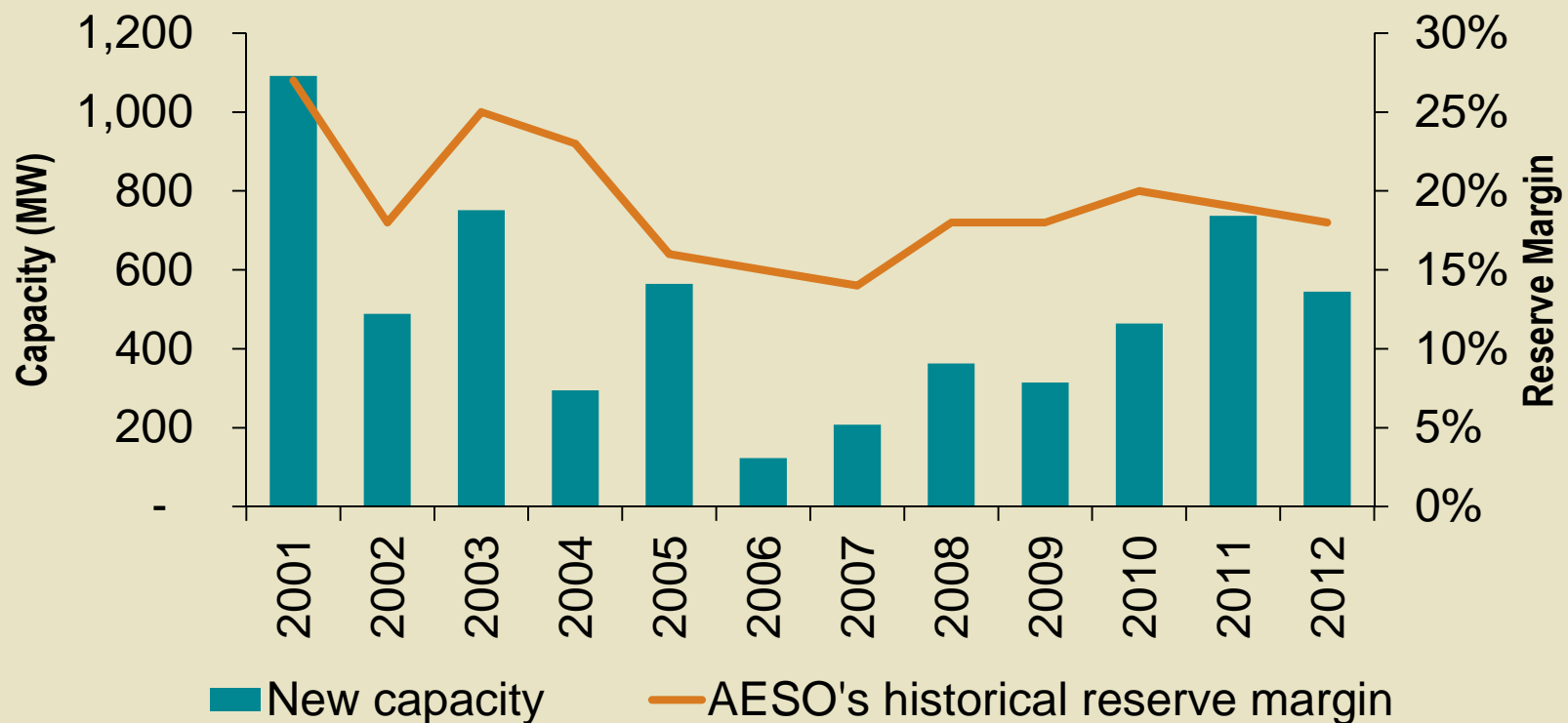
- Alberta (AB) has a competitive wholesale energy and ancillary services market operated by the Alberta Electric System Operator (AESO); market has an installed generation capacity of ~13,000 MW
- No capacity market – power generators must recover all costs through revenue earned in AB’s energy and ancillary services market
- Entire province is a single zone where power prices are determined by the bid price of the incremental power generator (i.e. one with the highest cost of generation) that is dispatched to balance demand and supply in real-time
- AB’s economy expected to grow above national average rate due to the impact of continued oil sands development activities that is a fundamental driver to increasing power demand
- AESO forecasts long-term energy and demand to grow at a rate of 3.3% annually until 2022<sup>(1)</sup>
- AB government reviewing market design to look at reducing power price volatility for Regulated Rate Option customers
  - Do not expect any fundamental market design changes

(1) AESO 2012 Long-term Transmission Plan, [http://www.aeso.ca/downloads/AESO\\_2012\\_LTP\\_Sections\\_1.0\\_to\\_5.0.pdf](http://www.aeso.ca/downloads/AESO_2012_LTP_Sections_1.0_to_5.0.pdf)

## AB market design

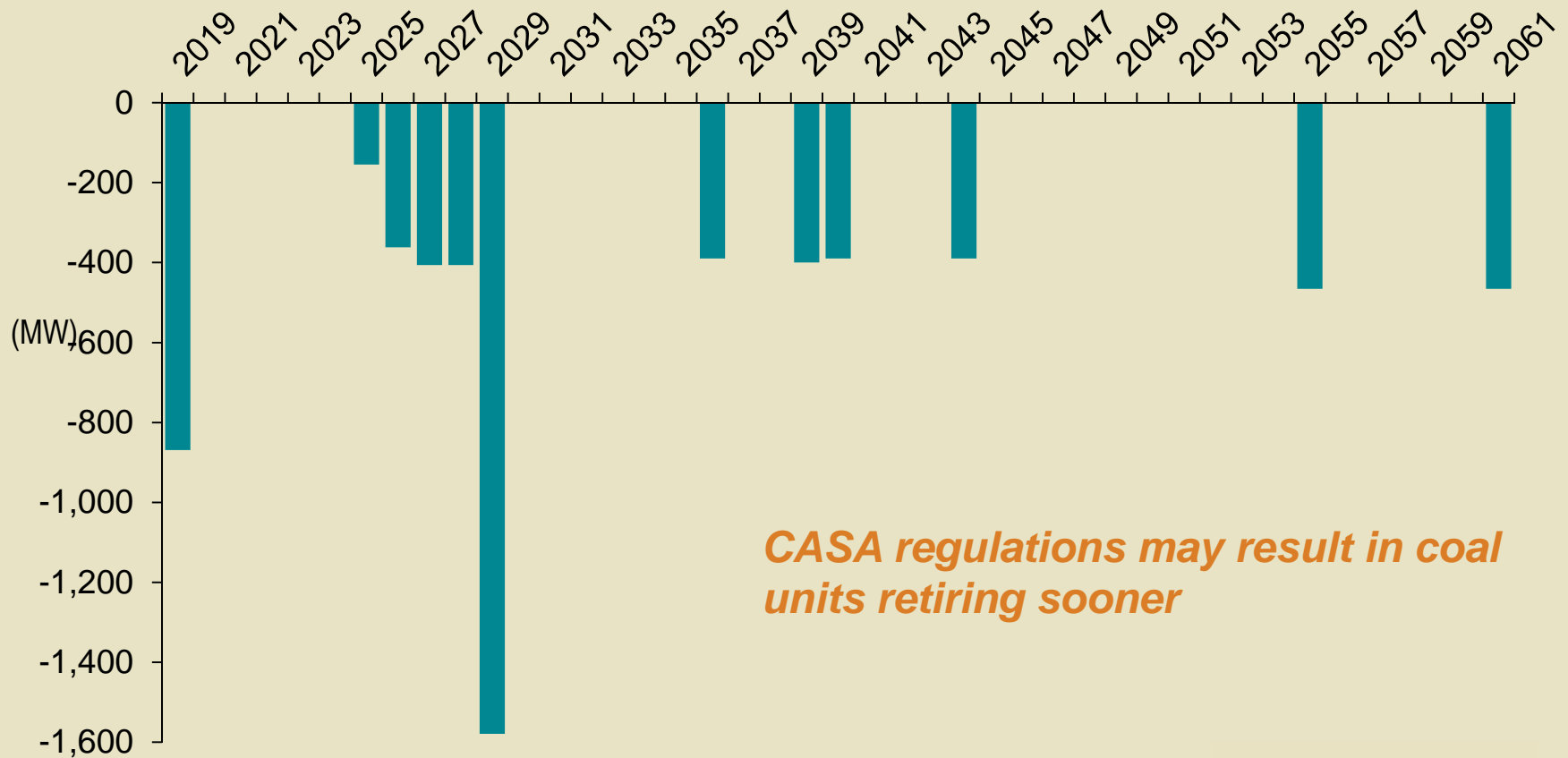
*Current market design has been successful in signaling when new capacity is required*

### Alberta reserve margin and new capacity



## Increasing certainty of coal unit retirement schedule

Annual coal unit retirements under the recent federal Capital Stock Turnover regulations

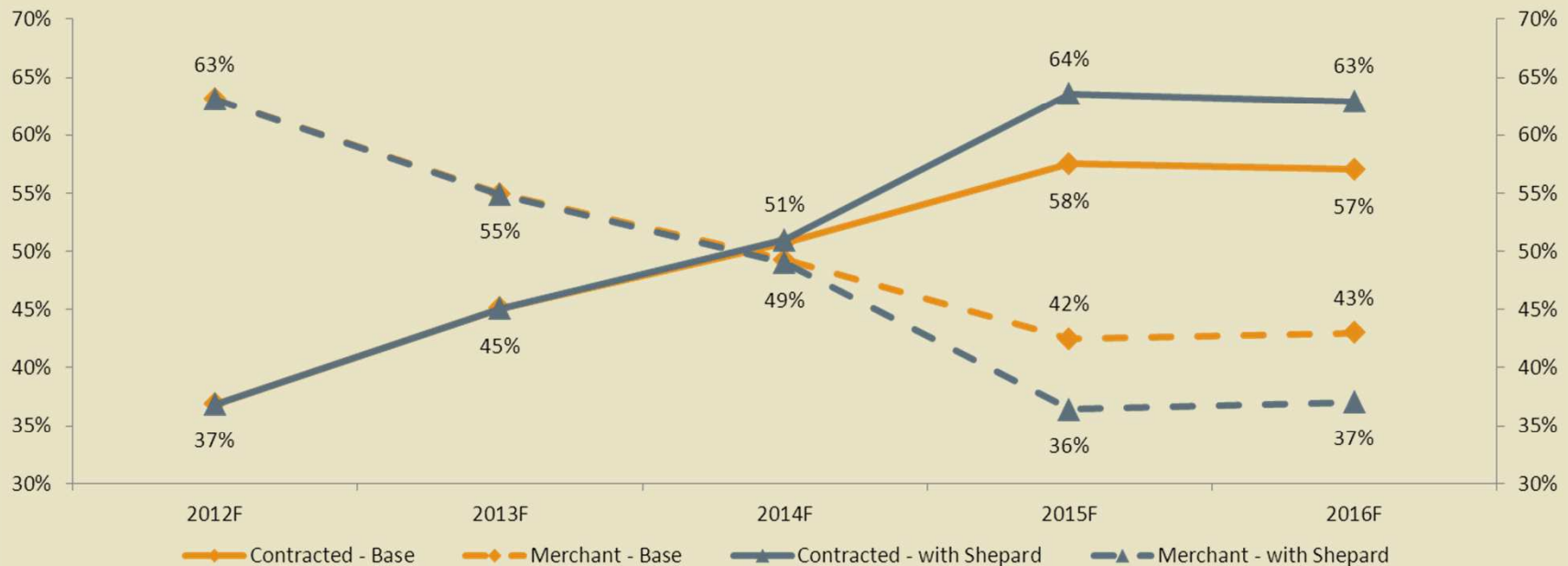


# Appendix

## Shepard impact on contracted/merchant mix

- Contracted operating margin improves Capital Power's contracted / merchant mix from 2014 through 2016
- Average weighted-age of our contracted EBITDA at 2015F would improve to 12.5 years with Shepard project compared to 10.6 years without the project

### Contracted vs. Merchant mix



# Appendix

## Summary of assets

	<u>Genesee 1</u>	<u>Genesee 2</u>	<u>Genesee 3</u>	<u>Keephills 3</u>	<u>Joffre</u>	<u>Clover Bar Energy Centre</u>	<u>Clover Bar Landfill</u>	<u>Halkirk</u>
	Alberta Contracted		Alberta Commercial					
<b>Capacity</b>	422 MW	430 MW	516 MW	495 MW	480 MW	243 MW	4.8 MW	150 MW
<b>% owned / operated</b>	100 / 100	100 / 100	50 / 100	50 / 0	40 / 0	100 / 100	100 / 100	100 / 100
<b>Location</b>	Warburg, Alberta	Warburg, Alberta	Warburg, Alberta	Keephills, Alberta	Joffre, Alberta	Edmonton, Alberta	Edmonton, Alberta	Halkirk, Alberta
<b>Fuel</b>	Coal	Coal	Coal	Coal	Natural gas	Natural gas	Landfill gas	Wind
<b>Commercial Operations</b>	1994	1989	2005	2011	2000	Unit 1 - 2008 Unit 2&3 - 2009	2005	2012
<b>PPA Expiry</b>	2020	2020	Merchant	Merchant	Merchant	Merchant	Merchant	~40% - 45% of total revenues from 20-year REC sale agreement / Merchant

## Summary of assets (cont'd)

	<u>Kingsbridge</u> <u>1</u>	<u>Island</u> <u>Generation</u>	<u>Quality</u> <u>Wind</u>	<u>Roxboro</u>	<u>Southport</u>	<u>Tiverton</u>	<u>Rumford</u>	<u>Bridgeport</u>
	Ontario & British Columbia Contracted			Mid-Atlantic Contracted		US Northeast Commercial		
<b>Capacity</b>	40 MW	275 MW	142 MW	88 MW	46 MW	279 MW <sup>(1)</sup>	270 MW <sup>(1)</sup>	540 MW <sup>(1)</sup>
<b>% owned / operated</b>	100 / 100	100 / 100	100 / 100	100 / 100	100 / 100	100 / 100	100 / 100	100 / 100
<b>Location</b>	Goderich, Ontario	Campbell River, BC	Near Tumbler Ridge, BC	Roxboro, North Carolina	Southport, North Carolina	Tiverton, Rhode Island	Rumford, Maine	Bridgeport, Connecticut
<b>Fuel</b>	Wind	Natural gas	Wind	Mixture of wood residuals, tire-derived fuel and coal	Mixture of wood residuals, tire-derived fuel and coal	Natural gas	Natural gas	Natural gas
<b>Commercial Operations</b>	2006, 2001	2002	2012	1987	1987	2000	2000	1999
<b>PPA Expiry</b>	2026 / 2027	2022	2037	2021	2021	Merchant	Merchant	Merchant

(1) Represents net winter capacity. Tiverton, Rumford and Bridgeport have nominal generation capacities of 265, 265, and 520 megawatts, respectively.

# Appendix

## Summary of projects under development

	Capital Power Energy		K2 Wind Ontario	Port Dover & Nanticoke
	Shepard Energy Centre	Centre		
	Alberta Commercial		Ontario Contracted	
<b>Capacity</b>	800 MW	Up to 900 MW	270 MW	105 MW
<b>% owned / operated</b>	50 / 0	100 / 100, looking for 3 <sup>rd</sup> party in development	33.3% owned	100 / 100
<b>Location</b>	Calgary, Alberta	Two attractive brownfield sites identified, Alberta	Ashfield-Colborne-Wawanosh, Ontario	Located in the counties of Norfolk and Haldimand, Ontario
<b>Fuel</b>	Natural gas	Natural gas	Wind	Wind
<b>Commercial Operations</b>	Expected Q1/15	Targeting 2017-2020	Expected 2014	Expected Q4/13
<b>PPA Expiry</b>	Merchant / 75% of CPC's share of the project output under 20-year tolling arrangement for the 2015-17 period and 50% thereafter until 2035. Additional contracted arrangements for 100 MW in 2013 & 2015, and 300 MW in 2014	Merchant	20-year PPA with Ontario Power Authority for \$135/MWh	20-year PPA with Ontario Power Authority for \$135/MWh
<b>Expected Capital Cost</b>	\$855M CPC's expected total cost (Total project cost expected \$1.6B)		\$58M CPC's expected capex (\$874M expected total project capex )	\$340M

# Non-GAAP financial measures

The Company uses (i) EBITDA, (ii) funds from operations, (iii) funds from operations excluding non-controlling interests in CPILP, (iv) cash flow per share, (v) dividend coverage ratio, (vi) normalized earnings attributable to common shareholders, (vii) normalized earnings per share, and (viii) discretionary cash flow as financial performance measures. These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP, and therefore may not be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to gross income, net income, net income attributable to Shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective.



# Forward-looking information

Certain information in this presentation is forward-looking within the meaning of Canadian securities laws as it relates to anticipated financial and operating performance, events or strategies. The forward-looking information or statements are provided to inform the Company's shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this presentation is generally identified by words such as will, anticipate, believe, plan, intend, target, and expect or similar words that suggest future outcomes. Material forward-looking information includes, among other things, information relating to: (i) expectations regarding Capital Power's sources of funding; (ii) expectations regarding future growth and emerging opportunities in the Alberta market including the focus on certain technologies; (iii) expectations regarding the timing of, funding of, and costs for existing and planned development projects and acquisitions; (iv) expectations regarding plant availability; and (v) expectations regarding future earnings and funds from operations.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate. All forward-looking information or statements reflect Capital Power's assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate. Readers are cautioned not to place undue reliance on this forward-looking information. Capital Power undertakes no obligation to update or revise any forward-looking information except as required by law. For additional information on the assumptions made, and the risks and uncertainties which could cause actual results to differ from the anticipated results, refer to Capital Power's Management's Discussion and Analysis dated and filed March 13, 2012 under Capital Power's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and other reports filed by Capital Power with Canadian securities regulators.

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