

Annual Information Form

For the Period Ended December 31, 2009

March 15, 2010

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PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this Annual Information Form (AIF) is given at or for the period ended December 31, 2009. Amounts are expressed in Canadian dollars unless otherwise indicated. All financial information presented in millions of Canadian dollars is rounded to the nearest million unless otherwise stated. Financial information is presented in accordance with Canadian generally accepted accounting principles (GAAP).

This AIF provides material information about the business and operations of Capital Power Corporation (Capital Power or the Corporation). Any reference to Capital Power or the Corporation in this AIF means Capital Power Corporation together with its subsidiaries on a consolidated basis, including its interest in Capital Power L.P. (CPLP), except where otherwise noted or the context otherwise indicates. Any reference to Capital Power Income L.P. (CPILP) (formerly EPCOR Power L.P.), a publicly-traded limited partnership in which CPLP indirectly has approximately a 30.5% interest, means CPILP and its subsidiaries on a consolidated basis, except where otherwise noted or the context otherwise indicates.

The Corporation's Management's Discussion and Analysis (MD&A) dated March 9, 2010 for the six months ended December 31, 2009 and the Corporation's Annual Audited Consolidated Financial Statements for the six months ended December 31, 2009 provide additional information. Copies of these documents are available on SEDAR at www.sedar.com and on the Corporation's web site at www.capitalpower.com.

Risk factors affecting the Corporation's business and operations are discussed under the heading "Risk Factors" in this AIF and in the MD&A under the heading "Business Risks".

FORWARD-LOOKING INFORMATION

Certain information in this AIF is forward-looking and related to anticipated performance, events and strategies. When used in this context, words such as "will", "anticipate", "believe", "plan", "intend", "target" and "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 actual results and experience to be materially different than the anticipated results.

In particular, forward-looking information and statements include information and statements with respect to: (i) the amount of recoverable coal reserves that Capital Power has rights to and the sufficiency of such reserves to supply the requirements of the Genesee facilities; (ii) the capital cost of the Keephills 3 power project, including the capital cost for the associated coal mine and interest during construction and the expected commencement of commercial operation of the Keephills 3 project; (iii) expected improvement in and reduction of current and future plants' environment emission levels and ability to capture future emissions; (iv) Capital Power's corporate strategy, including with respect to growth, project development and acquisitions; (v) expectations regarding the implementation of new environmental regulations, the expected impact of environmental regulations on Capital Power's operations, the anticipated costs of complying with such regulations, and the recoverability of such costs; (vi) expected business development costs and project completion dates as well as ability to receive government funding; (vii) expectations that CPILP's enhancement project for its Southport and Roxboro plants in North Carolina will reduce the plants' environment emission levels and improve their economic performance; and (viii) the Quality Wind Project's expected capital cost, timing for completion of environmental permitting, timing of commercial operation and the term of the Energy Purchase Agreement with BC Hydro. These statements are based on certain assumptions and analysis made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements include, but are not limited to: (i) the operation of Capital Power's facilities; (ii) power plant availability; (iii) Capital Power's financial position and credit facilities; (iv) Capital Power's assessment of commodity and power markets; (v) Capital Power's assessment of the markets and regulatory environments in which it operates; (vi) weather; (vii) availability and cost of labour and management resources; (viii) performance of contractors, partners and suppliers; (ix) availability and cost of financing; (x) foreign exchange rates; (xi) Capital Power's operations, financial position and available credit facilities; (xii) Capital Power's assessment of capital markets; (xiii) management's analysis of applicable tax legislation; (xiv) that currently applicable and proposed tax laws will not change and will be implemented; (xv) renewal and terms of power purchase arrangements; (xvi) currently applicable and proposed emissions regulations will be implemented; (xvii) counterparties will perform their obligations; and (xviii) ability to implement strategic initiatives and capital projects which will yield the expected benefits.

Whether actual results, performance or achievements will conform to Capital Power's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from Capital Power's expectations. Such risks and uncertainties include, but are not limited to risks relating to (i) the operation of Capital Power's facilities; (ii) plant availability and performance; (iii) the availability and price of energy commodities; (iv) electricity load settlement; (v) the performance of counterparties, partners, contractors and suppliers; (vi) competitive factors in the power industry; (vii) economic and market conditions, including in the markets served by Capital Power's facilities; (viii) on-going compliance by Capital Power with its financial covenants; (ix) developments in the North American capital markets; (x) the

availability and cost of labour and management resources; (xi) the availability and cost of financing; (xii) unanticipated maintenance and other expenditures; (xiii) regulatory and government decisions including changes to emission regulations; (xiv) changes in existing and proposed tax and other legislation in Canada and the U.S.; (xv) weather; (xvi) foreign exchange rates; (xvii) the availability and cost of equipment; (xviii) construction; (xix) ability to successfully realize the benefits of acquisitions and investments; and (xx) the tax attributes of and implications of any acquisitions. See "Risk Factors" in this AIF and "Business Risks" in the Corporation's MD&A for the six months ended December 31, 2009 filed on SEDAR.

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 disclaims any intention and assumes no obligation to update any forward-looking statement.

DEFINITIONS OF CERTAIN TERMS

Certain terms used in this AIF have the following meanings:

"ATCO" means ATCO Power Canada Ltd.

"Balancing Pool" means the Alberta Balancing Pool, an Alberta provincial government entity established to, among other things, hold certain PPAs

"BC Hydro" means British Columbia Hydro and Power Authority

"Capital Power" or the "Corporation" means Capital Power Corporation together with its subsidiaries on a consolidated basis, including its interest in Capital Power L.P.

"Clover Bar" means Clover Bar Energy Centre

"CPI Investments" means CPI Investments Inc., formerly EPLP Investments Inc.

"CPI Income" means CPI Income Services Ltd., formerly EPCOR Power Services Ltd.

"CPILP" means Capital Power Income L.P., formerly EPCOR Power L.P., and its subsidiaries on a consolidated basis, except where otherwise noted or the context otherwise indicates

"CPLP" means Capital Power L.P.

"CPLPGP" means the general partner of CPLP, Capital Power GP Holdings Inc.

"DBRS" means DBRS Limited

"EPA" means Electricity Purchase Agreement

"EPDC" means EPCOR Power Development Corporation

"ESA" means Energy Supply Agreement

"EPCOR" means EPCOR Utilities Inc. collectively with its subsidiaries

"FERC" means Federal Energy Regulatory Commission

"FPA" means Fuel Purchase Agreement

"GE" means General Electric

"GHG" means Green House Gases

"GWh" means Gigawatt hours

"IPO" means Initial Public Offering

"kWh" means Kilowatt hours

"MW" means Megawatts

"MWh" means Megawatt hours

"NOVA" means Nova Chemicals Corporation

"OEFC" means The Ontario Electricity Financial Corporation

"OPA" means Ontario Power Authority

"PERH" means Primary Energy Recycling Holdings LLC

"PPA" means power purchase agreement or power purchase arrangement, as applicable

"PSA" means Purchase and Sale Agreement

"QF" means Qualifying Facility

"Reorganization" has the meaning ascribed thereto under "General Development of the Business - Initial Public Offering and Reorganization"

"S&P" means Standard & Poor's, a division of the McGraw-Hill Companies, Inc. (Canada) Corporation

"SRAC" means Short-Run Avoided Costs

"Tax Act" means the *Income Tax Act* (Canada)

"TransAlta" means TransAlta Corporation

"TransCanada" means TransCanada Corporation

"U.S." means United States of America

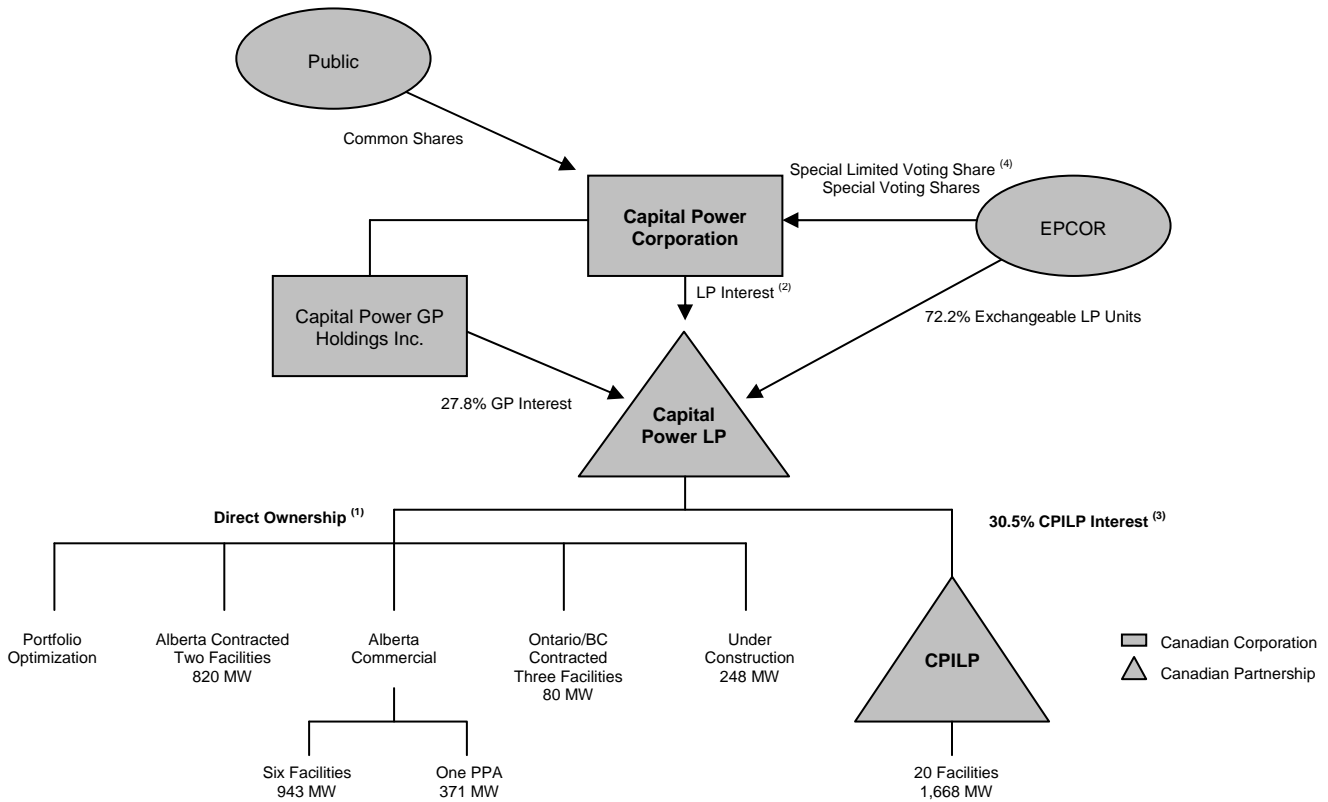
CORPORATE STRUCTURE

Capital Power Corporation

The Corporation was incorporated under the *Canada Business Corporations Act* on May 1, 2009 as 7166575 Canada Inc. The Corporation's name was changed to Capital Power Corporation pursuant to articles of amendment dated May 6, 2009. The Corporation's articles were further amended on June 16, 2009 and July 7, 2009 to, among other things; create the classes of shares described in this AIF. See "Capital Structure".

The principal business office and registered office of the Corporation is located at TD Tower, 10088-102 Avenue, Edmonton, Alberta, Canada, T5J 2Z1.

The following organizational chart indicates the intercorporate relationships of the Corporation, its material subsidiary entities and its Shareholders:



- (1) Stated capacity represents owned and/or operated capacity.
- (2) Held through Capital Power LP Holdings Inc., a wholly-owned subsidiary of the Corporation.
- (3) Capital Power L.P. has a 49% voting interest and a 100% economic interest in CPI Investments Inc., a holding company that owns approximately 30.5% of the limited partnership units of CPILP and 100% of the shares of the general partner of CPILP. EPCOR Utilities Inc. owns the other 51% voting interest in CPI Investments Inc. See "Capital Structure - CPI Investments Inc." and "Material Contracts – CPI Investments Inc. Shareholder Agreement". CPILP facilities are managed and operated by indirect subsidiaries of Capital Power.
- (4) EPCOR holds 56.625 million Special Voting Shares of the Corporation, the one Special Limited Voting Share of the Corporation, and the one Special Limited Voting GP Share of the general partner of CPLP. See "Capital Structure".

Capital Power L.P.

CPLP is a limited partnership established under the laws of the Province of Ontario. The general partner of CPLP is Capital Power GP Holdings Inc. (CPLPGP) which is wholly-owned by the Corporation (subject to the one Special Limited Voting GP Share held by EPCOR). See "Capital Structure". The board of directors of CPLPGP is the same as the board of directors of the Corporation. CPLP directly and indirectly holds the Corporation's assets and investments in the electrical power generation business.

EPCOR Utilities Inc. (with its subsidiaries, EPCOR) through a subsidiary holds 56.625 million Exchangeable LP Units of CPLP. See "Material Contracts - Limited Partnership Agreement". The Corporation indirectly holds 21.75 million general partner units (GP Units) of CPLP and one common limited partnership unit (Common LP Unit) of CPLP representing approximately 27.8% and zero%, respectively, of the total number of outstanding partnership interests in CPLP.

Capital Power Income L.P.

CPLP has a 49% voting interest and a 100% economic interest in CPI Investments Inc., a holding company that owns approximately 30.5% of the limited partnership units of CPILP and 100% of the shares of CPI Income Services Ltd., the general partner of CPILP. EPCOR owns the other 51% voting interest in CPI Investments Inc. See "Capital Structure - CPI Investments Inc." and "Material Contracts - CPI Investments Inc. Shareholder Agreement".

CPILP is a limited partnership formed under the laws of the Province of Ontario with interests in 19 wholly-owned power generation facilities in Canada and the United States (U.S.) that generate electricity and steam, an additional 50.15% interest in a generation asset in the U.S. and a 14.3% common equity interest in Primary Energy Recycling Holdings LLC (PERH). CPILP is a reporting issuer in each of the provinces and territories of Canada, and its limited partnership units are listed on the Toronto Stock Exchange under the symbol "CPA.UN". Certain officers of the Corporation are officers and directors of the general partner of CPILP and of CPILP's subsidiaries. CPILP's facilities are managed and operated by indirect subsidiaries of Capital Power.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Headquartered in Edmonton, Alberta, Capital Power is engaged in the business of producing and selling power, with interests in 31 facilities in Canada and the U.S. totaling approximately 3,500 MW of owned and/or operated power generation capacity, 371 MW of capacity owned through a power purchase agreement (PPA) and 248 MW of owned capacity under construction.

Initial Public Offering and Reorganization

In July 2009, the Corporation issued 21.75 million common shares (the Common Shares) at a price of \$23.00 per share in an Initial Public Offering (IPO) pursuant to an underwriting agreement with a group of underwriters. See "Material Contracts". The proceeds from the IPO net of underwriter and issue costs were approximately \$475 million. Concurrently with the completion of the IPO, CPLP acquired substantially all of the power generation assets of EPCOR through the following transactions (the Reorganization):

- *Formation of CPLP:* The Corporation and Capital Power LP Holdings Inc., a wholly-owned subsidiary of the Corporation, formed CPLP. The Corporation acquired one GP Unit and was the initial general partner of CPLP. Capital Power LP Holdings Inc. acquired one Common LP Unit and as a result, became the initial limited partner in CPLP.
- *Sale of EMCC Limited to Capital Power Corporation:* EPCOR transferred all of the outstanding common shares of EMCC Limited (consisting primarily of certain securities of subsidiary entities, its Class B Shares of CPI Investments Inc. and a promissory note of CPI Investments Inc.) to the Corporation in return for payment of approximately \$468 million in cash from the net proceeds of the IPO. See "Material Contracts - Share Transfer Agreement".
- *Contribution of Assets by EMCC Limited to CPLP:* EMCC Limited contributed substantially all of its assets to CPLP in return for 21.75 million GP Units of CPLP. The Corporation transferred its GP Units in CPLP to EMCC Limited and as a result EMCC Limited, whose name was subsequently changed to Capital Power GP Holdings Inc., became the general partner of CPLP.
- *Sale of Assets by EPCOR Power Development Corporation (EPDC) to CPLP:* EPDC transferred substantially all of its assets (consisting primarily of assets related to Genesee Units 1 and 2, the Genesee Coal Mine joint venture and certain interests in partnerships) to CPLP in return for 56.625 million Exchangeable LP Units of CPLP and approximately \$896 million in cash. CPLP financed the cash payment with the proceeds from a long-term debt obligation to EPCOR. See

"Material Contracts - Back-to-Back Credit Agreement". Concurrently, EPDC subscribed for 56.625 million Special Voting Shares of the Corporation for a nominal amount and acquired the Special Limited Voting Share. See "Material Contracts - Asset Transfer Agreement".

Immediately following completion of the IPO and the Reorganization: (i) purchasers of Common Shares under the IPO held all of the issued and outstanding Common Shares of the Corporation, (ii) the Corporation indirectly held all of the issued GP Units and Common LP Units of CPLP, representing approximately 27.8% of CPLP, (iii) EPCOR indirectly held 56.625 million Exchangeable LP Units of CPLP (exchangeable for Common Shares of the Corporation on a one-for-one basis), representing approximately 72.2% of CPLP, and (iv) CPLP held 49% and EPCOR held 51% of the voting rights in CPI Investments Inc. and CPLP held 100% of the economic interest in CPI Investments Inc..

Each Exchangeable LP Unit of CPLP is accompanied by one Special Voting Share of the Corporation. EPCOR holds, indirectly, 100% of the Special Voting Shares. Each Special Voting Share entitles the holder: (i) to certain special rights in respect of the nomination and election of directors of the Corporation, and (ii) generally on other matters, to one vote at shareholder meetings of the Corporation, subject to the restriction that such Special Voting Shares may at all times represent not more than 49% of the votes attached to all Common Shares and Special Voting Shares of the Corporation, taken together. See "Capital Structure - Capital Power Corporation - Special Voting Shares".

In connection with the Reorganization, Capital Power entered into various agreements with EPCOR to provide for certain other aspects of the separation of the business of Capital Power from EPCOR, to provide for the continuity of operations and services and to govern the ongoing relationships between the two entities and their subsidiaries. See "Personnel" and "Material Contracts".

Clover Bar Energy Centre

In December 2009, Capital Power's 243 MW Clover Bar Energy Centre (Clover Bar) commissioned the third and final natural gas turbine at the site which is located in Edmonton, Alberta on the east side of the North Saskatchewan River on the same site as the former Clover Bar Generating Station. The facility consists of one 43 MW General Electric (GE) LM 6000 turbine, and two GE 100 MW LMS 100 turbines. The new facility's environmental footprint is reduced as the high-efficiency units use 85% less water and produce about 70% less nitrogen oxide (NO_x) per megawatt hour (MWh) than the old Clover Bar Generation Station.

Quality Wind

On March 11, 2010 BC Hydro announced that Capital Power's Quality Wind Project (Quality Wind) was selected for the award of an Energy Purchase Agreement. The 142 MW wind power project would be located in northeastern BC and developed by Capital Power. The project has an expected cost of \$455 million. Clean, renewable energy generated by Quality Wind would be sold under a 25-year Energy Purchase Agreement with BC Hydro. Commercial operation is expected to commence no later than the spring of 2013.

BUSINESS OF CAPITAL POWER CORPORATION

OVERVIEW

Capital Power's current portfolio consists of interests in 31 facilities in Canada and the U.S., totaling approximately 3,500 MW of owned and/or operated power generation capacity. Capital Power's asset portfolio includes direct ownership in operating facilities, ownership of a PPA where Capital Power is entitled to the electricity output from the facilities but does not own the facilities themselves, and an indirect ownership of a 30.5% interest in CPILP.

POWER GENERATION

The Corporation has one line of business and reports results of operations in the following categories: (i) Alberta contracted plants, (ii) Alberta commercial plants and portfolio optimization, (iii) British Columbia (BC) and Ontario contracted plants, (iv) CPILP plants, and (v) other portfolio activities.

Alberta Contracted Plants

Genesee Unit 1 and Unit 2

The Alberta contracted plants, consisting of Genesee Unit 1 and Unit 2, are wholly-owned coal-fired generating units with 820 MW of combined generation capacity located west of Edmonton near Warburg, Alberta. The generation capacity of these plants is subject to a PPA (Genesee PPA) with the Alberta Balancing Pool (Balancing Pool), an Alberta provincial government

entity established to, among other things, hold certain PPAs. Genesee Unit 1 and Unit 2 are baseload units, meaning they regularly run at or near full production capacity. Genesee Unit 1 and Unit 2 are 100% owned and operated by Capital Power and are located on land owned by Capital Power.

The following table provides details of the thermal generating facility subject to the Genesee PPA at the end of 2009. The capacity is based on the nameplate capacity at each generating unit:

Plant/Location	Type of Generating Plant	Year of Commission	Owned/Operated (%)	Capacity(MW)
Genesee Plant	Coal-fired steam	Unit 1 - 1994	100/100	410
Warburg, Alberta	turbine	Unit 2 - 1989	100/100	410
Total				820

Commercial Arrangement: Power Purchase Arrangement

Genesee Unit 1 and Unit 2 are subject to a PPA with the Balancing Pool, which is in effect until December 31, 2020. Under terms of the PPA, the Balancing Pool is entitled to the power produced by the generating units, up to their committed capacity; in return Capital Power is compensated through amounts determined as follows:

- a formula-based provision intended to recover fixed and variable costs of operating the generating units;
- a formula-based provision for income taxes;
- a return on rate base formulation which includes a return on equity and cost of debt component; and
- incentive payments for maintaining plant availability above set target availability levels in the PPA and penalties to the extent the target availability levels in the PPA are not met. Variations in generation capacity create financial exposures which are managed as part of the Alberta electricity portfolio optimization activities. When the PPA was established, the target availability levels were set with the expectation that plant availability would equal target availability over the term of the PPA, although the plant owner is free to better that performance.

Availability incentives and penalties are determined on a monthly basis, and while there have been months where Genesee Unit 1 and Unit 2 have paid penalties, on an average annual basis they have earned net incentive payments in all but one year between 2001 and 2008.

Fuel Supply

Coal required for Genesee Units 1 and 2 and for Genesee Unit 3 is supplied by the adjacent Genesee Coal Mine, making Genesee a mine-mouth operation. See “Business of Capital Power Corporation - Power Generation - Alberta Contracted Plants - Genesee Unit 3”. Coal is supplied under long-term agreements with the Genesee Coal Mine joint venture, a 50/50 joint venture between Capital Power and Prairie Mines and Royalty Ltd. (PMRL). PMRL is the operator of the mine and owns approximately 50% of the coal rights within the Genesee Coal Mine permit area. The remaining 50% of the coal rights is owned by the Alberta Government, but is leased to both the Genesee Coal Mine joint venture and Capital Power under 15-year renewable lease terms. Capital Power owns substantially all surface rights within the Genesee Coal Mine permit area.

Capital Power believes the recoverable coal reserves that Capital Power has rights to are sufficient to supply the estimated requirements for the Genesee facilities, as currently configured, for at least the next 40 years, which exceeds the remaining useful lives of the Genesee Units 1, 2 and 3. The explored portions of the coal rights held by the Genesee Mine joint venture are surface mineable, which reduces extraction costs. Environmental work to date at Genesee Coal Mine has returned about 600 hectares of previously-mined area into productive farm land and wildlife habitat.

Coal is supplied by the Genesee Coal Mine to the Genesee plant on a cost-of-service basis. The coal price is determined under a fixed formula having various components, including a regulated utility-like return on investment, depreciation, tax, royalty, management fee, annual inflation and interest rate adjustments and an annually negotiated capital operating and maintenance amount. Capital Power has the deciding vote on the joint venture management committee, which must approve the final budget each year. PMRL can earn an incentive fee if it is able to reduce the actual annual operating costs below the operating costs included in the approved final budget each year while also sustaining mine output.

Alberta Commercial Plants and Portfolio Optimization

Alberta commercial plants and portfolio optimization consists of generation facilities for which Capital Power has not

contracted substantially all output and capacity of the facilities to third parties. The Alberta commercial plants consist of six facilities representing approximately 943 MW of owned and/or operated power generation capacity and generate electricity principally from coal, but also from natural gas, hydro, wind and landfill gas.

The output of the Alberta plants is managed as a networked hub by Capital Power's commodity portfolio management group. Output from these plants, with the exception of Joffre, is sold into the deregulated Alberta power market. Portfolio optimization includes generation unit offer strategy, trading, import/export activities and end-user marketing activities in the Alberta market undertaken to manage Capital Power's commodity price and volume exposures and to enhance earnings. In 2009, Capital Power created an origination business group to sell power contracts to competitive wholesale commercial and industrial (C&I) customers and manage supply on behalf of other marketers and local distribution companies. The origination group will also be utilized to support Capital Power's expansion initiatives in other deregulated North America power markets.

Capital Power seeks to maximize earnings from Alberta commercial plants and portfolio optimization by achieving high production levels from the facilities and by actively managing the portfolio's commodity price risk through the use of physical and financial contracts. Trading counterparties in the Alberta market include other power generators, large load customer entities and market trading counterparties. Internal credit limits are established and monitored for these counterparties.

Genesee Unit 3

Genesee Unit 3 (Genesee 3), commissioned in 2005, is located adjacent to Genesee Unit 1 and Unit 2 on the Genesee plant site. It is operated and 50% owned by Capital Power and 50% owned by TransAlta Corporation (TransAlta) and has a gross generation capacity of 495 MW. Genesee 3 is a coal-fired generating unit which uses supercritical technology to achieve greater fuel efficiency, lower carbon dioxide (CO₂), NO_x and sulfur dioxide (SO₂) emissions per MW than conventional subcritical pulverized coal technologies. Genesee 3 produces CO₂ emissions that are approximately 18% lower than the average conventional Alberta coal generation unit on a per MW basis.

Commercial Arrangement: Merchant Facility

Genesee 3 was constructed after deregulation of the wholesale electricity market; consequently, the output is not sold through a PPA to a third party buyer. Capital Power's share of Genesee 3 generation is managed as part of Capital Power's Alberta electricity portfolio optimization. See "Business of Capital Power Corporation - Power Generation - Portfolio Optimization".

Fuel Supply

See "Genesee Unit 1 and Unit 2 - Fuel Supply".

Joffre

Joffre is a 480 MW natural gas-fired cogeneration plant, commissioned in 2000, which is located at the Nova Chemicals Corporation (NOVA) petrochemical complex near Red Deer, Alberta. The cogeneration plant at NOVA's Joffre complex is owned by a joint venture that includes Capital Power, ATCO Power Canada Ltd. (ATCO) and NOVA with interests of 40%, 40% and 20%, respectively. It began commercial operations in May 2001.

ATCO is the operator of the Joffre cogeneration plant. The plant produces both steam and electricity for NOVA's host petrochemical complex. Approximately 110 MW to 115 MW of the net electricity output of the cogeneration plant is used on site by the host petrochemical complex with the balance being sold to the wholesale electricity market. ATCO operates and markets the power that is surplus to the needs of the petrochemical complex.

Commercial Arrangement: Energy Supply Agreement and Merchant Facility

An energy supply agreement dated June 30, 1999 among a subsidiary of CPLP, ATCO and NOVA, in their respective capacities as sellers of energy, and NOVA also in its capacity as buyer, sets forth the terms regarding the sale of electricity, steam and feedwater to NOVA. The energy supply agreement is a tolling agreement. NOVA makes cost-of-service payments comprised primarily of a natural gas, an operating maintenance and a capital payment calculated on a return-on-rate basis.

Capital Power also entered into a contract-for-differences (CfD) with the joint venture partners for 50 MW of electricity at a contracted floating price calculated monthly which expires in December 2010. The purpose of the CfD is to minimize the joint venture's exposure to spot electricity prices and guarantee a level of cash flow to support the financing of the asset. The combination of the energy supply agreement and the Capital Power CfD result in the joint venture having tolling arrangements in place for approximately 160 MW of its electrical capacity. The uncommitted capacity of the plant is bid into the wholesale electricity market by the joint venture operator and Capital Power's share of output is incorporated into the Alberta electricity portfolio optimization activities.

Fuel Supply

Natural gas for the facility is procured and managed by NOVA. Natural gas purchased from NOVA under the agreement is purchased at spot market prices. The agreement terminates upon decommissioning of the site by NOVA.

Clover Bar Energy Centre

Clover Bar is located in Edmonton, Alberta and has a gross capacity of 243 MW. The facility is comprised of three natural gas fired turbines, a 43 MW GE LM 6000 turbine commissioned in March 2008 and two 100 MW GE LMS 100 turbines that commenced operations on September 1, 2009 and December 16, 2009. The turbines are simple-cycle units with quick-start capability to meet the need for additional peaking capacity in Alberta. The units are operated to take advantage of price volatility in the Alberta electricity market and are incorporated into the Alberta electricity portfolio optimization activities. Capital costs for the project are approximately \$263 million, for all three units.

Fuel Supply

Natural gas for Clover Bar is purchased in the Alberta wholesale market to meet dispatch requirements; this fuel price exposure is incorporated into the Alberta electricity portfolio optimization activities. A natural gas transportation agreement with ATCO Pipelines, a division of ATCO Gas and Pipelines Ltd., provides firm service delivery to the Clover Bar site.

Other Alberta Facilities

Capital Power also has interests in three other power generation facilities in Alberta, being:

- a 50% joint venture interest in Taylor Coulee Chute, a 13 MW hydro facility in Southern Alberta, co-owned with TransAlta (formerly Canadian Hydro Developers, Inc.), commissioned in 2000;
- a 100% interest in Clover Bar Landfill Gas Plant, a 4.8 MW facility located in Edmonton, Alberta that extracts methane from an adjacent landfill for its fuel source, commissioned in 2005; and
- a 99% interest in Weather Dancer, a 0.9 MW wind turbine located in Southern Alberta, commissioned in 2001.

While these facilities generally have reliable operating histories and contribute to Capital Power's experience with clean energy sources, they make up a small overall contribution to the Capital Power generation fleet.

British Columbia and Ontario Contracted Plants

Capital Power owns two hydro-electric generation facilities representing 40 MW of hydro-electric generation capacity in BC and a 40 MW wind farm in Ontario. Output from these plants is sold under long-term contracts with provincial government entities; British Columbia Hydro and Power Authority (BC Hydro) and Ontario Power Authority (OPA), respectively.

Miller Creek

The Miller Creek facility, commissioned in 2003, is a 33 MW, two unit run-of-river hydroelectric power plant located on Miller Creek, near Pemberton, BC. The facility is located on Crown land that is leased by Capital Power. Capital Power pays water rental fees to the Province of BC for the use of water from Miller Creek as well as royalty payments to four separate parties. Waterflows on Miller Creek peak from May through August, with relatively low flows in the winter months.

Commercial Arrangement: Electricity Purchase Agreement

Capital Power has a 20-year term electricity purchase agreement (EPA) in place with BC Hydro, ending May 2023, for all of the power output from the Miller Creek facility.

At the end of the initial term of the EPA, BC Hydro has the option to renew the EPA for up to two 5-year terms. In addition, BC Hydro has, under separate agreement, a right of first refusal over the facility and the option to purchase a 25% joint venture interest in the facility or 25% of the electricity output from the facility for a fixed amount.

Brown Lake

Brown Lake is a 7 MW hydroelectric power plant located on the Ecstall River, near Brown Lake and Prince Rupert, BC. The plant was commissioned in 1996 and purchased by a predecessor to Capital Power in 2000. Water rental fees are paid to the Province of BC as well as a royalty payment to one of the original developers which ends in 2034. Power generation from the facility is generally consistent throughout the year, with the exception of July and August when water flows and the resulting

electricity generated are generally lower. The Brown Lake plant uses water flow from two lakes: Brown Lake and McKnight Lake. The facility is located on land leased from the Crown.

Commercial Arrangement: Electricity Purchase Agreement

Capital Power is a party to a 20-year term EPA with BC Hydro, ending in December 2016, for all of the power output from the facility, unless terminated by either party on six months' notice. The agreement automatically renews on a year-to-year basis on the same terms. The pricing under the contract is at a fixed amount per MWh, escalating annually by 3%.

Kingsbridge

Kingsbridge is a 40 MW wind farm, owned by Capital Power, located near Goderich, Ontario. It consists of 22 1.8 MW Vestas V-80 turbines commissioned in 2006 and one 0.7 MW Vestas V-47 turbine commissioned in 2001. The Kingsbridge wind farm serves the electricity requirements in the region and is strategically located within 200 kilometres from major load centers in the Greater Toronto Area.

The Kingsbridge wind turbines are located on land leased from 10 area landholders pursuant to 14 leases. Kingsbridge receives wind power production incentive payments under the Wind Power Production Incentive Program of the Government of Canada. Under the program, Capital Power receives from the Canadian Federal Government \$0.010 per kilowatt-hour up to a maximum of approximately \$1.1 million annually and a total of approximately \$10.8 million through to March 2016.

Commercial Arrangement: Energy Supply Contracts

Kingsbridge operates under the terms of two energy supply contracts with the OPA; one for the 22 turbines commissioned in 2006 and the other for the 0.7 MW turbine commissioned in 2001. The primary energy supply contract has a term of 20 years that terminates in March 2026. The smaller energy supply contract is a standard offer agreement under the OPA's Renewable Energy Standard Offer Program which terminates in March 2027. Both energy supply contracts state that all contract related products, including greenhouse gas (GHG) credits, are transferred and assigned to the OPA. The terms of the primary Kingsbridge energy supply contract are relatively similar to other renewable energy supply contracts that the OPA administers with other Ontario renewable energy power producers.

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The following table provides details of Capital Power's generation plants, both owned/operated and in construction:

Category	Plant Name and Location	Type of Generating Plant	Year Commissioned or Target Date	Gross Generation Capacity (MW)	% Owned/Operated
Alberta Contracted Plants					
	Genesee Plant Warburg, Alberta	Coal-fired steam turbine	Unit 1 -1994 Unit 2 -1989	410.0 410.0	100/100 100/100
	Total			820.0	
Alberta Commercial Plants					
	Genesee 3 Warburg, Alberta	Supercritical Coal	2005	495.0	50/100
	Joffre Co-generation Joffre, Alberta	Gas-fired, combined cycle co-generation	2000	480.0	40/0
	Clover Bar Energy Centre Edmonton, Alberta	Natural gas- fired	Unit 1 - 2008 Unit 2 & 3 -2009	43.4 200.0	100/100
	Taylor Coulee Chute Near Lethbridge, Alberta	Hydroelectric	2000	13.0	50/0
	Clover Bar Landfill Edmonton, Alberta	Land fill gas- fired	2005	4.8	100/100
	Weather Dancer Near Brockett, Alberta	Wind turbine	2001	0.9	98.6/100
	Total			695.1	
BC and Ontario Contracted Plants					
	Miller Creek Pemberton, British Columbia	Hydroelectric	2003	33.0	100/100
	Brown Lake Near Prince Rupert, British Columbia	Hydroelectric	1996	7.0	100/100
	Kingsbridge I Wind Power Project Goderich, Ontario	Wind turbine	2006 2001	39.6 0.7	100/100
	Total			80.3	
Under Construction					
	Keephills 3 Keephills, Alberta	Supercritical Coal	2011	495.0	50/0
	Total			495.0	
Total				1,842.9	

Power Purchase Arrangements

In 2000, Capital Power, with four other companies (the syndicate members), acquired PPAs associated with two thermal power plants, Sundance and Battle River, having a total committed capacity of approximately 1,373 MW. The interest in the Battle River PPA has since been sold to ENMAX Corporation through a multi-year sale, of which the final 15% was completed on January 15, 2010 for proceeds of approximately \$64 million.

As of December 31, 2009 Capital Power maintains rights to 371 MW of capacity through its PPA ownership interest in the Sundance PPA, which entitles it to the output from two generating units of the Sundance power plant at a price reflecting the cost of fixed and variable expenses associated with operating the facilities plus a pre-determined return on invested capital. Capital Power has a 52% interest in the output from the Sundance 5 and 6 units.

The following table provides details of the generation Capital Power is entitled to:

Plant/Location	Type of Generating Plant	Year Commissioned	Committed Capacity (MW)	Net to Capital Power (MW)
Sundance	Coal-fired steam	Unit 5 -1978	353	184
Lake Wabamun, Alberta	turbine	Unit 6 -1980	357	187
Total			710	371

Production from Sundance is governed by its PPA until December 31, 2020, and is contracted for the full 20 years of the PPA period. Coal for each plant is obtained from nearby coal mines. Capital Power can sell the power acquired under the PPAs through direct sales to power customers or into the wholesale electricity market.

In late 2009, the owner (TransAlta) of the Sundance facility completed an upgrade project on Unit 5 which increased the capacity of the unit by 53 MW. Commercial terms for the increased capacity from this Unit above the original PPA volume are governed by an agreement which was entered into in December 2008 for Unit 5 and a similar agreement for the 44 MW of increased capacity for Unit 6 that has been in place since 2002. Capital Power receives a percentage of the revenues related to the increased capacity of both units for the life of the PPA.

Revenue and Volume

The following table shows Capital Power's revenues from its generation business by category:

Revenues (\$ millions)	
Category	Six Months Ended 2009
Alberta commercial plants and portfolio optimization	486
Alberta contracted plants	131
Ontario/BC contracted plants	8
CPILP plants	253
Other portfolio activities	63
Inter-plant category eliminations	(19)
Sub Total	922
Unrealized changes in fair value of CPLP's power and natural gas derivative instruments and natural gas held for trading	45
Unrealized changes in fair value of CPILP's foreign exchange contracts	41
Total	1,008

The following table shows Capital Power's power sales volumes from its generation business by category:

Electricity Generation	
Gigawatt hours (GWh)	
Category	Six Months Ended 2009
Alberta commercial plants	1,174
Alberta contracted plants	3,073
Ontario/BC contracted plants	133
Sub Total	4,380
CPILP plants	2,635
Total	7,015

Portfolio Optimization

Portfolio optimization includes activities undertaken primarily to manage Capital Power's exposure to commodity risk and enhance earnings. Capital Power purchases and sells electricity and natural gas under physical and financial transactions with the objective of matching volumes and terms, or taking positions in electricity or natural gas within limits established under the Corporation's risk management policies. Capital Power manages its output from its Alberta commercial plants and acquired PPAs as a "Networked Hub", meaning that it sells forward contracts that are non-unit specific, reducing its exposure to plant specific availabilities. Capital Power also takes specific and limited positions in the electricity or natural gas markets to generate trading profits.

Capital Power's commodity portfolio team performs the following functions:

- Sets the generation unit offer strategy which determines generation assets contribution toward portfolio optimization goals in order to optimize returns while managing potential exposure arising from generation and transmission risks, including unplanned outages;
- Manages Capital Power's volumetric and price commodity portfolio and counterparty risks;
- Acquires and schedules deliveries of natural gas supplies used to generate electricity, in particular with respect to the CPILP plants and Clover Bar;
- Derives earnings from wholesale trading of electricity and natural gas in all deregulated North America markets, with the exception of Electric Reliability Council of Texas, and by participating in Alberta's ancillary services (electricity operating reserves) market; and
- Ensures compliance with existing and emerging market-based environmental regulations. The GHG offset investments and purchases are designed to proactively manage potential compliance risks and costs associated with GHG regulations.

Capital Power controls its trading activities by measuring and reporting risk, validating transactions, valuing the trading portfolio and managing and reporting credit exposures. Capital Power uses mark-to-market valuation and a Value-at-Risk (VaR) determination to assess the risk of its trading activities. The VaR methodology is a statistically-defined, probability-based approach that takes into consideration market volatilities and risk diversification by recognizing offsetting positions and correlations between products and markets. This technique makes use of historical data and makes an assessment of the market risk arising from possible future changes in commodity prices over the holding period. Capital Power actively manages its aggregate VaR exposure within approved limits as set out in the Corporation's risk management policies.

Capital Power Income L.P.

CPILP is a Canadian limited partnership with limited partnership units listed on the Toronto Stock Exchange. Capital Power indirectly holds a 30.5% interest in CPILP, and indirectly serves as its manager and general partner. At present, CPILP's portfolio consists of 19 wholly-owned power generation assets located in both Canada (in BC and Ontario) and the U.S. (in California, Colorado, Illinois, New Jersey, New York, and North Carolina); a 50.15% interest in a power generation asset in Washington State and a 14.3% common equity interest in PERH. Generation capacity of these facilities totals

1,668 MW and a thermal capacity of approximately 4,157 million pounds per hour. These plants generate electricity and steam principally from natural gas and, to a lesser extent, from waste heat, hydro, biomass, coal and tire-derived fuels.

The General Partner of CPILP, CPI Income Services Ltd., has sub-contracted the management and administrative services of CPILP to indirect wholly-owned subsidiaries of Capital Power (collectively, the CPILP Manager). The CPILP Manager or its affiliates also operate and maintain the power plants and employ substantially all personnel carrying out duties for CPILP.

The following table lists the generating assets that Capital Power manages and operates on behalf of CPILP, as at December 31, 2009, in which Capital Power indirectly holds a 30.5% interest:

Category	Plant Name and Location	Type of Generating Plant	Year Commissioned	Nameplate Capacity (MW)	Net Capacity (MW)
Ontario					
	Calstock, Ontario	Enhanced bio-mass wood waste	2000	40	35
	Kapuskasing, Ontario	Enhanced combined cycle natural gas-fired	1997	62	40
	Nipigon, Ontario	Enhanced combined cycle natural gas-fired	1992	44	40
	North Bay, Ontario	Enhanced combined cycle natural gas -fired	1997	64	40
	Tunis, Ontario	Enhanced combined cycle natural gas-fired	1995	69	43
BC					
	Williams Lake, British Columbia	Bio-mass wood waste	1993	68	66
	Mamquam, British Columbia	Hydroelectric run-of-river	1996	52	50
	Moresby Lake (formerly Queen Charlotte), British Columbia	Hydroelectric reservoir-based	1990	6	6
NW U.S.					
	Manchief Brush, Colorado	Simple cycle natural gas-fired	2000	301	300
	Greeley, Colorado	Natural gas-fired CHP facility	1988	101	72
	Frederickson Pierce County, Washington State	Combined cycle natural gas-fired	2002	249 ⁽¹⁾	125
California					
	Naval Station San Diego, California	Duel-fuel (natural gas or No. 2 distillate fuel oil) CHP facility	1989	54	47
	Naval Training Centre San Diego, California	Duel-fuel (natural gas or No. 2 distillate fuel oil) CHP facility	1989	28	25
	North Island San Diego, California	Natural gas-fired CHP facility	1989	51	40
	Oxnard, California	Natural gas-fired CHP facility	1990	49	49
NE U.S.					

Category	Plant Name and Location	Type of Generating Plant	Year Commissioned	Nameplate Capacity (MW)	Net Capacity (MW)
	Curtis Palmer, New York	Hydroelectric impoundment and run-of-river	1986	60	60
	Kenilworth, New Jersey	Natural gas-fired CHP facility	1989	30	30
	Morris, Illinois	Cogeneration natural gas-fired	1998	177	177
North Carolina					
	Roxboro, North Carolina	Coal, tire-derived fuel and wood waste-fired CHP facility	1987	54	52
	Southport, North Carolina	Coal, tire-derived fuel and wood waste-fired CHP facility	1987	109	103
	Total			1,668	1,400

⁽¹⁾ Represents the entire capacity excluding duct firing capacity of 20 MW. CPILP owns capacity of 125 MW plus 10 MW of duct firing and manages the facility in its entirety.

Ontario Facilities

CPILP has four natural gas-fired facilities and one biomass facility located in Ontario totaling 279 MW of capacity. All five facilities are located on the Northern Canadian TransCanada Mainline natural gas pipeline and utilize waste heat from TransCanada Corporation (TransCanada) natural gas compressor stations for a portion of their energy requirements. The Ontario Electricity Financial Corporation (OEFC) is the sole purchaser of power from CPILP's five Ontario power plants. The power is purchased under long-term PPAs with OEFC which expire between 2012 and 2020. The term of the PPAs may be extended upon mutual agreement. Payment under the PPAs is based upon a formula that generally includes a fixed capacity rate applicable in that year, or adjusted annually for that year, seasonal and peak/off-peak electricity rates that are indexed and other adjustments.

CPILP purchases fuel, natural gas and/or waste heat for each of the Ontario power plants under natural gas and waste heat supply agreements, the earliest of which expires in 2012. In December 2009, CPILP reached an agreement with the OEFC to amend the PPA for the Tunis facility that allows CPILP to flow-through natural gas and transportation costs in excess of benchmark amounts to OEFC and extends OEFC the right to curtail the plant during summer off-peak periods. Firm capacity for the transportation of fuel natural gas to the Ontario power plants has been contracted for on the TransCanada natural gas transmission system under transportation agreements the earliest of which expires in 2014. For the biomass facility, wood waste and the related transportation services are purchased under contracts with four local mills for the majority of the fuel requirements at the Calstock plant, with the balance supplemented by waste heat purchased from TransCanada.

British Columbia

CPILP has one biomass facility (Williams Lake) and two hydroelectric facilities (Mamquam and Moresby Lake) located in BC totaling 126 MW of generating capacity.

Williams Lake sells power to BC Hydro under a 25-year contract with the initial term expiring in 2018. BC Hydro has an option to extend the EPA for two consecutive five-year terms at reduced EPA prices. Energy rates are established for a firm energy tranche, representing approximately 80% of total energy produced, and a surplus energy tranche, representing approximately 20% of total energy produced. Wood waste is purchased for the facility from several local mills under long-term contracts. Under terms of the EPA, 82% of fuel costs for the plant are passed through to BC Hydro, reducing the long-term exposure to supply price changes.

Mamquam sells all of its electricity generated to BC Hydro under a long-term contract which expires in October 2027. BC Hydro has an option, exercisable in 2021 and every five years thereafter, to either purchase the Mamquam facility or extend the Mamquam contract.

Moresby Lake sells substantially all its electricity to BC Hydro under a long-term contract which will expire in August 2022. The balance, approximately 1% of its power generation, is sold to NAV Canada and The Department of Fisheries and Oceans

(Canada) under long-term PPAs. Energy rates payable by BC Hydro consist of a fixed energy component adjusted annually for inflation.

Northwest U.S. Facilities

CPILP owns three natural gas-fired facilities in the U.S. Northwest, including the 301 MW Manchief facility and the 101 MW Greeley facility both located in Colorado, and holds a 50.15% interest in the 249 MW Frederickson power plant located in Washington State.

The Manchief power plant operates under energy supply agreements with Public Service Company of Colorado (PSCo) that expire in 2022. Under terms of the agreements, PSCo makes capacity payments and energy payments. Manchief is operated and maintained by Colorado Energy Management L.L.C.

The Greeley facility provides all of its electrical output to PSCo under a PPA that expires in August 2013. PSCo pays the Greeley facility a monthly capacity payment and an energy payment. The Greeley facility also sells hot water to the University of Northern Colorado pursuant to a thermal supply agreement, which expires in August 2013. Natural gas supply purchased for the Greeley facility is financially fixed through November 2011. Physical natural gas is purchased from DCP Midstream Marketing LP or Tenaska Power Services Co. at an indexed price.

CPILP's portion of the Frederickson power plant's generating capacity has been sold under PPAs to three Washington State Public Utility Districts (PUDs) for a term of 20 years ending in 2022. Under the PPAs, the PUDs pay a capacity charge, a fixed operations and maintenance charge, a variable operations and maintenance charge and a fuel charge. The PUDs must supply their proportionate share of natural gas to CPILP.

California Facilities

CPILP owns four natural gas-fired generation facilities in California including three located on U.S. Naval bases (the Naval Facilities). The Naval Facilities are comprised of Naval Station, North Island and Naval Training Center, and have a combined capacity of 133 MW. The Naval Facilities sell substantially all their electrical output to San Diego Gas and Electric Company (SDG&E) under PPAs which expire in 2019. The Naval Facilities receive a capacity payment and an energy payment based on SDG&E's short-run avoided costs (SRAC). The Naval Facilities also sell steam to the U.S. Navy pursuant to contracts, each of which expire in February 2018. In 2009, CPILP repowered the North Island facility with a new GE LM 6000 turbine, which improved the efficiency of the facility and is expected to reduce maintenance costs.

Oxnard is a 49 MW facility that provides all of its natural gas turbine electrical output to Southern California Edison Company (SCE) under a PPA that expires in 2020. The Oxnard facility receives a capacity payment and an energy payment based on SCE's SRAC. Capacity payments are based on achieving availability performance targets. The Oxnard facility will be repowered to utilize a GE LM 6000 gas turbine in 2010. It is anticipated that this conversion will result in a lower forced outage rate and reduced maintenance.

Natural gas for the Naval Facilities and Oxnard is purchased through natural gas contracts with RBS Sempra Energy Trading at monthly index prices similar to those used in the utility SRAC calculations. Energy payments received by these facilities are derived from SRAC, which enables them to largely recover natural gas costs.

Northeast U.S. Facilities

CPILP owns one hydroelectric facility (Curtis Palmer) and two natural gas-fired facilities (Kenilworth and Morris) in the North Central and Northeast U.S.

Curtis Palmer is a 60 MW hydroelectric facility located in New York that sells all power generated to Niagara Mohawk Power Corporation under a long-term contract which expires in 2027. The PPA sets out multiple prices for electricity sold, which are a function of the cumulative total of electricity delivered. Over the remaining term of the PPA, the price increases by US\$10/MWh with each additional 1,000 GWh of electricity delivered. The plant requires approximately three years to move through each 1,000 GWh block, depending on river flow.

Kenilworth is a 30 MW cogeneration facility located in New Jersey which sells electrical and steam energy to Schering-Plough Corporation (Schering-Plough), a subsidiary of Merck & Co. Inc., under an energy contract that expires in July 2012 and includes a minimum take or pay obligation. Schering-Plough pays an energy rate that escalates annually. After 2012, the contract renews automatically for 5 year terms unless written notice is provided in advance. Natural gas for the facility is purchased from Sempra Energy Trading LLC with that price used in the steam pricing.

The Morris Facility is a 177 MW cogeneration facility located in Illinois. Morris sells electrical and steam energy to Equistar Chemicals LP (Equistar), a wholly-owned subsidiary of LyondellBasell AF S.C.A., under an energy services agreement that expires in 2023. Equistar pays a tiered energy rate based on the amount of electricity and steam consumed to a maximum of

77 MW as well as capacity fees, comprised of both a non-escalating fixed fee and an escalating variable fee that expires in 2013 and 2023, respectively. Morris also has a PPA with Exelon Generation Company, LLC (Exelon) covering 100 MW of electrical capacity which expires in 2011. Exelon pays a capacity charge and an energy charge comprised of fuel costs and a per MWh variable and operating charge, as well as an availability-based "performance bonus". Any excess capacity and energy can be sold into markets in the Pennsylvania, New Jersey, and Maryland (PJM) Interconnection. The Morris Facility obtains natural gas from Tenaska Power Services Co. at a price indexed to the Chicago City Gate.

North Carolina Facilities

The Roxboro (52 MW) and Southport (103 MW) facilities in North Carolina burn a mixture of wood waste, tire-derived fuel and coal. The enhancement projects undertaken at these facilities are designed to significantly reduce their NO_x and SO₂ emissions. These changes will additionally reduce the facilities' fuel costs via increased use of wood waste and tire derived fuel accommodated by modified equipment design. The enhancements to the Roxboro facility were completed in December 2009. Enhancements to one of the Southport facility units were completed in January 2010 and enhancements to the second unit at Southport are expected to be completed in the second quarter of 2010. The cost of the capital improvements is estimated at US \$87 million.

Both facilities provide all of their electrical output under PPAs to Carolina Power & Light Company (CP&L), a subsidiary of Progress Energy, Inc. The PPAs, which expired December 31, 2009, have been extended pending resolution of arbitration before the North Carolina Utilities Commission (NCUC). In the interim, the NCUC has ordered CP&L to continue to pay pursuant to the terms of the current PPA structure until settlement the arbitration is finalized. On this interim basis the price paid includes a capacity payment, an energy payment that reflects the price of coal, and a cycling charge. If this pricing does not result in a dispatch order for the facility, CP&L has the right, but not the obligation, to bid an alternate price based upon its own pricing strategies to obtain a dispatch order. The Southport facility also sells steam pursuant to a contract that expires in December 2014.

Projects Under Construction and in Development

Capital Power's current construction projects and major development opportunities include the following:

Keephills 3

Keephills 3 is a 495 MW supercritical coal-fired generation plant that is being built on TransAlta's Keephills site just west of Edmonton, Alberta. Capital Power and TransAlta are equal partners in the plant. Capital Power has overall responsibility for construction while TransAlta will be responsible for operations once the plant is commissioned. Keephills 3 will employ the same high-efficiency supercritical coal-fired technology that is currently in operation at Genesee 3 and will incorporate a number of innovative air emissions reduction technologies. The capital cost of the project, including mine capital and interest during construction, is expected to be approximately \$1.9 billion, half of which is the responsibility of Capital Power. Commercial operation is expected to commence during the second quarter of 2011.

Keephills 3 has been designed to meet the 2006 new unit emission limits for SO₂, NO_x, mercury (Hg), and particulate matter under the 2006 Alberta Air Emissions Standards for Electricity Generation. The Corporation estimates that the plant will emit approximately 60% to 80% less SO₂, NO_x, Hg and 24% less CO₂ per MWh while producing the same amount of power than a subcritical pulverized coal plant.

Capital Power and TransAlta will independently dispatch and market their share of the unit's electrical output.

Carbon Capture and Storage Technology Projects

Capital Power is partnering with TransAlta and Alstom Canada (Alstom) to develop one of the world's largest carbon capture and storage (CCS) projects at Keephills 3, called Project Pioneer (Pioneer). Pioneer will use Alstom's chilled ammonia technology to capture one million tonnes of greenhouse gas emissions annually. Pioneer will be eligible to receive funding from the Province of Alberta's \$2 billion CCS fund as contemplated in a letter of intent signed with the Province of Alberta in October 2009. The Government of Canada is also contributing toward the project through its Clean Energy Fund. The second phase of front end engineering and design (FEED) for Pioneer is scheduled to be completed by early 2011 and will include detailed engineering and procurement planning. The development of Pioneer will not affect the construction schedule for Keephills 3.

In addition to the Pioneer project, Capital Power will complete the FEED work on its pre-combustion CCS project (the Genesee Integrated Gasification Combined Cycle (IGCC) power plant). The FEED project is being conducted in conjunction with the Canadian Clean Power Coalition, in partnership with the Alberta Energy Research Institute and Natural Resources Canada. However, Capital Power does not intend to develop an IGCC facility at this time, primarily because the technology is not economical in the current power price environment. Although the IGCC project is no longer being considered for funding from the Province of Alberta's CCS fund, the FEED study results, which are expected to be complete by the end of the first

quarter of 2010, will provide a basis for potential future development of a gasification and CCS plant.

Quality Wind

The Quality Wind project is proposed to be a 142 MW wind farm located near Tumbler Ridge, BC. Favourable wind conditions, nearby road access and available transmission capacity in the area make the project site well suited for development. On March 11, 2010, BC Hydro announced that Capital Power's Quality Wind was selected for the award of an Energy Purchase Agreement. Clean, renewable energy generated by Quality Wind would be sold under a 25-year Energy Purchase Agreement with BC Hydro. Commercial operation is expected to commence no later than the spring of 2013. Construction of the Quality Wind project will be subject to regulatory approvals, including completion of the provincial environmental assessment process and approval of the Energy Purchase Agreement by the BC Utilities Commission (BCUC). Quality Wind is currently being reviewed under BC's Environmental Assessment Act. An Application for an Environmental Assessment Certificate has been filed with the BC Environmental Assessment Office, and a formal 180-day review process, including Open Houses, is near completion.

British Columbia Biomass

The Government of BC, in conjunction with BC Hydro, has identified the need to develop biomass-based power in the province as a response to the mountain pine beetle kill and the provincial government's commitment to be electricity self-sufficient by 2016. It is expected that BC Hydro will release Phase II of the Bioenergy Call (a competitive call for larger scale biomass projects) during 2010. Capital Power and West Fraser Timber Co. Ltd. (West Fraser) are working together to jointly review development opportunities for a 50 MW to 70 MW biomass facility in either the Quesnel, BC or Houston, BC areas. A project pre-development agreement has been executed between Capital Power and West Fraser.

British Columbia Wind Projects

Capital Power entered into a joint development agreement with Chinook Power Corp. (Chinook) to work together on certain proposal activities and to develop four wind projects in BC. Capital Power is actively evaluating the Klo site, near Houston, BC, and has identified two others for possible future evaluation. Capital Power currently holds 50% of the rights to the Klo site under its joint venture agreement with Chinook. Capital Power expects to further evaluate and possibly develop this project in anticipation of the next BC Hydro call for power.

Cambridge Natural Gas Peaking Facility

The OPA has identified a number of locations for natural gas-fired peaking plants within their proposed Integrated Power System Plan (IPSP), including the Kitchener-Waterloo-Cambridge-Guelph area. In anticipation of a natural gas generation facility being needed to support the power system in the Cambridge area, Capital Power has secured a site for construction and operation of such a peaking facility. Capital Power evaluated technology alternatives for meeting a requirement of 450 MW to 500 MW of capacity and participated in engineering, stakeholder communications and environmental assessments which were completed and submitted to the Ministry of Environment in the fall of 2009. Capital Power originally anticipated that the OPA would receive a directive from the Minister of Energy and Infrastructure to conduct a request for proposal (RFP) process for peaking capacity by the second quarter of 2010. However, due to the impact of the economic downturn on Ontario's manufacturing sector, it is expected that information regarding the RFP process may be delayed until 2011. As a result, further work on the Cambridge Natural Gas Peaking Facility has been halted.

Kingsbridge Wind — Phase II

In late November 2009, Capital Power submitted an application into the OPA's Feed-in-Tariff (FIT) program for the Kingsbridge II Wind Power Project (Kingsbridge II). Kingsbridge II is proposed for the Township of Ashfield-Colborne-Wawanosh (ACW) and would have the potential to generate up to 270 MW of renewable energy for the Province of Ontario. Capital Power has the option to enter into wind leases on approximately 18,000 acres of land and is continuing to add additional acres. The OPA is expected to announce the initial projects selected under the FIT program in the second quarter of 2010.

Port Dover and Nanticoke Wind Project

In November 2009, Capital Power acquired from Tribute Resources Inc. (Tribute) 100% of the assets in the Dover East Wind Limited Partnership and Nanticoke Wind Limited Partnership (Dover) for a 100 to 110 MW wind energy project in Ontario. Terms of the transaction include a closing payment in the amount of \$1.5 million and further milestone payments as the project works its way through the OPA's FIT program and Ontario's Renewable Energy Approval (REA) process. Additional payments will be received upon the offer and acceptance of a FIT contract, upon receipt of a Notice to Proceed from the OPA, and a final payment upon commercial operation. Tribute retains the right to repurchase a 10% interest in the project or obtain a royalty interest in the project upon completion. The assets include land lease options and wind test data on 6,500 acres of lands in Nanticoke, Ontario and 1,575 contiguous acres of lands just east of Port Dover, Ontario. The project was subsequently submitted into the FIT program on November 27, 2009. The OPA has announced that it will likely commence offering FIT

contracts in the second quarter of 2010.

COMPETITIVE ENVIRONMENT

Canada

On a national basis, the National Energy Board of Canada forecasts Canadian electricity production to grow approximately 16% between 2010 and 2020. The combined effect of demand growth and facility retirements is expected to result in a need for new generation in the coming years. Regionally, Capital Power's principal Canadian markets of Alberta, Ontario and BC are expected to have long-term average real gross domestic product (GDP) growth of 2.2%, 2.2% and 2.4% per annum, respectively, between 2010 and 2030. Within Canada, Alberta is one of two provinces with a deregulated electricity market, and one in which Capital Power holds a significant baseload position. The BC and Ontario markets remain price regulated, and provincial regulatory bodies have continued to issue RFP's or other procurements for the development of new generation.

United States

The current economic downturn in the U.S. has resulted in a near term slow-down in energy demand growth. The U.S. Department of Energy forecasts 1% annual electricity demand growth from 2008 through 2035. In combination with limited near-term capacity development, demand growth in the U.S. is expected to compress reserve margins and necessitate renewed development activity. Regional power markets within the U.S. exhibit a high level of diversity, due in part to differing regulatory regimes, transmission constraints, supply and demand characteristics and environmental policies. The U.S. market has solid growth potential for the Corporation due to its size relative to the Canadian market and because of its historical reliance on fossil fuel-based power generation which is an area of expertise for Capital Power.

Corporate Strengths

Capital Power is one of Canada's largest independent power producers (as measured by revenue, total assets and capacity), with an existing portfolio of approximately 3,500 MW of owned and/or operated power generation capacity, 371 MW of capacity owned through the Sundance PPA and 248 MW of owned capacity under construction. The Corporation believes that its significant baseload capacity coupled with its portfolio of mid-merit and peaking power facilities, position Capital Power to capitalize on fluctuating market dynamics. Capital Power's power generation fleet has a capacity weighted average facility age of 13 years. The Corporation's portfolio is well diversified across three provinces and seven U.S. states, helping to mitigate exposure to regionally isolated declines, disruptions or changes in power markets and potentially meet market demand growth.

Growth and Acquisitions

Capital Power's corporate strategy seeks to balance a strong financial position with targeted growth. Capital Power is committed to a policy of financial discipline founded upon operational success, long-term contracting and targeted growth while maintaining an investment-grade credit rating.

Capital Power intends to confine its regional footprint to Canada and the U.S. and seeks to enhance its regional diversification by focusing on a select group of target markets across Canada and the U.S. Capital Power uses a disciplined approach to selecting target regions with a preference for markets with favourable reserve margins and spark spreads, regulatory frameworks conducive to competitive power generation, sufficient scale to support the establishment of a Networked Hub of power facilities and liquid trading markets. Reserve margin means the difference between power demand during peak usage periods and the total supply of power available to meet this demand for a particular power market and is generally expressed as a percentage that is calculated as total supply less the peak demand divided by total supply. Spark spread means the theoretical difference between the price of electricity as the output and its energy cost of production.

Based on these criteria for selecting target region markets, Capital Power intends to maintain its existing strong position in Alberta and initially focus on developing additional hubs in the following three regions: Mid-Atlantic U.S., including the PJM Interconnection and the Virginia-Carolinas; the Northeast U.S., including the New York Independent System Operator and the New England Power Pool; and the Southwest U.S., including the California Independent System Operator and Desert Southwest (Arizona and Nevada). In addition, other North American markets, especially where Capital Power has existing operations, will be considered on a case-by-case basis if opportunities arise for the development of contracted facilities.

Capital Power has a pipeline of projects under construction or development. Capital Power also has a number of other projects in various stages of development and it continues to evaluate acquisition prospects, primarily in the U.S., to strengthen its regional footprint and existing portfolio. As market conditions create new opportunities, Capital Power expects to capitalize on its experience to seek to acquire high quality assets. Capital Power expects to focus primarily on larger-scale, fossil fuel-fired technologies, supplemented by renewable facilities that are economically attractive and supportive of Capital Power's long-term contracting position.

ENVIRONMENTAL REGULATION

This section provides an overview of the environmental regulations and related initiatives applicable to Capital Power and its operations.

Permitting, Engineering, Construction and Operation

The permitting, engineering, construction and operation of power projects are subject to extensive federal, provincial, state and municipal laws and regulations, and in many cases, result in a lengthy and complex process for obtaining licenses, permits and approvals, sometimes with uncertain outcomes. Capital Power must adhere to engineering, environmental, construction and operations codes and standards, local building codes and regulations pertaining to the discharge of emissions into water and air, water use, waste disposal, noise regulations, protection of endangered species and land conservation.

Regulation

Capital Power is subject to federal, provincial, state and local environmental laws, regulations and guidelines concerning its businesses. Capital Power complies with regulatory requirements while reducing environmental impact. Capital Power also works with stakeholders with a view to protecting the environment and, at the same time, encouraging and sustaining economic development. Compliance with new regulatory requirements may require Capital Power to incur significant capital expenditures or additional operating expenses. See "Risk Factors - Environmental Regulatory Risk".

Canadian Federal Government

Greenhouse Gas Regulation

In December 2009, the United Nations held its 15th climate change conference referred to as the Conference of the Parties in Copenhagen, Denmark, where more than 190 countries, including Canada, participated. It was widely anticipated that the meeting would establish a binding agreement for GHG reduction targets. Instead of a binding agreement the conference produced a non-binding framework, referred to as the Copenhagen Accord, which required each nation to, among other things, submit economy wide emission targets by January 31, 2010. Canada submitted its target on January 31, 2010 which included a 17% reduction of GHG emissions from 2005 by 2020, to be aligned with the final economy-wide emissions target of the U.S. enacted legislation. This target is lower and with a different base line year, than the targets published in 2008 in the Turning the Corner framework, which stated a 20% reduction by 2020, from 2006 levels. It is widely anticipated negotiations to develop a formal binding agreement will occur through 2010. Due to the expected impact climate change regulations may have on international trade the Canadian Environment Minister indicated that Canada will wait to establish the Canadian climate change regulations in concert, and generally consistent, with the U.S. which has already been demonstrated as Canada has adopted the same GHG emission reduction target as the U.S. Notwithstanding the announcement of the new target, there is insufficient information to determine the impact of the Canadian climate change regulations on Capital Power, although to the extent that additional regulation is passed it is likely Capital Power will incur increased costs.

Air Emission Regulations

The Canadian government is also considering regulations which may place stricter limits on NO_x and SO₂ from fossil-fired generating stations in Canada. Working groups, including industry participants, have been established by the Canadian government to develop the elements of a regulatory framework to minimize NO_x and SO₂. The proposed federal framework appears to be consistent with requirements currently in place in certain provinces, and Capital Power is actively monitoring the progress, but there is insufficient information to assess the financial implication to operations although as additional regulation is passed it is likely Capital Power will incur increased costs.

Alberta

Greenhouse Gas Regulation

The Specified Gas Emitters Regulation (SGER) under the *Climate Change and Emissions Management Act* (Alberta) came into force on August 1, 2007. The SGER is applicable to all facilities in Alberta that produce over 100,000 tonnes of GHG, measured as carbon dioxide equivalents (CO₂Es), per year. The Alberta Government recognizes three mechanisms for compliance with this regulation: (1) operational or plant changes to reduce emission intensity; (2) payment into the Alberta Government Climate Change Emission Management Fund (currently set at \$15 per tonne) for all emissions in excess of the emission intensity target; or (3) purchase GHG emissions offsets created from Alberta based projects. The reporting deadline for the 2009 compliance period is March 31, 2010. The SGER imposes a CO₂E intensity reduction of 12% from the average CO₂E emissions intensity based on the 2003 to 2005 period.

Accordingly, Capital Power's Genesee Unit 1, Unit 2 and Unit 3 generating stations and the Sundance 5 and 6 units PPAs are subject to the SGER. The costs associated with compliance with the SGER for Genesee Unit 1 and Unit 2 were approximately \$5 million for 2009 and are estimated to be approximately \$6 million per year in the future and are recoverable from the PPA holder under the terms of the PPA. The compliance cost associated with the Sundance PPA will be passed on to Capital Power, as the PPA buyer, in proportion to its ownership interest until the PPA reaches its expiry date or is sold. The first GHG targets on Genesee 3 began in 2009 following a three-year grace period. The reductions in the targets are graduated starting at 2% per annum and increase at a rate of 2% per annum. The 2009 target was therefore 2% and equated to approximately 35,000 tonnes for Capital Power's 50% share.

Capital Power's business has been purchasing offsets for over five years and has entered into more than 15 offset purchase agreements. Approximately \$10 million worth of offsets were purchased in 2009 (compared with \$4 million of purchases in 2008 and \$1 million of purchases in 2007) and approximately 550,000 tonnes of offsets were applied against the 2008 compliance obligations associated with its ownership of the Sundance and Battle River PPAs. The use of these offsets, instead of purchasing fund credits through the Province of Alberta's Climate Change Emission Management Fund, resulted in a savings to Capital Power of approximately \$5 million in 2009.

Air Emission Regulations

In 2009, Capital Power participated with industry, government and non-government organization stakeholders in the five-year Clean Air Strategic Alliance Review of the Alberta Electricity Framework. This review was ongoing through 2009 and will continue in 2010. It is expected that recommendations to the Alberta Minister of Environment will be made later in 2010 on new air emission standards for coal and natural gas fired electricity generating plants approved after 2010. The electricity framework also requires a review of the particulate matter emissions from existing coal-fired units that may result in additional control costs in future years. There is, however, insufficient information at this time to determine the financial implications of the review.

The Government of Alberta regulations require coal-fired plant operators, including Capital Power, to monitor mercury emissions and capture at least 70% of the mercury in the coal starting January 1, 2011. In 2009, Capital Power installed an activated carbon injection system and mercury Continuous Emission Monitoring System on Genesee Units 1, 2, and 3 to meet the regulatory requirements. The systems will be commissioned in 2010 and will be ready for the January 1, 2011 deadline. Capital and operating costs will be passed through to the PPA buyer for Genesee Unit 1 and Unit 2. For Genesee Unit 3, the capital costs are approximately \$2.5 million and operating costs are expected to be approximately \$1.0 million per year. Capital Power anticipates it will be charged the costs associated with these requirements under its Sundance PPA.

Ontario

In May 2009, the Ontario Government introduced to the Ontario Legislature proposed amendments to the *Environmental Protection Act* that will enable the government to establish a provincial GHG cap and trade system. The government has stated that it aims to harmonize its cap and trade program with Canadian federal, North American and international approaches. However, the timing and specifics of such a GHG cap and trade system are not known at this time, although public consultation occurred through the fall of 2009 and final regulations may not be implemented until 2012. There is insufficient information at this time to determine the impact of this proposed system on Capital Power, although as additional regulation is passed it is likely Capital Power will incur increased costs.

United States

Capital Power continually assesses the potential impact on its assets of future legislation and regulatory requirements in the U.S. for certain air emissions regulations including those related to climate change.

Greenhouse Gas Regulation

The U.S. Environmental Protection Agency (USEPA) introduced a federal Greenhouse Gas Mandatory Reporting Rule (MRR) which came into effect December 29, 2009 with a reporting deadline currently scheduled for March 2011. In addition, the State of California has also implemented mandatory GHG reporting with a reporting deadline scheduled for April 1, 2010. Capital Power is able to meet the reporting requirements of both jurisdictions.

In December 2009 the USEPA reached a finding that the current and projected concentrations of GHG in the atmosphere threaten the public health and welfare of current and future generations. This finding does not impose any regulatory requirements but is a prerequisite to any future GHG regulations imposed by USEPA. It is expected that instead of regulations established by USEPA that U.S. Congress will work to establish some form of GHG legislation.

Several U.S. Senators have proposed Climate Change bills, with the American Clean Energy and Security Act and the Clean

Energy Job and American Power Act as the two prominent bills. These two bills are receiving the majority of the focus, but there are other bills that have been recently proposed. With multiple bills proposed and no clear direction from the climate change meeting in Copenhagen the direction of U.S. federal climate change legislation remains unclear. Consistent with the Copenhagen Accord, the U.S. submitted its GHG emission reduction targets to be in the range of a 17% reduction of GHG emissions from 2005, the base line year, by 2020. It also indicated that pending legislation would entail a 30% reduction in 2025 and a 42% reduction in 2030, in line with the goal to reduce emissions 83% by 2050. Notwithstanding the announcement of the new target there is insufficient information to determine the impact of the U.S. climate change regulations on Capital Power, although to the extent additional regulation is passed, it is likely Capital Power will incur increased costs.

Several states have proposed or implemented various climate change legislation. Seven New England states have implemented the Regional Greenhouse Gas Initiative (RGGI). The regulations are implemented on a state-by-state basis. CPILP's Kenilworth site is exempt based on size.

The Western Climate Initiative (WCI), a collaborative effort of Western states and certain Canadian provinces, including BC and Ontario, to reduce GHGs, may impact the operation of CPILP's four facilities in California, the Frederickson facility in Washington, the Williams Lake Facility in BC and the Ontario facilities. With respect to federal GHG regulation, RGGI and the WCI, Capital Power is monitoring the regulatory process to understand the potential impact of these initiatives, but at this time there is insufficient information to assess the full financial and operational implications on these facilities. To the extent that additional regulation is passed, Capital Power could incur increased costs.

Air Emission Regulations

Capital Power performs on-going assessments of the potential impact of future legislation and regulatory requirements for certain air emissions under the U.S. Clean Air Act (CAA). In July, 2008, the U.S. Court of Appeals for the District of Columbia Circuit vacated the CAA Clean Air Interstate Rule (CAIR) which was designed to control NO_x and SO₂ emissions through a regional cap and trade program. In December 2008, a full panel of the same court decided to remand CAIR to the USEPA rather than vacating the rules. The December 2008 ruling leaves CAIR and the CAIR trading programs in place until USEPA issues a new rule to replace CAIR in accordance with the July 2008 decision. USEPA informed the Court that development and finalization of a replacement rule could take up to two years. Despite the delay, it is anticipated that CAIR may require reductions in NO_x and SO₂ at CPILP's Southport and Roxboro facilities. CPILP has elected to move forward with planned capital upgrades to emissions control equipment to reduce NO_x and SO₂ emissions and improve economic performance. Assuming that CAIR remains in effect, CPILP may have to purchase additional NO_x and SO₂ credits in the short term (2010-2011), but should subsequently have allocations of allowances in excess of those needed for compliance. Such excess allowances would be available for sale. The cost of the NO_x and SO₂ credits is estimated at \$1.5 million per annum. Given the continuing uncertainty about the future of CAIR, Capital Power will continue to monitor and assess the situation.

The Clean Air Mercury Rule (CAMR) was vacated prior to the CAIR vacation but unlike CAIR, the CAMR vacation is final. The state of North Carolina could still promulgate maximum available control technology standards under Section 112(j) of the CAA, which would establish facility-specific mercury limits. While the USEPA intends to propose new air toxics standards for coal and oil-fired electric generating units by the end of the first quarter of 2010, the fuel mix and other controls at the Southport and Roxboro plants should preclude additional requirements for further mercury controls.

Regulation of Other Air Emissions

The *Comprehensive Environmental Response, Compensation and Liability Act* (CERCLA), also referred to as "Superfund", requires investigation and remediation (cleanup) of sites from which there has been a release or threatened release of hazardous substances. It also authorizes the USEPA to take response actions at Superfund sites, including ordering potentially responsible parties liable for the release to pay for such actions. Many states have similar laws. CERCLA defines "potentially responsible" broadly to include past and present owners and operators of, as well as generators of wastes, sent to a site. As of the present time, Capital Power is not subject to any material liability for any Superfund matters. However, Capital Power generates certain wastes, including hazardous wastes, and sends certain of its wastes to third party waste disposal sites. As a result, there can be no assurance that Capital Power will not incur liability under CERCLA in the future.

PERSONNEL

Capital Power employs approximately 1,100 full-time, part-time, temporary and casual employees of which approximately 850 work in Canada while approximately 250 work in the U.S.

Capital Power enjoys positive work relations with its five Canadian labour unions, which together represent approximately 40% of Capital Power's Canadian labour force and approximately 30% of Capital Power's overall work force. None of the U.S. operations are unionized. The Canadian labour unions are:

- The Civic Service Union 52 (CSU), which represents administrative, technical, professional and information technology employees.

- The International Brotherhood of Electrical Workers Local #1007 (IBEW), which represents electrical, instrument and mechanical tradesmen, coal plant operators, equipment and crane operators, utility workers, tool servicemen and related employees at the Genesee power plant.
- The Communication, Energy and Paperworkers Union of Canada Local #829 (CEP), which represents shift engineers at the Genesee power plant.
- The United Steel Workers Local #1-425 (USW), which represents power and shift engineers, electrical, mechanical and instrumentation technicians and tradesmen, maintenance technicians and utility workers at the Williams Lake power plant.
- The Power Workers Union CUPE Local 1000 (PWU), which represents power and shift engineers, maintenance technicians, wood-waste coordinators, and some administrative support positions at the Calstock, Kapuskasing, Nipigon and Tunis power plants in Northern Ontario. The North Bay plant is not unionized.

The following table provides a summary of the status of collective agreements in force:

Bargaining Unit	Location	Start Date	Expiry date
CSU 52	Edmonton, AB	July 22, 2007	December 25, 2010
IBEW Local 1007	Edmonton, AB	December 24, 2006	December 26, 2009
CEP Local 829	Edmonton, AB	December 24, 2006	December 25, 2010
USW 1-425	Williams Lake, BC	January 1, 2008	December 17, 2011
PWU CUPE Local 1000	Ontario	February 1, 2007	December 19, 2009

Capital Power has reached a tentative Memorandum of Agreement with the PWU. Ratification vote meetings are scheduled for March 11-16, 2010. Collective bargaining is expected to commence with the IBEW in late April 2010. All existing terms, conditions and wage rates contained in the expired collective agreements will continue in force and effect until new collective agreements are negotiated. Capital Power's business has not experienced any labour disruptions or work stoppages since 1978, and believes its relations with its union stakeholders and employees are good.

Following the closing of the IPO, certain services are provided to Capital Power by EPCOR through the EPCOR Transitional Services Agreement and the EPCOR Services Agreement and certain services are provided to EPCOR by Capital Power and/or Capital Power LP through the Capital Power Transitional Services Agreement.

The EPCOR Transitional Services Agreement is designed to provide Capital Power with certain administrative and corporate level operational resources for a limited period of time following closing of the IPO, with duration determined by reference to the relevant service. Under the EPCOR Services Agreement, the relevant administrative or corporate level operational services are generally provided on a longer term basis. Capital Power and/or CPLP provide certain limited administrative and corporate level services and operational resources to EPCOR on terms substantially similar to those in the EPCOR Transitional Services Agreement pursuant to the Capital Power Transitional Services Agreement.

REGULATORY OVERVIEW

Set forth below is an overview of the principal electrical power regulatory regimes to which Capital Power's operations are subject. Environmental regulations affecting Capital Power's operations are discussed under "Business of Capital Power Corporation - Environmental Regulation".

Alberta

Commencing January 1, 1996, the Government of Alberta, through the *Electric Utilities Act* (Alberta) took significant steps toward deregulation of the power industry in Alberta. Under the *Electric Utilities Act* (Alberta), the wholesale electricity market, a competitive spot market for power, was created and access to the provincial transmission grid was opened to allow all eligible persons access to trade energy through the wholesale electricity market. The *Electric Utilities Act* (Alberta), and subsequent updates and legislation, established the basic features of the Alberta market as follows:

- Since January 1, 1996, new generating capacity initiatives in Alberta have been undertaken by independent power producers (IPPs) (including municipally owned entities) and have been subject to market forces, rather than rate regulation.

- Regulated generating units, including those owned and operated by Capital Power, became subject to PPAs that were auctioned by the Alberta Government to buyers in 2000. The Balancing Pool also assumed the responsibilities of “PPA Buyer” for those generating units that were subject to a PPA not acquired in the initial 2000 auction.
- Power from both PPA generating units and commercial generation is cleared through a wholesale electricity market. Power is dispatched in accordance with an economic merit order administered by the market operator based upon offers by generators to sell power. All energy traded through the wholesale electricity market is financially settled each hour at a single spot market price.
- In 2003, the market operator and transmission administrator were merged into a single entity, the Independent System Operator (ISO), which currently operates under the name of Alberta Electric System Operator (AESO).
- Also in 2003, the Market Surveillance Administrator was established as an independent entity responsible for monitoring and investigating the market behaviour and conduct of market participants, including AESO and the Balancing Pool, and enforcing compliance with all applicable legislation, regulations, and/or ISO and Alberta Utilities Commission rules.

Ontario

Market Design

The wholesale and retail electricity markets in Ontario were opened to competition on May 1, 2002, following a period of legislative and regulatory changes, beginning in 1998, to restructure the industry in preparation for competition. Changes included breaking up the incumbent electricity monopoly, Ontario Hydro, into five successor entities and changing the status of municipal distribution utilities from entities created by statute to companies under the *Business Corporations Act* (Ontario) owned by the municipalities. This latter change also preceded a reduction in the number of municipal distribution utilities from approximately 300 to 95 due to mergers, amalgamations and sales. However, generation outages, along with above-normal temperatures during the summer of 2002, resulted in volatile and high electricity prices. To mitigate the effects of high prices, price caps were implemented for the benefit of small consumers, which had the effect of deterring investment in new facilities. In December 2004, an Act to amend the Electricity Act, 1998 and the Ontario Energy Board Act, 1998 and to make consequential amendments to other Acts (Bill 100) received Royal Assent. Bill 100 created the framework for broad regulatory reform of the energy sector in Ontario. The major components of Bill 100 included the restructuring of the Independent Market Operator to the Independent Electricity System Operator, the creation of the OPA, significant amendments to the Ontario Energy Board Act, 1998 and the creation of a “hybrid” market requiring the regulation of certain Ontario Power Generation assets.

On May 14, 2009, the Ontario legislature passed the *Green Energy Act* (GEA), an Act aimed at encouraging renewable energy projects and energy conservation measures in Ontario. The GEA acts as a framework for the legislative amendments; the substantive aspects of the GEA are contained in 12 Schedules attached to the GEA. Schedule A to the GEA introduces a new Green Energy Act, 2009, and Schedules B to L amend a host of other Ontario statutes, including the Electricity Act, 1998, the Planning Act and the Environmental Protection Act. With certain exceptions, most of the substantive aspects of the GEA became law in September 2009. Key components of the GEA include: (i) a feed-in tariff program which replaces the OPA’s RFP process, and is intended to increase investor confidence in renewable energy projects by providing standard program rules, standard contracts and standard pricing for classes of renewable energy; (ii) a streamlined approvals process with new regulations that provide a “one-stop” approvals approach combining existing environmental and municipal planning approvals into a single new “renewable energy approval”; (iii) Enhanced Transmission Connections - authorizing incentives and cost recovery programs to encourage the expansion and upgrade of connections for renewable generation facilities.

Ontario Power Authority

One of the key responsibilities of the OPA has been to develop the IPSP and procure power on a competitive basis. The proposed IPSP submitted to the Ontario Energy Board for review in 2007, and which has not yet been approved, represents the first long-term plan for Ontario’s electrical system in more than a decade. It is a blueprint for the development of conservation, supply and transmission infrastructure over the next 20 years. Based on the work completed at the direction of the Ontario Minister of Energy, the IPSP incorporates the recommendations found in the OPA’s Supply Mix Advice Report to the Minister (December 2005) and the formal response to the recommendations made by the Minister following public consultations with various stakeholders in June 2006. The key objectives of the IPSP are to: (i) reduce peak electricity demand by 6,300 MW by 2025 through conservation based programs; (ii) eliminate coal-fired generation capacity; (iii) replace or refurbish 10,000 MW of nuclear generation; (iv) increase the total capacity of renewable energy sources used in Ontario to 15,700 MW by 2025; and (v) install up to 12,000 MW of natural gas-fired generation by 2014. In September 2008, Ontario’s Minister of Energy and Infrastructure directed the OPA to file a revised IPSP with the Ontario Energy Board by March 17, 2009, but the OPA has not yet done so. The OPA has announced that revision of the IPSP has been delayed as a result of implementation of the GEA.

While the OPA is not a Crown corporation, it has a strong self standing credit rating from two rating agencies based on its legislated right to recover its costs from Ontario's energy consumers, thus providing a strong counterparty for prospective investors. It is expected that, through the objectives of the IPSP, the OPA will continue to provide significant opportunities for private sector companies to build new generation in Ontario. Since the initial two Ontario Renewable Energy Supply RFP's and one clean energy RFP by the Ontario Ministry of Energy, the OPA has completed numerous power procurement initiatives including one combined heat and power procurement initiative, two sole source procurements for large natural gas facilities in Toronto and Brampton, an RFP for a large natural gas facility in the western Greater Toronto Area and one RFP for a peaking generation facility in Northern York Region. In addition, while a second combined heat and power RFP that concluded in April 2009 did not yield successful proponents, due in part, according to the OPA, to the current unfavourable economic climate for large scale cogeneration projects in Ontario, the OPA is currently soliciting proposals in a third combined heat and power procurement for cogeneration projects using renewable fuel. To date, the OPA has surpassed 11,000 MW of new contracted supply of all types of generation (renewable, natural gas and nuclear refurbishment). At this time, and in addition to the initiatives described above, the OPA has concluded a procurement process for an additional 850 MW of natural gas-fired combined-cycle generation to be in service no later than the end of 2013 to serve the southwest Greater Toronto Area. Other RFP's are expected to occur for natural gas-fired generation out to 2015.

British Columbia

BC's electricity is provided primarily by the Crown corporation BC Hydro, which in turn, is regulated by the BCUC. Electricity is transmitted throughout the province through British Columbia Transmission Corporation (BCTC), which is a separate Crown corporation. BCTC, also regulated by the BCUC, is responsible for the planning, management and operation of BC Hydro's transmission assets. Electricity is traded with other markets through BC Hydro's trading arm and wholly-owned subsidiary, Powerex Corporation.

While BC is not a deregulated market like Alberta, the BC Government has taken steps since 2003 to diversify the market and to promote new generation by IPPs. In particular, BC Hydro was directed by the BC Government to acquire electricity supply on a competitive basis from IPPs thus resulting in the various open calls for power held over the last five years.

As a result of BC Hydro effectively controlling the market (generation, distribution and trading activities), the opportunity for IPPs in BC has been limited. IPPs can bid into RFP's from BC Hydro, which, if successful, result in long-term PPAs with BC Hydro.

In February 2007, the BC Government released its most recent BC Energy Plan. The BC Energy Plan outlines various measures to address the challenge of global warming including that all electricity produced in BC will be required to have zero net GHG emissions by 2016. The BC Government further announced in this BC Energy Plan that 90% of BC's electricity will come from renewable resources and that BC will require zero GHG emissions from any coal-fired electricity project. The BC Energy Plan places a great deal of responsibility on British Columbians to conserve energy. The target is to acquire 50% of the province's incremental resource needs through conservation by 2020.

BC Hydro 2008 Long-Term Acquisition Plan Developments

In July 2009, the BCUC issued an order and decision with respect to BC Hydro's 2008 Long-Term Acquisition Plan (2008 LTAP). The BCUC determined that the 2008 LTAP, in its entirety, was not in the public interest and could not be approved. The BCUC found deficiencies with key aspects of the 2008 LTAP that did not fulfill BC Hydro's "self-sufficiency" obligations prescribed by a separate provincial Special Directive and which failed to integrate Demand Side Management (DSM) and supply-side resources into BC Hydro's supply stack in an appropriate ascending cost-effective order. The BCUC also rejected BC Hydro's proposal to reduce the reliance on the Burrard Thermal Generating Station to 3000 GWh/year for planning purposes (from the current 6000 GWh/year level).

In August 2009, the BC Government's Throne Speech included, among other energy-related items, an announcement that the Government would be providing BCUC with specific direction to "ensure the phase out of Burrard Thermal Generating Station as a critical component of BC's GHG reduction strategy, and to act on the BC Energy Plan and Climate Action Plan". On October 28, 2009, the BC Government provided direction to both BC Hydro and the BCUC that, effective immediately, the Burrard Thermal Generating Station was not to be relied on or used by BC Hydro for planning purposes for firm energy. The Burrard Thermal Generating Station is to only be used for up to 900 MW of emergency back-up capacity.

BC Hydro acknowledged the Government's direction in a news release on October 30, 2009, and in a subsequent announcement on November 17, 2009 advised that it was proceeding to the next stage of the Clean Power Call. It advised that it had eliminated 21 of the 68 proposals that had been received, would be proceeding directly with negotiating purchase agreements for 13 of the proposals, and would be providing an opportunity for the proponents of the remaining 34 proposals to make them more cost-effective. On December 24, 2009, BC Hydro received BCUC approval to extend, to March 31, 2010, the deadline by which BC Hydro must select successful Clean Power Call proponents and submit an application to the BCTC for a corresponding modification of network transmission service. On March 11, 2010 BC Hydro announced it has selected

the first group of 19 projects to be awarded electricity agreements under the Clean Power Call, of which Capital Power's Quality Wind was selected for the award of an Energy Purchase Agreement. See "Business of Capital Power Corporation - Projects Under Construction and in Development - Quality Wind". Following execution of the contracts, BC Hydro will submit the electricity purchase agreements to the BCUC for its review. A further 28 projects remain in the Clean Power Call and BC Hydro expects to select additional projects for the award of electricity purchase agreements in late March 2010 depending on the progress of discussions with proponents.

Next Long-Term Acquisition Plan

On December 3, 2009, the BCUC also approved an application filed by BC Hydro requesting a revision to the deadline for filing its next Long Term Acquisition Plan (LTAP). The BCUC's 2008 LTAP decision included a directive that BC Hydro submit the next LTAP on or before June 30, 2010. The December 3, 2009 BCUC decision extends that deadline by one year such that the next LTAP must be filed on or before June 30, 2011.

Green Energy Advisory Task Force

The BC Government's Throne Speech in August, 2009 also affirmed that development of clean and renewable energy sources will continue to be aggressively promoted and pursued in conjunction with energy self-sufficiency both to support achievement of BC's climate action plan goals and to position BC as a "clean energy powerhouse" as per the BC Energy Plan. In this regard, it advised that a new Green Energy Advisory Task Force would be appointed to review the policies, incentives and impediments affecting BC's clean power potential and recommend a blueprint for its maximization. The Task Force was established and appointed on November 2, 2009 with a mandate to develop recommendations to "ensure BC remains a leader in clean and renewable energy". The Task Force was comprised of four advisory groups to assess and provide recommendations with respect to the following: (i) Procurement and Regulatory Reform; (ii) Carbon Pricing, Trading and Export Market Development; (iii) Community Engagement and First Nations Partnerships; and (iv) Resource Development. The Task Force provided its recommendations to the Government at the end of January 2010. The recommendations have not been made available publicly and the BC Ministry of Energy, Mines and Petroleum Resources is now reviewing the recommendations.

In the Speech from the Throne on February 9, 2010, the BC Government outlined its plan to develop a strategy and bring forward legislation under a new "Clean Air Act" to promote expanded clean energy development in the Province. The strategy will build on the contributions of the Task Force. The new Clean Air Act, among other things, will be intended to encourage new investments in independent power production while also strengthening BC Hydro by providing for "fair, predictable, clean power calls" and establishing "simplified procurement protocols and new measures to encourage investment and the jobs that flow with it." The provisions of the legislation and strategy could have implications for future development opportunities in BC.

United States

Capital Power's operations are subject to extensive regulation by U.S. governmental agencies. Capital Power's projects are subject to U.S. federal laws and regulations that govern, among other things, transactions by and with purchasers of power, including utility companies, the development and construction of generation facilities, the ownership and operations of generation facilities, and access to transmission. Generation facilities are also subject to U.S. federal, state and local laws and regulations that govern, among other things, the geographical location, zoning, land use and operation of a project.

U.S. Energy Industry Regulatory Matters

Federal Energy Regulatory Commission (FERC) Jurisdiction

Unless otherwise exempt, any person that owns or operates facilities used for the wholesale sale or transmission of electric energy in interstate commerce is a public utility subject to FERC's jurisdiction. FERC has extensive ratemaking jurisdiction and other authority with respect to interstate wholesale sales and transmission of electric energy under the Fuel Purchase Agreement (FPA) and with respect to certain interstate sales, transportation and storage of natural gas under the U.S. Natural Gas Act of 1938 (NGA), as amended and the U.S. Natural Gas Policy Act of 1978 (NGPA), as amended. FERC also maintains certain reporting requirements for public utilities and regulates, among other things, the disposition and acquisition of certain assets and securities, the holding of certain interlocking directorate positions, and the issuance of securities by public utilities.

Transmission Service

Issued in 1996, FERC Order No. 888 mandated the unbundling of utilities' transmission and generation services and required such utilities to offer eligible entities open access to utility transmission facilities on a basis comparable to the utilities' own use of the facilities. FERC Order No. 888 required public utility transmission owners to file open access transmission tariffs containing the terms and conditions under which they would offer transmission service, enabling independent generators and marketers to schedule and reserve capacity on those transmission facilities. In 2007, FERC Order No. 890 made a number of

changes to open access implementation, including requiring an open, transparent and coordinated transmission planning process on both a local and regional basis.

In 1999, FERC issued Order No. 2000, which set out standards for ISOs and Regional Transmission Organizations (RTOs). These organizations are operated by an entity that is independent of market participants, and planning, operations, and transmission services are performed on a regional instead of utility specific basis. In addition, most ISOs and RTOs administer liquid day-ahead and real-time spot markets. Examples are PJM Interconnection, ISO New England, New York ISO, Midwest Independent Transmission System Operator and California ISO. In 2008, FERC Order No. 719 made incremental reforms to such markets, including requiring scarcity pricing to encourage demand response and other new resources.

Market-Based Rate Authority

Under the FPA and FERC's regulations (subject to certain exceptions for entities such as municipal utilities that are not public utilities under the FPA), an entity seeking to make wholesale sales of power at market-based or cost-based rates must obtain authorization from FERC. FERC grants market-based rate authorization if it finds that the seller and its affiliates lack market power in generation and transmission, that the seller and its affiliates cannot erect other barriers to market entry and the seller and its affiliates comply with certain affiliate restrictions. All of Capital Power's affiliates that own power plants in the U.S. (except for those power plants that are Qualifying Facilities (QFs), as well as Capital Power's power marketer affiliates, are currently authorized by FERC to make wholesale sales of power at market-based rates. This authorization is subject to revocation by FERC if such companies fail to continue to satisfy FERC's current or future criteria for market-based rate authority or to modification if FERC restricts the ability of wholesale sellers of power to make sales at market-based rates.

Mergers and Acquisitions

FERC has FPA jurisdiction over certain sales, mergers, consolidations and acquisitions of public utility assets or securities, and over certain mergers and acquisitions involving holding companies and transmitting utilities or electric utility companies. In reviewing such matters, FERC reviews the effect of the transaction on competition, rates and regulation and ensures that there is no unlawful cross subsidization of affiliates by entities with captive customers.

Reliability Standards

Pursuant to the U.S. Energy Policy Act of 2005, FERC finalized in February 2006 new rules regarding the certification of an Electric Reliability Organization and the procedures for the establishment, approval and enforcement of mandatory electric reliability standards. In July 2006, FERC certified North American Electric Reliability Corporation (NERC) as the Electric Reliability Organization to establish and enforce reliability standards applicable to all owners, operators and users of the bulk power system. NERC relies on regional reliability entities to enforce FERC and NERC standards with bulk power system owners, operators, and users through approved delegation agreements. Such regional entities are responsible for monitoring compliance of the registered entities within their regional boundaries, assuring mitigation of all violations of approved reliability standards and assessing penalties and sanctions for failure to comply.

FERC Enforcement Authority

FERC has the authority to enforce the statutes it is responsible for implementing and the regulations it issues under those statutes. The U.S. Energy Policy Act of 2005 conferred substantial enforcement authority on FERC, allowing it to impose civil penalties of up to U.S. \$1 million per day per violation for violations of the NGA, NGPA and Part II of the FPA. This expanded penalty authority also applies to any entity that manipulates wholesale natural gas or electric markets by engaging in fraud or deceit in connection with jurisdictional transactions. In addition, these laws allow for the assessment of criminal fines and imprisonment for violations.

The Public Utility Regulatory Policies Act of 1978

The Public Utility Regulatory Policies Act of 1978, as amended (PURPA) and FERC's regulations under PURPA provide certain incentives for the development of combined heat and power facilities and small power production facilities using alternative or renewable fuels, in part by establishing certain exemptions from the FPA and the U.S. Public Utility Holding Company Act of 2005 for owners of QFs.

PURPA provides two primary benefits to QFs. First, all cogeneration facilities, geothermal and biomass small power production facilities, and small power production facilities 30 MW or smaller that are QFs are exempt from certain provisions of the FPA, the regulations of FERC thereunder and the U.S. Public Utility Holding Company Act of 2005. Second, the FERC regulations promulgated under PURPA require that electric utilities purchase electricity generated by QFs that are directly, or under certain circumstances indirectly, connected to such electric utilities at a price based on the purchasing utilities avoided cost and that such utilities sell back up power to such QFs on a non-discriminatory basis. An electric utility may be entitled to relief from these mandatory purchase and sale obligations if, in the case of the mandatory purchase obligation, the utility can show that the QF has non-discriminatory access to a market that meets certain competitive conditions and, in the case of the

mandatory sale obligation, if the utility can show that there are competing retail electric suppliers willing and able to sell and deliver electricity to the QF and there is no obligation under state law for the utility to make such power sales. The provisions for relief from the mandatory purchase and sale obligations do not affect contracts entered into or pending approval on or before August 8, 2005.

Under FERC's regulations, QFs are subject to FERC's rate making authority under the FPA and are required to obtain market-based rate authority in order to sell power at market-based rates, except for sales of energy or capacity: (i) made by QFs that have a generating capacity of 20 MW or less; (ii) made pursuant to a contract executed on or before March 17, 2006; or (iii) made pursuant to state-approved avoided cost rates.

Public Utility Holding Company Act of 2005

In August 2005, the passage of U.S. Energy Policy Act of 2005 repealed the Public Utility Holding Company Act of 1935 and enacted the U.S. Public Utility Holding Company Act of 2005, effective February 2006, which primarily addresses FERC's access to the books and records of holding companies. Any entity that is a holding company solely with respect to QFs, exempt wholesale generators or foreign utility companies, such as Capital Power, is exempt from FERC's books and records requirements and any accounting, record-retention and reporting requirements contained in the U.S. Public Utility Holding Company Act of 2005 and FERC's regulations promulgated thereunder.

RISK FACTORS

The most significant risks to Capital Power are those noted below and those set forth in the section entitled "Business Risks" in the Corporation's MD&A dated March 9, 2010 for the period ended December 31, 2009.

Operations Risk

The operation of power plants involves many risks, including: (i) the breakdown or failure of, and the necessity to repair, upgrade or replace, power and steam generation equipment, transmission lines, pipelines or other equipment, structures or processes; (ii) the inability to secure critical or back-up parts for generator equipment on a timely basis; (iii) fire, explosion or other property damage; (iv) an inability to obtain adequate fuel supplies, site control, and operation and maintenance and other site services for at least the term of any PPA; (v) performance of generation equipment below expected levels, including those pertaining to efficiency and availability; (vi) non-compliance with any operating permits and licences (including environmental permits and emissions restrictions) under applicable laws and regulations; and (vii) an inability to retain, at all times, adequate skilled personnel, the occurrence of any of which could have a material adverse effect on Capital Power, including a shut-down of a power plant or reduction in its operating capacity, emissions in excess of permitted levels, or diversion of water levels below levels required by regulation. The inability of Capital Power's power plants to generate the expected amount of electricity that will be sold under contract or to the applicable market would have a significant adverse impact on the revenues of Capital Power. In addition, counterparties to PPAs have remedies available to them if Capital Power fails to operate facilities in accordance with contract requirements, including the recovery of damages and termination of contractual arrangements.

To the extent that plant equipment requires significant capital and other operation and maintenance expenditures to maintain efficiency, requires longer-than-forecast down times for maintenance and repair, experiences outages due to equipment failure or suffers disruptions of power generation for other reasons, Capital Power's cost of generating electricity will be increased and/or Capital Power's revenues may be negatively affected. As an adopter of new technology, Capital Power can be exposed to design flaws or other issues, the impacts of which may not be covered by warranties or insurance. The failure of Capital Power's facilities to operate at required capacity levels may result in the facilities having their contracted capacity reduced and, in certain cases, Capital Power having to make payments on account of reduced capacity to power purchasers.

In the fourth quarter of 2008, there was an unplanned outage at Capital Power's Genesee 3 facility due to a turbine rotor blade failure that kept the unit offline for 39 days. Revenues were not earned during this period and gross margin was negatively impacted by an estimated \$23 million. Although Capital Power continues to investigate the turbine blade failure at Genesee 3, it has not yet ascertained the absolute cause of such failure, and, accordingly, there can be no assurance that such a failure will not recur in the future at either the Genesee 3 facility or the Keephills 3 facility at which the same turbine equipment is to be installed.

Electricity Price and Volume Risk

Capital Power's revenues are tied, directly and indirectly, to the market price for electricity in the jurisdictions in which Capital Power operates. Capital Power buys and sells some of its electricity in the wholesale markets of Alberta, Ontario, and the U.S. Such transactions are settled at the spot market prices of the respective markets. Market electricity prices are dependent upon a number of factors, including: the projected supply and demand of electricity at any point in time; the price of raw materials that are used to generate electricity; the cost of complying with applicable regulatory requirements, including

environmental; the structure of the particular market; and weather conditions. It is not possible to predict future electricity prices with complete certainty, and electricity price volatility could therefore have a material adverse effect on Capital Power.

When aggregate customer electricity consumption (load shape) changes unexpectedly, Capital Power is exposed to price risk. Load shape refers to the different pattern of consumption between peak hours and off-peak hours. Consumption is higher during peak hours when people and organizations are most active; conversely, consumption is lower during off-peak hours. Capital Power attempts to minimize exposure to extreme price fluctuations, especially during higher priced peak hour periods. In order to do this, Capital Power relies on historical aggregate consumption data (load shape) provided by load settlement agents and local distribution companies to anticipate what aggregate customer consumption will be during peak hours. When consumption varies from historical consumption patterns and from the volume of electricity purchased for any given peak hour period, Capital Power is exposed to prevailing market prices because it must either buy the electricity if it is short or sell the electricity if it is long. Such exposures can be exacerbated by other events such as unexpected generation plant outages and unusual weather patterns.

PPA Contract Risk

Many of Capital Power's generation plants operate under PPAs, which are subject to a number of risks. PPA contracts contain performance benchmarks that must be achieved and other obligations that must be complied with by Capital Power. Capital Power may incur charges in the event of unplanned outages or variations from the contract performance benchmarks.

Electricity sales associated with certain of Capital Power's facilities are governed by the terms of a PPA. These sales are accounted for as long-term fixed margin contracts, which limit the impact of swings in wholesale spot electricity prices, unless plant availability drops significantly below the PPA target availability for an extended period. Power generated from Capital Power's facilities is, in many cases, sold under PPAs that expire at various times. When a PPA expires, there can be no assurance that a subsequent PPA will be available or, if available, that any such subsequent PPA will be on terms, or at prices, acceptable to Capital Power. Failure by Capital Power to enter into a subsequent PPA on terms and at prices that permit the operation of a facility on a profitable basis could have a material adverse effect on Capital Power's operations and financial condition, and may even require Capital Power to temporarily or permanently cease operations at the affected facility.

Energy Supply Risk

Capital Power requires energy from sources such as natural gas, coal, wood waste, waste heat, tire derived fuel, water and wind, to generate electricity. A disruption in the supply of, or a significant increase in the price of, any fuel supplies required by Capital Power could have a material adverse impact on Capital Power's business, financial condition and results of operation. The price of fuel supplies is dependent upon a number of factors, including: (i) the projected supply and demand for such fuel supplies; (ii) the quality of the fuel (particularly in regards to wood waste); and (iii) the cost of transporting such fuel supplies to Capital Power's facilities. Changes in any of these factors could increase Capital Power's cost of generating electricity or decrease Capital Power's revenues due to production cutbacks.

Capital Power's fuel expense for the Genesee plants is predominantly comprised of coal supply. To the extent that coal mine equipment suffers significant disruption and existing coal inventories are exhausted, the generation of electricity from the Genesee generation units and the associated revenues could be negatively impacted.

Performance of hydroelectric facilities is dependent upon the availability of water. Variances in water flows, which may be caused by shifts in weather or climate patterns, the timing and rate of melting and other uncontrollable weather-related factors affecting precipitation, could result in volatility of hydroelectric plant revenues. In addition, the hydroelectric facilities are exposed to potential dam failure, which could affect water flows and have a material adverse impact on revenues from the associated plants. There is an increasing level of regulation respecting the use, treatment and discharge of water, and respecting the licensing of water rights. A continued tightening of such regulations could have a material adverse effect on Capital Power's business, financial condition and results of operation.

Capital Power's wind power facilities have no fuel costs but are dependent on the availability and constancy of sufficient wind resources to meet generation capacity. Wind resources can vary due to abnormal weather conditions, and decreases in wind speed or duration can negatively impact the performance of the wind turbines and, in turn, could potentially have a material negative impact on related revenues.

Some of Capital Power's natural gas-fired plant operations are susceptible to the risks associated with the volatility of natural gas prices beyond any fixed price term. Natural gas purchases for several of Capital Power's power plants are made under variable price structures with fuel cost flow-through provisions; however, each of these power plants has PPAs extending for terms in excess of existing contractual supply arrangements. The failure to contract for additional fuel supply for these plants at the end of existing contract terms at acceptable prices may lead to a disruption in operations and an inability to perform under their power and steam purchase agreements.

Capital Power also maintains a quantity of natural gas in storage for trading and management of natural gas needs. This inventory is subject to resale in current or forward markets and volatility of the market price for natural gas may result in gains or losses on such natural gas.

Wood waste is required to fuel CPILP's two Canadian biomass wood waste plants, Williams Lake and Calstock. In addition, the enhancements that are nearing completion at the North Carolina plants will increase the level of wood waste consumption at those plants. Weakness in the North American economy has placed economic hardships on forestry mills, which has caused mills to shut down or scale back production in BC and Ontario. In the event that CPILP's wood waste suppliers curtail or shut down operations, CPILP's biomass wood waste operations could be adversely affected.

CPILP's five Ontario plants (namely, Nipigon, Kapuskasing, North Bay, Calstock and Tunis) also generate electricity in part from the use of waste heat gases from adjoining natural gas compressor stations. Supply of the waste heat gases is secured under long-term contracts; however the availability of the waste heat gases varies depending on the output of the compressor stations along the Northern mainline pipeline system, and the hosts' altering those operations under the terms of a Waste Heat Optimization Agreement. In addition, the availability of waste heat gases is also dependent on the compressor stations remaining in use and their ability to supply the waste heat gases.

Environmental Risk

Many of Capital Power's operations are subject to extensive environmental laws, regulations and guidelines relating to the generation and transmission of electricity, pollution and protection of the environment, health and safety, GHG and other air emissions, water usage, wastewater discharges, hazardous material handling, storage, treatment and disposal of waste and other materials and remediation of sites and land-use responsibility. These regulations can impose liability for costs to investigate and remediate contamination without regard to fault and under certain circumstances; liability may be joint and several resulting in one contributing party being held responsible for the entire obligation. Further, there can be no assurances that compliance with and/or changes to environmental regulations will not materially adversely impact Capital Power's business, prospects, financial conditions, operations or cash flow.

Capital Power's business is a significant emitter of CO₂, NO_x, SO₂ and Hg and is required to comply with all licenses and permits and existing and emerging federal, provincial and state requirements, including programs to reduce or offset GHG emissions.

Compliance with new regulatory requirements may require Capital Power and/or CPILP to incur significant capital expenditures and/or additional operating expenses, and failure to comply with such regulations could result in fines, penalties or the forced curtailment of operations. See "Business of Capital Power Corporation - Environmental Regulation".

Project Construction and Development Risk

Capital Power participates in the design, construction and operation of new power generation facilities and is actively assessing and pursuing power development and acquisition opportunities. In the course of assessing and pursuing such opportunities, such as bidding on RFP's, Capital Power may be required to incur significant expenditures, such as those related to preliminary engineering, permitting, legal and other expenses, prior to determining whether a project is feasible and economically viable, being awarded a contract or bringing a project into development. There can be no assurance that Capital Power will pursue any opportunities currently being assessed or being considered for the future or be successful in winning RFP's.

Development of power generation facilities is subject to substantial risks, including various engineering, construction, stakeholder, government and environmental risks. Generally, in developing a power generation facility, there are numerous tasks Capital Power must complete, including: (i) government permits and approvals; (ii) site agreements and construction contracts; (iii) access to power grids and electrical transmission agreements; (iv) fuel supply and transportation agreements; and (v) equipment, and financing. There can be no assurance that Capital Power will be successful in completing such tasks on a timely basis or at all. The development and future operation of power generation facilities can be adversely affected by changes in government policy and regulation, environmental concerns, increases in capital costs, increases in interest rates, competition in the industry, labour availability, labour disputes, increases in material costs and other matters beyond the direct control of Capital Power.

In the event that a project is not completed or does not operate at anticipated performance levels, Capital Power may not be able to recover its investment, materially and adversely affecting Capital Power's financial position, operating results and business.

Risk That Future Acquisition Activities May Have Adverse Effects

Capital Power may seek to acquire additional companies or assets in Capital Power's industry. The acquisition of power generation companies and assets is subject to substantial risks, including the failure to identify material problems during due diligence, the risk of over-paying for assets and the inability to arrange financing for an acquisition as may be required or desired. Further, the integration and consolidation of acquisitions requires substantial human, financial and other resources and, ultimately, Capital Power's acquisitions may not be successfully integrated. There can be no assurances that any future acquisitions will perform as expected or that the returns from such acquisitions will support the indebtedness incurred to acquire them or the capital expenditures needed to develop them.

Counterparty Risk

Counterparty risk is the possible financial loss associated with the potential inability of counterparties to satisfy their contractual obligations to Capital Power, including payment and performance. In the event of default by a purchasing counterparty, existing PPAs and steam purchase agreements may not be replaceable on similar terms, particularly those agreements that have favourable pricing for Capital Power relative to their current markets. Capital Power is also dependant upon counterparties with respect to its cogeneration hosts and suppliers of fuel to its plants. In the wholesale electricity market, should a counterparty default, Capital Power may not be able to effectively replace such counterparty in order to manage short or long electricity positions, resulting in reduced revenues or increased power costs. Failure of any such counterparties could impact the operations of some of Capital Power's plants and could adversely impact Capital Power's financial results. Furthermore, a prolonged deterioration in economic conditions could increase the foregoing risks.

Health and Safety Risk

The development, construction, ownership and operation of Capital Power's generation assets carry an inherent risk of liability related to public health and worker health and safety, including the risk of government imposed orders to remedy unsafe conditions and potential penalties for contravention of health and safety laws and potential civil liability. Capital Power may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health and safety matters as a result of which its operations may be limited or suspended. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws could have a material and adverse impact on operations and result in significant expenditures.

Capital Power's operations are subject to the risks of a widespread influenza outbreak or other pandemic illness that could disrupt its operations and have a material adverse effect on Capital Power.

Political, Legislative and Regulatory Risk

Capital Power is subject to significant regulatory oversight and control in the jurisdictions in which it operates. Existing federal, provincial, state, local or common law and regulations applicable to Capital Power may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to it. The political conditions in the jurisdictions in which Capital Power operates are also subject to change. It is not possible to predict whether there will be any further changes in the regulatory environment or what the ultimate effect of a changing regulatory environment would have on its business, income tax status or operations. Any new law or regulation could require Capital Power to make significant expenditures to achieve or maintain compliance, and failure to comply with any such law or regulation in a timely manner could have a material adverse effect on Capital Power.

Capital Power is also required to maintain numerous licenses, permits and governmental approvals for operation of its projects. If Capital Power fails to satisfy the conditions or comply with any of the restrictions imposed under its licenses, permits and governmental approvals, or the restrictions imposed under any statutory or regulatory requirement, it may become subject to regulatory enforcement action and the operation of the affected project(s) could be adversely affected or subject to fines, penalties or additional costs. In addition, Capital Power may not be able to renew, maintain or obtain all necessary licenses, permits and governmental approvals required for the continued operation of its projects, as a result of which the operation of Capital Power's projects may be limited or suspended. Capital Power's failure to renew, maintain or obtain all necessary licenses, permits or governmental approvals could have a material adverse effect on its assets, liabilities, business, financial condition and results of operations.

The development, construction and operation of power generation facilities requires regulatory approval from multiple levels of government and government agencies. Many of the regulatory approval processes include a stakeholder input component and/or specific requirements for stakeholder consultation and issue resolution. Capital Power's permits and approvals for facility expansions, new facilities, decommissioning, license renewals and ongoing operations could be denied or revoked, subjected to conditions that affect the economic viability of the project or delayed causing negative economic impacts due to the stakeholder intervention.

Liquidity Risk

Capital Power's internally generated funds from operations may not provide sufficient capital for Capital Power, whether to undertake or complete ongoing or future development, enhancement opportunities or acquisition plans or otherwise, and, accordingly, Capital Power may require additional financing from time to time. The ability of Capital Power to refinance existing indebtedness and arrange additional financing in the future will depend in part upon prevailing market conditions at the time as well as the business performance of Capital Power. Uncertainty and volatility in global markets, and in particular, the Canadian and U.S. financial markets, may adversely affect Capital Power's ability to arrange permanent long-term financing for significant capital expenditures and potentially to refinance acquisitions and to refinance indebtedness under the credit facilities outstanding at their maturity dates. This may also affect credit ratings. There can be no assurance that debt or equity financing, the ability to borrow funds or cash generated by operations will be available or sufficient to replace financing as it matures or becomes due, or to meet or satisfy Capital Power's initiatives, objectives or requirements or, if financing is available to Capital Power, that it will be on terms acceptable to Capital Power. The inability of Capital Power to access sufficient amounts of capital on terms acceptable to Capital Power for its operations could have a material adverse effect on Capital Power's business, prospects and financial condition.

Sundance PPA Risk

The occurrence of an event which disrupts the ability of the Sundance power plants to produce or sell power or thermal energy for an extended period under the Sundance PPA, including events which preclude the subsequent purchasers of the rights and obligations under such PPAs from fulfilling their obligations, could have a material negative impact on the ability of Capital Power to generate revenue. In such circumstances, Capital Power may be required to replace the electricity that was not delivered to it at market rates prevailing at that time, although it would be relieved of the obligation to pay the unit capacity fee. Depending on market liquidity, these market prices could be significantly higher than the prices inherent in the Sundance PPA, thus increasing the cost of energy purchases to Capital Power.

Reliance Upon Transmission Systems Risk

Capital Power depends on transmission facilities owned and operated by third parties to deliver the wholesale power it sells from its power generation plants to its customers. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate or becomes damaged, Capital Power's ability to sell and deliver wholesale power may be adversely impacted. If a region's power transmission infrastructure is inadequate, Capital Power's recovery of wholesale costs and profits may be limited. If restrictive transmission price regulation is imposed, the transmission companies may not have sufficient incentive to invest in expansion of transmission infrastructure.

Capital Power also cannot predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets. Capital Power's ability to develop new projects is also impacted by the availability of various transmission and distribution systems.

Labour Risk

Capital Power's ability to continuously operate its facilities and grow the business is dependent upon retaining and developing sufficient labour and management resources. Capital Power is facing a demographic shift as a significant number of its employees are expected to retire over the next few years. In addition, the competition for labour and management, particularly in Alberta and BC, can be extremely competitive, posing a risk of shortages of workers with required skills and risks to the timing and cost of projects in those provinces. Failure to secure sufficient qualified labour may negatively impact Capital Power's operations or materially increase expenses.

Capital Power's current collective bargaining agreements expire periodically and Capital Power may not be able to renew them without a labour disruption or without agreeing to significant increases in labour costs. Future industrial action, or the threat of future industrial action by Capital Power's employees in response to any future efforts by management to reduce labour costs, restrain wage increases or modify work practices, could adversely affect Capital Power's business by disrupting operations or constraining Capital Power's ability to carry out such efforts. In the event of a labour disruption such as a strike or lock-out, the ability of Capital Power's generation assets to generate electricity may be impaired.

Technology Risk

Improvements to current electricity generation technologies could render certain existing technologies obsolete. To the extent that research and development activities improve upon existing alternative power technologies, including fuel cells, micro turbines, wind turbines and photovoltaic (solar) cells, it is possible that such technological advances will further reduce the cost of alternative methods of power generation. In addition, newer plants owned by Capital Power's competitors may be more efficient than Capital Power's plants, which may put some of these plants at a competitive disadvantage to the extent Capital Power's competitors are able to consume the same, less, or lower cost fuel as Capital Power's plants consume. Over time, Capital Power's plants may be displaced from their markets, or may be unable to compete with these more efficient plants. If

this were to happen, Capital Power's assets, liabilities, business, financial condition and results of operations could be materially and adversely affected as a result.

Dependence on CPLP, Operating Subsidiaries and CPILP Risk

The Corporation's principal assets are the equity interests it owns in CPLP, its operating subsidiaries and CPILP. As a result, the Corporation is dependent upon cash dividends, distributions or other transfers from CPLP, its subsidiaries and CPILP in order to repay any debt the Corporation may incur, make dividend payments to its shareholders and meet its other obligations. The right of the Corporation, as a unitholder of CPLP, as a shareholder of any of its subsidiaries and as a unitholder of CPILP, to realize on the assets of CPLP, any subsidiary or CPILP in the event of the bankruptcy or insolvency of the subsidiary would be subordinate to the rights of creditors of CPLP, its subsidiaries and CPILP and claimants preferred by statute. CPLP's credit facilities prohibit CPLP from making distributions if an event of default has occurred and is continuing or would reasonably be expected to result from the distribution. Under CPILP's revolving credit facilities, CPILP may not declare, make or pay distributions if (subject to certain limited exceptions) a default or event of default has occurred and is continuing under such facilities. In addition, CPILP may not make any distributions if the declaration of dividends on preferred shares issued by a CPILP subsidiary is in arrears. The market price for limited partnership units of CPILP, and accordingly the value of Capital Power's investment in CPILP, may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Capital Power's and CPILP's control.

Derivatives and Energy Trading Risks

Capital Power uses derivative instruments, including futures, forwards, options and swaps, to manage its commodity and financial market risks inherent in its electricity generation operations. These activities, although intended to mitigate price volatility, expose Capital Power to other risks. When Capital Power sells power forward, it gives up the opportunity to sell power at higher prices in the future, which not only may result in lost opportunity costs but also may require Capital Power to post significant amounts of cash collateral or other credit support to its counterparties. In addition, Capital Power purchases and sells commodity-based contracts in the natural gas and electricity markets for trading purposes. In the future, Capital Power could recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities or if a counterparty fails to perform under a contract.

Capital Power is exposed to market risks through its power marketing business, which involves the sale of energy, capacity and related products and the purchase and sale of fuel, transmission services and emission allowances. These market risks include, among other risks, volatility arising from location and timing differences that may be associated with buying and transporting fuel, converting fuel into energy and delivering the energy to a buyer.

Weather and Catastrophic Event Risks

Weather can have a significant impact on Capital Power's operations. Temperature levels, seasonality and precipitation, both within Capital Power's markets and adjacent geographies, can affect the level of demand for electricity and natural gas, thus resulting in electricity and natural gas price volatility.

Capital Power's operations are exposed to potential damage, including partial or full loss, resulting from disasters such as an earthquake, hurricane, fire, explosion, flood, severe storm, terrorist attack or other comparable events. In certain cases, there is the potential that some events may not excuse Capital Power from performing its obligations pursuant to agreements with third parties. Capital Power may be liable for damages or suffer further losses as a result.

Foreign Exchange Risk

Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar affect Capital Power's capital and operating costs, revenues and cash flows and could have an adverse impact on Capital Power's financial performance and condition. The U.S. plant operations and the foreign-sourced equipment required for capital projects are transacted in U.S. dollars. In addition, certain indebtedness is denominated in U.S. dollars.

General Economic Conditions, Business Environment and Other Risks

The business of Capital Power is subject to the general economic conditions of the jurisdictions in which Capital Power operates. Adverse changes in general economic and market conditions could negatively impact demand for electricity, revenue, operating costs, results of financing efforts, and the timing and extent of capital expenditures. Volatility in natural gas prices, coal prices, other fuel prices, future electricity prices, and fluctuations in interest rates, product supply and demand, market competition, risks associated with technology, risks associated with existing and potential future lawsuits and other regulations, assessments and audits (including income tax) against Capital Power and its subsidiaries and difficulty in obtaining necessary regulatory approvals could materially adversely impact Capital Power's business, prospects, financial condition, results of operation or cash flows.

Capital Power's operations are complex, and the computation of the provision for income taxes involves tax interpretations, regulations, and legislation that are continually changing. In addition, Capital Power's tax filings are subject to audit by taxation authorities. While Capital Power believes that its tax filings have been made in accordance with all such tax interpretations, regulations, and legislation, Capital Power cannot guarantee that it will not have disagreements with the Canada Revenue Agency or other taxation authorities with respect to Capital Power's tax filings.

Capital Power employs several key computer application systems to support its operations, such as electricity plant control systems and electricity settlement and billing systems. Failure of any of these systems to prevent malicious corruption of systems or electronic theft of data or to accurately capture data and, through their operation, produce timely and accurate information could result in lost revenue, regulatory fines or the occurrence of public health issues.

Capital Power's property, business interruption and liability insurance is subject to deductibles, limits and exclusions, and may not provide sufficient coverage for these and other insurable risks. There can be no assurance that such insurance will continue to be offered on an economically feasible basis, all events that could give rise to a loss or liability are insurable, or the amounts of insurance (net of applicable deductibles) will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the facilities or Capital Power.

In the normal course of Capital Power's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to Capital Power and as a result, could have a material adverse effect on Capital Power's assets, liabilities, business, financial condition and results of operations.

There can be no assurance that any risk management steps taken by Capital Power with the objective of mitigating the foregoing risks will avoid future loss due to the occurrence of such risks.

Risks Related to Significant Ownership by EPCOR

For so long as EPCOR maintains a significant indirect equity and voting interest in the Corporation, including its Special Voting Shares and the Special Limited Voting Share of the Corporation and CPLPGP, EPCOR will have the ability to significantly influence the outcome of shareholder votes, including the ability to prevent certain fundamental transactions. As a result, EPCOR has the ability to influence many matters affecting the Corporation.

In addition, EPCOR may not act in a way that promotes the interest of the Corporation's other shareholders. Furthermore, EPCOR's significant equity ownership may discourage transactions involving a change of control of the Corporation, including transactions in which a holder of Common Shares might otherwise receive a premium for its Common Shares over the then-current market price.

Risks Related to Ability of the Corporation and EPCOR to Sell Common Shares

EPCOR has no contractual obligation to retain any Exchangeable LP Units or Common Shares. EPCOR has advised the Corporation that it may eventually sell all or a substantial number of the Common Shares underlying its Exchangeable LP Units, subject to market conditions, its requirement for capital and other circumstances that may arise in the future. Any sale of substantial amounts of Common Shares in the public market by EPCOR or the Corporation, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares and impede the Corporation's ability to raise capital through the issuance of additional equity securities.

Risk of Possible Business Conflicts of Interest between Capital Power and EPCOR

Conflicts of interest and disputes may arise between Capital Power and EPCOR relating to a potential misalignment between the companies' corporate objectives and business interests or the companies past and ongoing relationships.

Capital Power may not be able to resolve any potential conflicts, and, even if it does, the resolution may be less favourable to Capital Power than if it were dealing with a party that was not a significant holder of equity of the Corporation.

Conflict of Interest Risk with CPILP

As a result of Capital Power's relationship with CPILP, certain conflicts of interest could arise and Capital Power may find that its interests are not aligned with those of CPILP. See "Corporate Structure - Capital Power Income L.P."

CPILP's terms of reference for the board of directors of CPILP's general partner denote that the board of directors shall be composed of not more than eight members, at least four of whom shall be independent directors who are not officers, directors

or employees of the Corporation, its subsidiaries and affiliates and are free from any direct or indirect interest, any business or other relationship that could interfere with a director's independence or ability to act in the best interests of CPILP's general partner and CPILP. Any non-arms' length agreements or transactions between CPILP and Capital Power are evaluated solely by a committee of independent directors of CPILP. There are four senior officers of the Corporation who are members of CPILP's General Partner's board of directors and are not considered independent in relation to CPILP. The Chairman, who is an executive officer of the Corporation, has a casting vote in case of a tie vote at any meeting of the board of directors of CPILP's general partner.

DIVIDEND POLICY

The Board of Directors of the Corporation has authorized the declaration and payment of an annual dividend of \$1.26 per Common Share, to be paid to holders of Common Shares on a quarterly basis. The payment of dividends is not guaranteed, however, and the amount and timing of any future dividends will be at the discretion of the Corporation's Board of Directors after taking into account such factors as the Corporation's financial condition, results of operations, distributions from CPLP, current and anticipated cash needs, the requirements of any future financing agreements and other factors that the Corporation's Board of Directors may deem relevant.

Following the completion of the IPO in July 2009, the following dividends were declared:

Dividends Declared

Declaration Date	Dividend per Share
25 Nov 09	\$0.315
17 Jul 09	\$0.315

CAPITAL STRUCTURE

Capital Power Corporation

The Corporation's authorized share capital consists of an unlimited number of Common Shares, an unlimited number of Preference Shares issuable in series, an unlimited number of Special Voting Shares and one Special Limited Voting Share. As of December 31, 2009, there were 21.75 million Common Shares, no Preference Shares, 56.625 million Special Voting Shares and one Special Limited Voting Share outstanding.

Common Shares

Holders of Common Shares are entitled to one vote for each Common Share held on a ballot vote at all meetings of shareholders of the Corporation except meetings at which or in respect of matters on which only holders of another class of shares are entitled to vote separately as a class. Except as otherwise provided in the Articles of the Corporation or required by law, the holders of Common Shares vote together with the holders of Special Voting Shares as a single class. Holders of Common Shares are entitled to receive, subject to the rights of the holders of another class of shares, any dividend declared by the Corporation and the remaining property of the Corporation on the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary. Notwithstanding the foregoing, the Corporation may not issue or distribute to all or substantially all of the holders of Common Shares: either (i) Common Shares or (ii) rights or securities of the Corporation exchangeable for or convertible into or exercisable to acquire any Common Shares, unless contemporaneously therewith the Corporation issues or distributes Special Voting Shares or rights or securities of the Corporation exchangeable for or convertible into or exercisable to acquire Special Voting Shares on the same terms *mutatis mutandis* and in the same proportion.

The Common Shares may not be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the Special Voting Shares are subdivided, consolidated, reclassified or otherwise changed in the same proportion or same manner.

Preference Shares

The Preference Shares may at any time and from time to time be issued in one or more series. Subject to the *Canada Business Corporations Act*, the Board of Directors of the Corporation may fix, before the issue thereof, the number of Preference Shares of each series, the designation, rights, privileges, restrictions and conditions attaching to the Preference Shares of each series, including, without limitation, any voting rights, any right to receive dividends (which may be cumulative or non cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms and conditions of redemption or purchase, any conversion rights, any rights on the liquidation, dissolution or winding up of the Corporation, and any sinking fund or other provisions.

The Preference Shares of each series will, with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, rank on a parity with the Preference Shares of every other series and be entitled to preference over the Common Shares and any other shares ranking junior to the Preference Shares with respect to priority in payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation.

Special Voting Shares

Special Voting Shares were initially issued in relation to the Exchangeable LP Units for the purpose of providing voting rights with respect to the Corporation to the holders of Exchangeable LP Units. See "General Development of the Business - Initial Public Offering and Reorganization". Under the Exchange Agreement, holders agreed not to transfer Special Voting Shares separately from the related Exchangeable LP Units except for certain permitted transfers among affiliates. See "Material Contracts - Exchange Agreement".

Holders of Special Voting Shares have the right, voting separately as a class, at any meeting of shareholders of the Corporation at which directors are to be elected, provided that, as at the record date established for the purpose of determining shareholders entitled to vote at the meeting, the holders of Special Voting Shares collectively beneficially own the requisite number of Exchangeable LP Units, to nominate and elect the number of directors to the board of directors (Board) of the Corporation set forth below:

Proportion of outstanding Common Shares and Common Shares issuable upon exchange of outstanding Exchangeable LP Units represented by aggregate number of Exchangeable LP Units and Common Shares collectively beneficially owned by the holders of Special Voting Shares

	Number of Directors
Not less than 20%	four
Less than 20% but not less than 10%	two

Holders of Special Voting Shares are entitled at any time, subject to applicable law, voting separately as a class, to remove any one or more of the directors elected by the holders of Special Voting Shares and to nominate and elect successor director(s) to replace the individual(s) previously elected. If there exists or occurs a vacancy on the Board with respect to a director elected or entitled to be elected by the holders of Special Voting Shares, the vacancy will be filled by an individual who is nominated and elected by the holders of Special Voting Shares, voting separately as a class.

If the holders of Special Voting Shares collectively beneficially own an aggregate number of Exchangeable LP Units and Common Shares that represents less than 10% of the aggregate number of outstanding Common Shares and Common Shares issuable upon exchange of Exchangeable LP Units as at the record date established for the purpose of determining shareholders entitled to vote at a meeting, then each Special Voting Share will entitle the holder thereof to that number of votes on a ballot vote at the meeting that is equal to the Vote Per Share (as defined below), and the holders of Special Voting Shares will vote together with the holders of Common Shares as a single class for the election of directors.

Except as provided above, the holders of the Special Voting Shares do not, in that capacity, have the right to vote for the election of directors.

"Vote Per Share" means, at any time, the amount that is equal to the quotient, rounded down to the nearest 0.0001, obtained when: (x) the "Maximum Exchange Number" at that time is divided by (y) the number of Special Voting Shares outstanding at that time.

"Maximum Exchange Number" means, at a time, the number that is equal to the lesser of: (x) the number of Common Shares for which the Exchangeable LP Units outstanding at that time are then exchangeable; and (y) the largest whole number that, when added to the aggregate number of votes attached to all of the Common Shares outstanding at that time owned or whose voting rights are controlled by persons that own Exchangeable LP Units or persons who, for purposes of the *Income Tax Act*

(Canada) (the Tax Act) do not deal at arm's length with an owner of Exchangeable LP Units, does not exceed 49% of the aggregate number of votes attached to all of the Common Shares and the Special Voting Shares outstanding at that time.

With respect to all other matters, except matters on which only holders of another class of shares are entitled to vote separately as a class, each Special Voting Share will entitle the holder thereof to that number of votes on a ballot vote at any meeting of shareholders of the Corporation that is equal to the Vote Per Share (as defined above), and the holders of Special Voting Shares will vote together with the holders of Common Shares as a single class.

The Special Voting Shares are subject to anti-dilution provisions providing that adjustments will be made to the Special Voting Shares in the event of a change to the Common Shares, or distribution of either Common Shares or rights or securities exercisable to acquire Common Shares to holders of the Common Shares.

If a holder of Exchangeable LP Units exchanges some or all of its Exchangeable LP Units pursuant to the Limited Partnership Agreement and the Exchange Agreement, the Corporation will redeem the related number of Special Voting Shares held by such holder. The number of Special Voting Shares that the Corporation will redeem will be equal to the number of Common Shares issuable upon the exchange of such Exchangeable LP Units owned by such holder. The Special Voting Shares will be redeemed at a price per share equal to \$0.000001.

Special Limited Voting Share

The authorized number of Special Limited Voting Shares is limited to one. See "Corporate Structure - Capital Power Corporation". The holder of the Special Limited Voting Share is entitled to receive notice of, to receive materials relating to, and to attend any meeting of Capital Power's shareholders; however, the holder of the Special Limited Voting Share is not, in such capacity, entitled to vote at any shareholder meeting except as provided by law or as described below.

The articles of the Corporation provide that any amendment to the articles of the Corporation to change the place in which the "Head Office" (as defined in the articles) is located to a place other than The City of Edmonton in the Province of Alberta or to change in any way the definition of "Head Office" and the related definitions set out in the articles, or any merger, amalgamation, arrangement, reorganization, liquidation or sale of all or substantially all of the property of the Corporation or similar transaction pursuant to which the resulting corporation or other successor to the Corporation or its business is not required to: (i) have its Head Office located in The City of Edmonton; (ii) have a definition of "Head Office" as set out in the articles; or (iii) have a Special Limited Voting Share in the capital of the resulting corporation or other successor to the Corporation having the same rights and restrictions as those relating to the Special Limited Voting Shares issued to the holder of the Special Limited Voting Share, must be approved by the holder of the Special Limited Voting Share, voting separately as a class, in addition to approval of the holders of the Common Shares and Special Voting Shares voting together as a class or as otherwise required by law. In addition, the jurisdiction of incorporation of the Corporation may not be changed, by continuance or otherwise; no amendment to the articles to increase the maximum number of authorized Special Limited Voting Shares may be made; the rights, privileges, restrictions and conditions of the Special Limited Voting Share may not be amended; no exchange or creation of a right of exchange or right to acquire Special Limited Voting Shares may be effected; and no transaction, including any amendment to the articles, to effect an exchange, reclassification or cancellation of the Special Limited Voting Share may be undertaken, without the approval by the holder of the Special Limited Voting Share, voting separately as a class.

The articles of the Corporation define "Head Office" to mean the office or offices at which: (i) the majority of the Corporation's senior "Executive Officers", which consist of the persons carrying out as a substantial part of their duties any of the functions of the chief executive officer, chief operating officer, chief financial officer, president, any executive vice-president, senior vice-president or general counsel of the Corporation, which majority shall include the chief executive officer, are located and from which they carry out the majority of their functions, and (ii) the majority of the "Executive Officers" are located and from which they carry out the majority of their functions (such majority including the Chief Executive Officer and the senior Executive Officers referred to in clause (i) above). The term "Executive Officers" is defined in the articles to include the senior Executive Officers referred to above; and (to the extent different from such senior Executive Officers) the persons, whether employed by the Corporation or any of its subsidiary entities, carrying out as a substantial part of their duties any of the functions of the chief executive officer, chief operating officer, chief financial officer, president, any executive vice-president or senior vice-president or general counsel, with respect to a substantial portion of the businesses carried on by the Corporation and its subsidiary entities, taken as a whole. The articles further require that the registered office of the Corporation be located in The City of Edmonton.

The Special Limited Voting Share carries no right for the holder to receive dividends. The holder of the Special Limited Voting Share has the right to receive, subject to any payment or distribution to holders of Preference Shares, in preference to the holders of Common Shares and on a pari passu basis with the holders of Special Voting Shares, the amount of \$1.00 from the remaining property and assets of the Corporation upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation.

Capital Power L.P.

Under the limited partnership agreement (Limited Partnership Agreement) governing CPLP, CPLP may issue various classes of partnership interests designated as GP Units, Common LP Units and Exchangeable LP Units. As at December 31, 2009, the Corporation indirectly holds 21.75 million GP units and one Common LP Unit representing approximately 27.8% and zero%, respectively, of the total number of outstanding partnership units of CPLP, and EPCOR holds 56.625 million Exchangeable LP Units representing approximately 72.2% of the total number of outstanding partnership units of CPLP. See "Material Contracts - Limited Partnership Agreement".

Capital Power GP Holdings Inc.

The authorized capital of CPLPGP consists of an unlimited number of common shares and one Special Limited Voting GP Share. As at December 31, 2009, the Corporation owns all of the common shares of CPLPGP, and EPCOR holds the one Special Limited Voting GP Share.

The rights, privileges, restrictions and conditions of the Special Limited Voting GP Share of CPLPGP are substantially similar to those of the Special Limited Voting Share of the Corporation *mutatis mutandis*. See "Capital Structure - Capital Power Corporation - Special Limited Voting Share". The holder of the Special Limited Voting GP Share is entitled to receive notice of, and to attend any meeting of, CPLPGP shareholders; however, the holder of the Special Limited Voting GP Share is not, in such capacity, entitled to vote at any shareholder meeting except as provided by law. The articles of CPLPGP require that its registered office be located in The City of Edmonton. The Special Limited Voting GP Share carries no right for the holder to receive dividends. The holder of the Special Limited Voting GP Share has the right to receive, subject to any payment or distribution to holders of prior ranking shares, in preference to the holders of common shares of Special Limited Voting GP Share, the amount of \$1.00 from the remaining property and assets of CPLPGP upon the voluntary or involuntary liquidation, dissolution or winding-up of CPLPGP.

CPI Investments Inc.

The authorized capital of CPI Investments Inc. consists of an unlimited number of Class A Shares and an unlimited number of Class B Shares. As at December 31, 2009, EPCOR holds 51 Class A Shares of CPI Investments Inc. and CPLP holds 49 Class B Shares of CPI Investments Inc. See "Material Contracts - CPI Investments Inc. Shareholder Agreement".

Class A Shares

Class A Shares of CPI Investments Inc. carry no right for the holder to receive dividends or to receive any remaining property and assets of CPI Investments Inc. upon the voluntary or involuntary liquidation, dissolution or winding-up of CPI Investments Inc. other than \$1.00 per Class A Share in preference to the holders of Class B Shares. Holders of Class A Shares, except where otherwise provided by law, vote together with holders of Class B Shares as one class at all meetings of shareholders of CPI Investments Inc. Each Class A Share entitles the holder to one vote per Class A Share.

Class B Shares

Holders of Class B Shares of CPI Investments Inc. are entitled to receive dividends as and when declared by CPI Investments Inc.'s board of directors and, upon the voluntary or involuntary liquidation, dissolution or winding-up of CPI Investments Inc., the holders of Class B Shares are entitled to share rateably in the remaining property and assets of CPI Investments Inc. available for distribution, after payment of liabilities and any payment or distribution to holders of Class A Shares. Holders of Class B Shares, except where otherwise provided by law, vote together with holders of Class A Shares as one class at all meetings of shareholders of CPI Investments Inc., and are entitled to one vote per Class B Share.

RATINGS

The following credit rating agencies have assigned the following credit ratings for debt obligations of CPLP:

DBRS Limited (DBRS)

BBB Long Term Debt Rating - The BBB rating assigned to CPLP's Senior Unsecured Debt is within the BBB rating category which is the fourth highest rating of DBRS's ten rating categories for long-term debt obligations, which range from AAA to D. DBRS also uses "high" and "low" subcategories on ratings from AA to C to indicate the relative standing of the securities being rated within a particular rating category.

DBRS Rating Description: Long-term debt rated BBB is of adequate credit quality. 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.

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P)

BBB Corporate Credit Rating - CPLP's BBB Corporate Credit rating is within the BBB rating category which is the fourth highest rating of S&P's ten corporate credit ratings, which range from AAA to D. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

S&P Rating Description: A BBB Corporate Credit rating exhibits adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or an issuer of securities and such ratings do not address the suitability of a particular security for a particular investor. The ratings assigned to a security may not reflect the potential impact of all risks on the value of the security. A 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.

MARKET FOR SECURITIES

Trading Price and Volume

Pursuant to Capital Power's acquisition of EPCOR's power generation assets and operations in July 2009, the Corporation's Common Shares began trading on the Toronto Stock Exchange on June 26, 2009 under the symbol of CPX. The initial public offering of 21.75 million Common Shares was sold to investors at a price of \$23.00 per share. The following table sets forth the reported high and low trading prices and volumes for the periods indicated:

Toronto Stock Exchange 2009 CPX Trading Statistics:

Month	Share Price			Volume Traded
	High	Low	Close	
June	\$23.00	\$22.00	\$22.35	5,766,233
July	\$22.39	\$19.50	\$20.40	4,723,953
August	\$22.00	\$19.90	\$21.64	2,621,848
September	\$21.75	\$19.65	\$19.75	4,761,217
October	\$21.19	\$19.37	\$19.37	1,946,956
November	\$20.69	\$18.95	\$20.69	3,336,424
December	\$21.78	\$20.34	\$21.37	1,234,057

DIRECTORS AND OFFICERS

Board of Directors

The names, place of residence, principal occupation, period of service as a member of the Board of Directors, membership in Board committees, and attendance are set forth in the following table:

Name, Province/State and Country of Residence	Director Since	Office Held, Board and Committee Meeting Attendance ^{(1) (2) (9)}	Principal Occupation During Past Five Years
Albrecht W.A. Bellstedt ⁽⁴⁾⁽⁶⁾⁽⁷⁾ Canmore, Alberta, Canada Shares held: 7,090 ⁽⁵⁾ Date of Birth: March, 1949	July 9, 2009	Director 4 of 4 Board 2 of 2 Corporate Governance 1 of 1 EH&S	Professional Director from February 2007; prior thereto, Executive Vice President and General Counsel, TransCanada Corporation from January 1999.
William Bennett ⁽³⁾⁽⁴⁾⁽⁷⁾ Chicago, Illinois, USA Shares held: 1,000 ⁽⁵⁾ Date of Birth: October, 1946	July 9, 2009	Director 4 of 4 Board 4 of 4 Audit 1 of 1 EH&S	Semi Retired, a Corporate Director and a Private Investor since 1998.
Brian Bentz ⁽⁴⁾⁽⁷⁾⁽⁸⁾ Vancouver, British Columbia, Canada Shares held: 1,000 ⁽⁵⁾ Date of Birth: April, 1943	July 9, 2009	Director 4 of 4 Board 1 of 1 EH&S 2 of 2 Keephills 3	Proprietor of Brian Bentz Consulting from May 2008; prior thereto, President, Oilsands and Mining, Amec Americas Inc. from October 1969.
Hugh Bolton ⁽⁴⁾ Edmonton, Alberta, Canada Shares held: 1,000 ⁽⁵⁾ Date of Birth: May, 1938	July 9, 2009	Director 4 of 4 Board	Retired and Non-executive Chair of the Board of Directors of EPCOR Utilities Inc.
Richard Cruickshank ⁽⁶⁾⁽⁸⁾⁽¹¹⁾ Edmonton, Alberta, Canada Shares held: 1,000 ⁽⁵⁾ Date of Birth: July, 1950	July 9, 2009	Director 4 of 4 Board 1 of 2 Corporate Governance ⁽¹³⁾ 2 of 2 Keephills 3	Partner, Fraser Milner Casgrain LLP (law firm) since August 2000.
Philip Lachambre ⁽³⁾⁽⁴⁾⁽⁷⁾ Edmonton, Alberta, Canada Shares held: 1,000 ⁽⁵⁾ Date of Birth: December, 1951	July 9, 2009	Director 4 of 4 Board 1 of 1 EH&S 4 of 4 Audit	President for PCML Consulting Inc. from February 2007; prior thereto, Executive Vice President & Chief Financial Officer, Syncrude Canada Inc. from January 1997.
Donald Lowry ⁽⁴⁾ Edmonton, Alberta, Canada Shares held: 2,000 ⁽⁵⁾ Date of Birth: September, 1951	July 9, 2009	Director and Chairman 4 of 4 Board 2 of 2 Corporate Governance ⁽¹⁰⁾ 2 of 2 Keephills 3 ⁽¹⁰⁾ 4 of 4 Audit ⁽¹⁰⁾ 1 of 1 EH&S ⁽¹⁰⁾	President and Chief Executive Officer, EPCOR Utilities Inc. from January 1998.
Brian MacNeill ⁽⁴⁾⁽⁶⁾ Calgary, Alberta, Canada Shares held: 5,000 ⁽⁵⁾ Date of Birth: July, 1939	July 9, 2009	Lead Director 3 of 4 Board 2 of 2 Corporate Governance	Retired and Corporate Director. Chairman of the Board, Petro Canada from June 2000 to August 2009.
Allister McPherson ⁽³⁾⁽⁴⁾⁽⁸⁾ Edmonton, Alberta, Canada Shares held: 5,000 ⁽⁵⁾ Date of Birth: September, 1943	June 25, 2009	Director 4 of 4 Board 2 of 2 Keephills 3 4 of 4 Audit	Retired from November 2005; prior thereto, Executive Vice President, Canadian Western Bank from September 2000.
Robert Phillips ⁽⁴⁾⁽⁶⁾⁽⁸⁾ Vancouver, British Columbia, Canada Shares held: 2,000 ⁽⁵⁾ Date of Birth: January, 1951	June 25, 2009	Director 4 of 4 Board 2 of 2 Corporate Governance 2 of 2 Keephills	President, R.L. Phillips Investments Inc. from January 2001; prior thereto, President and Chief Executive Officer, BCR Group of Companies from March 2001 to July 2004.
Janice Rennie ⁽³⁾⁽⁴⁾⁽⁶⁾ Edmonton, Alberta, Canada Shares held: 1,000 ⁽⁵⁾ Date of Birth: June, 1957	July 9, 2009	Director 3 of 4 Board 2 of 2 Corporate Governance 4 of 4 Audit	Professional Director from 2005; prior thereto, Senior Vice President, EPCOR Utilities Inc., September 2004 to September 2005.

Name, Province/State and Country of Residence	Director Since	Office Held, Board and Committee Meeting Attendance ^{(1) (2) (9)}	Principal Occupation During Past Five Years
Brian Vaasjo ⁽¹²⁾ Edmonton, Alberta, Canada Shares held: 20,000 ⁽⁵⁾ Date of Birth: August, 1955	May 1, 2009	Director , President and Chief Executive Officer 4 of 4 Board	President and Chief Executive Officer, Capital Power Corporation from July 2009; prior thereto, Executive Vice President, EPCOR Utilities Inc. from April 2005, prior thereto, Executive Vice President and President, Energy Services, EPCOR Utilities Inc. from July 2001.

- (1) The Board of Directors does not have an executive committee
(2) Directors will hold office for a term expiring at the conclusion of the next annual meeting of shareholders of Capital Power or until their successors are elected or appointed and will be eligible for re-election
(3) Member of the Audit Committee
(4) Independent Director under applicable Canadian securities law
(5) Represents as of December 31, 2009 the number of shares of the Corporation beneficially owned, or controlled or directed, directly or indirectly, by such persons.
(6) Member of the Corporate Governance, Compensation and Nominating Committee
(7) Member of the Environment, Health and Safety Committee
(8) Member of the Keephills 3 Oversight Committee
(9) Meeting attendance is determined from July 9, 2009, the date of closing of the Corporation's initial public offering
(10) As Chair, Mr. Lowry attends committee meetings in an ex-officio, non-voting capacity
(11) Mr. Cruickshank is not considered to be independent as he is a partner of a law firm that provides legal advice and services to Capital Power
(12) Mr. Vaasjo is not considered to be independent as he is the President and Chief Executive Officer of the Corporation
(13) Mr. Cruickshank was appointed to the Corporate Governance, Compensation and Nominating Committee on October 30, 2009 and has attended all meetings of this committee since his appointment.

The Board of Directors has determined that all of the directors, except for Messrs Vaasjo and Cruickshank, are independent, as that term is defined in National Instrument 58-101 – Disclosure of Corporate Governance Practices (NI 58-101). Under NI 58-101, a director is independent if he or she would be independent within the meaning of independence under Section 1.4 of National Instrument 52-110 – Audit Committees (NI 52-110). Under NI 52-110, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. The Board has determined that Messrs. Vaasjo and Cruickshank are not independent for the purpose of NI 58-101 on the basis that Mr. Vaasjo is the President and Chief Executive Officer of the Corporation and Mr. Cruickshank is a partner in a law firm that provides services to Capital Power. The Board has determined that each of the other directors is independent for the purpose of NI 58-101 on the basis that he or she does not have any relationship with the Corporation which could reasonably be expected to interfere with the exercise of his or her independent judgment.

Executive Officers

Capital Power's officers are appointed by, and serve at the discretion of, the Board of Directors. The following table sets forth the names, place of residence, and position with Capital Power of each person who is an executive officer of Capital Power as at December 31, 2009.

Name, Province/State and Country of Residence	Officer Since	Office with the Corporation During the last 5 Years
Brian Vaasjo Edmonton, Alberta, Canada Shares Held: 20,000 ⁽²⁾ Date of Birth: August, 1955	May 1, 2009	President and Chief Executive Officer, Capital Power Corporation from July 2009; prior thereto, Executive Vice President, EPCOR Utilities Inc. from April 2005, prior thereto, Executive Vice President and President, Energy Services, EPCOR Utilities Inc. from July 2001.
Stuart Lee Sherwood Park, Alberta, Canada Shares Held: 6,688 ⁽²⁾ Date of Birth: June, 1964	May 1, 2009	Senior Vice President and Chief Financial Officer for Capital Power Corporation from July 2009; prior thereto, Chief Financial Officer, EPCOR Power Services Ltd. from September 2005, prior thereto, Vice President and Corporate Controller, EPCOR Utilities Inc. from July, 2003.

Name, Province/State and Country of Residence	Officer Since	Office with the Corporation During the last 5 Years
Kate Chisholm Edmonton, Alberta, Canada Shares Held: 1,500 ⁽²⁾ Date of Birth: May, 1963	May 1, 2009	Senior Vice President, General Counsel and Corporate Secretary, Capital Power Corporation from July 2009; prior thereto, Senior Vice President, General Counsel and Corporate Secretary, EPCOR Utilities Inc. from March 2008, prior thereto, Vice President, General Counsel and Corporate Secretary, EPCOR Utilities Inc. from May 2005, prior thereto, Associate General Counsel, EPCOR Utilities Inc. from September 2004.
John Patterson Edmonton, Alberta, Canada Shares Held: 1,016 ⁽²⁾ Date of Birth: June, 1946	June 4, 2009	Vice President and Treasurer, Capital Power Corporation from July 2009; prior thereto, Vice President and Treasurer, EPCOR Power Services Ltd., EPCOR Power L.P. and subsidiaries from April 2007 and Vice President and Treasurer, EPCOR Utilities Inc. and subsidiaries from November 2005, prior thereto, Assistant Treasurer, EPCOR Utilities Inc. and subsidiaries from January 2000.
Graham Brown Edmonton, Alberta, Canada Shares Held: 2,200 ⁽²⁾ Date of Birth: January, 1953	July 9, 2009	Senior Vice President, Operations, Capital Power Corporation from July 2009; prior thereto, Senior Vice President, EPCOR USA Inc. from May 2008, prior thereto, Vice President, Operations, EPCOR USA Inc, from January 2007, prior thereto, Director Eastern Operations, EPCOR USA Inc. from September 2005, prior thereto, Production Manager, Ontario Power Generation of EPCOR Utilities Inc. from 2003.
Kenneth Cory ⁽¹⁾ Edmonton, Alberta, Canada Shares Held: 500 ⁽²⁾ Date of Birth: September, 1966	July 9, 2009	Senior Vice President, Strategy and Risk, Capital Power Corporation from July 2009 to January 2010; prior thereto, Executive Vice President, Finance and Administration, EPCOR Utilities Inc. from December 2007, prior thereto, Founder, Chief Executive Officer, V3 Technologies from November 2006, prior thereto, Vice President Strategy, Calpine Corporation from June 2000.
James Oosterbaan Edmonton, Alberta, Canada Shares Held: 13,254 ⁽²⁾ Date of Birth: February, 1960	July 9, 2009	Senior Vice President, Commercial Services, Capital Power Corporation from July 2009; prior thereto, Senior Vice President, EPCOR Merchant and Capital and EPCOR Alberta from April 2005, prior thereto Senior VP, Merchant Operations, EPCOR Merchant and Capital from April 2004.
Leah Fitzgerald Edmonton, Alberta, Canada Shares Held: 1,016 ⁽²⁾ Date of Birth: August, 1967	August 11, 2009	Director, Ethics and Assistant Corporate Secretary, Capital Power Corporation, from July 2009; prior thereto, Chief Compliance Officer, EPCOR Utilities Inc. from October 2007; prior thereto, Associate, Field Law LLP from July 2006, prior thereto, Associate, Brownlee LLP from September 2002.

(1) Kenneth Cory's employment with the Corporation ended in January 2010. His responsibilities have been taken on by other members of the executive

(2) Represents as of December 31, 2009 the number of shares of the Corporation beneficially owned, or controlled or directed, directly or indirectly, by such persons

As at December 31, 2009, the directors of the Corporation who are not also executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, 27,090 Common Shares (\$21.37 per share as at the close of trading on December 31, 2009 for a value of \$578,913), which is less than 1% of the issued and outstanding Common Shares.

As at December 31, 2009, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 73,264 Common Shares (\$21.37 per share as at the close of trading on December 31, 2009 for a value of \$1,565,660), which is less than 1% of the issued and outstanding Common Shares of the Corporation. The information as to the beneficial ownership of the Common Shares, not being within the knowledge of the Corporation, has been confirmed by the directors and executive officers individually.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as noted below, no director, executive officer or controlling security holder of the Corporation is, or within the ten years prior to the date hereof, has been, a director or executive officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the person ceased to be a director or executive officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Albrecht Bellstedt was a trustee of Atlas Cold Storage Income Trust when the Ontario Securities Commission issued a cease trade order in December 2003 against Atlas Cold Storage Income Trust, its trustees, and officers and directors of its operating subsidiaries. The cease trade order was issued as a result of the requirement to file restated financial statements in respect of two preceding fiscal years. The order was vacated in the first quarter of 2004 when the restated financial statements were filed.

To the knowledge of the Corporation, no director, executive officer or controlling security holder of the Corporation has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

To the knowledge of the Corporation, no director, executive officer or controlling security holder of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, other than penalties for late filing of insider reports; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors and officers of the Corporation are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who are a party to, are a director or officer of a party to, or have a material interest in any person who is a party to a material contract or material transaction or a proposed material contract or material transaction with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract or transaction. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation.

Conflicts, if any, will be subject to the procedures and remedies available under the *Canadian Business Corporation Act* (CBCA). The CBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA.

PROMOTER

EPCOR was considered a promoter of Capital Power within the meaning of Canadian provincial securities legislation by virtue of its initiative in founding the business of the Corporation. See "General Development of Business - Initial Public Offering and Reorganization".

As of December 31, 2009 EPCOR holds 56.625 million Exchangeable LP Units of CPLP, which represent 100% of the Exchangeable LP Units. EPCOR also holds 56.625 million Special Voting Shares and one Special Limited Voting Share of the Corporation. EPCOR also holds one Special Limited Voting GP Share of CPLPGP. EPCOR holds 100% of each of these classes of shares. The voting rights attached to the Special Voting Shares of the Corporation are limited to 49% of the votes attached to all outstanding Common Shares and Special Voting Shares taken together. The Special Limited Voting Shares of

the Corporation and CPLPGP owned may only vote as a class in connection with certain amendments to the articles of the Corporation and CPLPGP. EPCOR also owns 51 Class A Shares of CPI Investments Inc. Additional details with respect to these classes of securities are described under "Capital Structure".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of Capital Power is not aware of any existing or contemplated legal proceedings material to the Corporation to which it is a party or to which its property is the subject except as described below.

Litigation

In June 2009, actions were commenced in the Court of Queen's Bench of Alberta, Judicial District of Edmonton by William Pidruchney, and by the Alberta Federation of Labour, the Canadian Union of Public Employees, Local 30, and the Civic Service Union 52, against, among others, The City of Edmonton and Capital Power, alleging, among other things, that The City of Edmonton acted outside of its jurisdiction and contrary to the Municipal Government Act (Alberta) when it did not engage in a public hearing process to determine whether Capital Power's power generation business (or a part thereof) should be sold. The defendants filed defences to these actions. The actions were dismissed with costs in September 2009 and December 2009.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or principal holder of securities or any associate or affiliate of the foregoing has, or has had, since the date of incorporation, any material interest in any transaction, or in any proposed transactions that has materially affected or will materially affect the Corporation or been indebted to the Corporation, except for routine indebtedness, other than as set forth in the AIF. See "General Development of the Business - Initial Public Offering and Reorganization" and "Material Contracts".

EPCOR, through EPDC, is the largest voting shareholder of the Corporation and, pursuant to its right to elect up to four directors of the Corporation under its Special Voting Shares; four of the twelve directors of the Corporation are directors or officers of EPCOR.

EPCOR has advised the Corporation that it intends to act only as an investor in and not as a manager of the Corporation, and that EPCOR intends to direct or exercise the voting rights attached to the Special Voting Shares and Special Limited Voting Share, as such. EPCOR has further advised the Corporation that it may eventually sell all or a substantial number of the Common Shares underlying its Exchangeable LP Units, subject to market conditions, its requirements for capital and other circumstances that may arise in the future. See "Risk Factors - Risks Relating to Significant Ownership by EPCOR".

EPCOR holds the one issued and outstanding Special Limited Voting Share. The Special Limited Voting Share confers on the holder the right to vote separately as a class in connection with certain amendments to the articles of the Corporation, including an amendment to change or permit the change of the location of the head office of the Corporation from The City of Edmonton, Alberta. EPCOR has undertaken to its sole shareholder, The City of Edmonton, that it will not dispose of or otherwise relinquish any rights it has under the Special Limited Voting Share without the consent of The City of Edmonton.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which Capital Power has entered into since its incorporation on May 1, 2009 and within the most recently completed financial year.

- Amended and Restated Limited Partnership Agreement of CPLP among Capital Power, 7181035 Canada Inc. and each person who is admitted to the partnership as a limited partner; dated May 29, 2009 as amended and restated as of July 9, 2009 (Limited Partnership Agreement)

- Master Separation Agreement between EPCOR and Capital Power dated June 25, 2009 (Master Separation Agreement)
- Share Transfer Agreement between Capital Power and EPCOR dated June 30, 2009 (Share Transfer Agreement)
- Asset Transfer Agreement between EPDC, CPLP and Capital Power dated June 30, 2009 (Asset Transfer Agreement)
- Cooperation Agreement between EPCOR and Capital Power dated July 9, 2009 (Cooperation Agreement)
- Registration Rights Agreement between EPCOR and Capital Power dated July 9, 2009 (Registration Rights Agreement)
- Exchange Agreement among Capital Power, CPLP, Capital Power GP Holdings Inc., EPDC and each person who, from time to time, is a holder of Exchangeable LP Units dated July 9, 2009 (Exchange Agreement)
- CPI Investments Inc. Shareholders Agreement between EPCOR and CPLP dated July 9, 2009 (CPI Investments Inc. Shareholders Agreement)
- Social Objectives Agreement among EPCOR, 7166575 Canada Inc. and The City of Edmonton dated May 5, 2009 (Social Objectives Agreement)
- Back-to-Back Credit Agreement between CPLP and EPCOR dated July 9, 2009 (Back-to-Back Credit Agreement)
- Underwriting Agreement among Capital Power, EPCOR and the Underwriters dated June 25, 2009 in respect of the IPO. See "General Development of the Business - Initial Public Offering and Reorganization"

The following section provides a summary of the principal agreements between EPCOR and Capital Power and/or CPLP. Copies of the above material agreements may be viewed on SEDAR at www.sedar.com.

Limited Partnership Agreement

General Partner of CPLP

The general partner of CPLP is CPLPGP, a wholly-owned subsidiary of the Corporation. In its capacity as general partner of CPLP, CPLPGP is authorized and obliged to manage, control, administer and operate the business and affairs of CPLP, to make all decisions regarding the business of CPLP and to bind CPLP in respect of any such decisions, subject to certain limitations contained in the Limited Partnership Agreement. CPLPGP is required to exercise its powers and discharge its duties honestly, in good faith with a view to the best interests of CPLP and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Restrictions on the Authority of CPLPGP

The authority of CPLPGP, as general partner, is limited in certain respects under the Limited Partnership Agreement. CPLPGP is precluded from, without the prior approval of the holders of Common LP Units and Exchangeable LP Units, voting together, given by special resolution: (i) issuing or accepting, recognizing or registering the transfer of any limited partnership units of CPLP, unless such issuance or transfer has been effected in compliance with the Limited Partnership Agreement; and (ii) waiving any default on the part of a general partner or releasing a general partner from any claims in respect thereof. For these purposes, limited partnership units held by the Corporation, CPLPGP or their subsidiaries will not be entitled to vote.

Partnership Units

Under the limited partnership agreement governing CPLP, CPLP may issue various classes of partnership interests, designated as GP Units, Common LP Units and Exchangeable LP Units, for such consideration and on such terms and conditions as may be determined by the general partner of CPLP, subject to the provisions of the Limited Partnership Agreement.

The GP Units, Common LP Units and Exchangeable LP Units are entitled to participate in distributions of CPLP on an equal per-unit basis. Certain fundamental matters must be approved by special resolution of the holders of Common LP Units and Exchangeable LP Units, voting together as a class, including: (i) a consolidation, subdivision or reclassification of limited partnership units; and (ii) a waiver of a default by the general partner or release of the general partner from any claims in

respect thereof. Other matters must be approved by special resolution of the holders of Common LP Units, including: (i) removal of the general partner; (ii) dissolution, termination, wind up or other discontinuance of CPLP; (iii) sale, exchange or other disposition of all or substantially all of the business or assets of CPLP; (iv) amendments to the Limited Partnership Agreement; and (v) merger or consolidation involving CPLP. However, amendments to the rights, privileges, restrictions and conditions of a class of limited partnership units must be approved by special resolution of the holders of that class of limited partnership units, voting separately as a class.

As contemplated in the Exchange Agreement, Exchangeable LP Units are exchangeable for Common Shares of the Corporation at the option of the holder on a one-for-one basis (subject to customary anti-dilution protections) at any time, subject to the limitation that the maximum number of Common Shares for which Exchangeable LP Units may be exchanged at any time is the largest whole number of Common Shares that, when added to the aggregate number of Common Shares outstanding at that time owned or whose voting rights are controlled by persons who own Exchangeable LP Units or persons who, for purposes of the Tax Act do not deal at arm's length with an owner of Exchangeable LP Units, does not exceed 49% of the aggregate number of Common Shares that would be outstanding immediately following such exchange. Following any such exchange, each Exchangeable LP Unit acquired by the Corporation will automatically be converted into a Common LP Unit. Each of the Exchangeable LP Units is accompanied by a Special Voting Share. See "Capital Structure - Capital Power Corporation - Special Voting Shares".

Distributions

It is anticipated that CPLP will make cash distributions, as determined by CPLPGP, to its partners on a quarterly basis, and in any event on or before the scheduled date for payment by the Corporation of dividends to holders of Common Shares. Distributions are not, however, guaranteed and will be at the discretion of CPLPGP. See "Dividend Policy" and "Risk Factors - Dependence on CPLP, Operating Subsidiaries and CPILP Risk".

Allocation of Net Income and Losses

The income for tax purposes of CPLP for a particular fiscal year will be allocated to each partner by multiplying the total income for tax purposes of CPLP allocated to all partners by a fraction, the numerator of which is the aggregate of the distributions paid or payable or allocated to that partner with respect to that fiscal year and the denominator of which is the aggregate of the amount or value of the distributions paid or payable or allocated to all partners by CPLP with respect to that fiscal year. The amount of income for tax purposes allocated to a partner may be more or less than the amount of cash distributed by CPLP to that partner.

Income and loss of CPLP for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

If, with respect to a given fiscal year, no distribution is paid or payable or allocated to the partners, or CPLP has a loss for tax purposes, one-twelfth of the income or loss, as the case may be, for tax purposes of CPLP for that fiscal year will be allocated to the partners at the end of each month ending in that fiscal year in the proportion that the number of limited partnership units and/or GP Units held at each of those dates by that partner bears to the total number of limited partnership units and GP Units issued and outstanding at each of those dates.

Limited Liability

CPLP will operate in a manner so as to ensure, to the greatest extent possible, the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. If limited liability of the limited partners is lost due to the negligence of CPLPGP, CPLPGP will indemnify the limited partners against all costs and damages suffered or incurred by the limited partners to the extent that their liability is not limited as intended by the Limited Partnership Agreement.

Transfer of Partnership Units

No limited partner may transfer any of the limited partnership units owned by it except to persons and in the manner expressly permitted in the Limited Partnership Agreement, Limited partnership units may not be transferred to a person who is a "non-resident" of Canada or is not a "Canadian partnership" for purposes of the Tax Act and the regulations thereunder (the Regulations). No holder of Exchangeable LP Units is permitted to transfer such Exchangeable LP Units other than as provided in the Limited Partnership Agreement and the Exchange Agreement or in exchange for Common Shares in accordance with the terms of the Exchange Agreement, unless either: (i) such transfer would not require that the transferee make an offer to holders of Common Shares to acquire Common Shares on the same terms and conditions under applicable securities laws, if such Exchangeable LP Units were converted into Common Shares at the then applicable exchange ratio; or (ii) if such transfer would require that the transferee make such an offer to holders of Common Shares to acquire Common Shares on the same terms and conditions under applicable securities laws, the transferee acquiring such Exchangeable LP Units makes a contemporaneous identical offer for Common Shares (in terms of price, timing, proportion of securities sought to be acquired

and conditions and at the then applicable exchange ratio in effect under the Exchange Agreement) and does not acquire such Exchangeable LP Units unless the transferee also acquires a proportionate number of Common Shares actually tendered to such identical offer.

Master Separation Agreement

The Master Separation Agreement contains the key provisions related to the separation of the business of Capital Power from EPCOR and the transfer of the power generation business from EPCOR to Capital Power pursuant to the Reorganization. All of Capital Power's and EPCOR's covenants and agreements in the Master Separation Agreement will survive indefinitely, subject to applicable laws. Certain of the principal provisions of the Master Separation Agreement relate to:

- the ownership and transfer of assets, including the separation of Capital Power's assets and assumption of liabilities from EPCOR through transfer agreements that the Corporation and/or CPLP have entered into with EPCOR. The assets constituting the business of Capital Power were transferred to the Corporation and CPLP on an "as is", "where is" basis without any representations or warranties, express or implied, as to its condition, quality, merchantability or fitness and the Corporation and/or CPLP, as applicable, bear the economic and legal risks if any conveyance proves to be insufficient to vest good and marketable title in such transferee;
- Capital Power indemnifying EPCOR, each of EPCOR's controlled subsidiaries, and each of their respective directors, officers, employees, consultants, advisers and agents from all losses they may suffer relating to, arising out of, or in respect of certain circumstances or events, whether such losses arise or accrue prior to, on or following the closing of the Reorganization, including Capital Power's business or future business or any liabilities arising out of or related to such business or Capital Power's assets;
- EPCOR indemnifying Capital Power, each of Capital Power's controlled subsidiaries, and each of their respective directors, officers, employees, consultants, advisers and agents from all losses they may suffer relating to, arising out of, or in respect of certain circumstances or events, whether such losses arise or accrue prior to, on or following the closing of the Reorganization, including EPCOR's business or future business or any liabilities arising out of or related to such business or EPCOR's assets (excluding any liability arising out of the business of Capital Power);
- Non-competition and non-solicitation of employees such that Capital Power will not, for a period of three years from the date of that agreement, directly or indirectly, engage in any business competitive with EPCOR's business, as conducted upon closing of the Reorganization, and EPCOR (and/or EPCOR's subsidiaries) will not, for a period of three years from the date of that agreement, directly or indirectly, engage in any business competitive with Capital Power's business, as conducted at the time of closing of the Reorganization.

Share Transfer Agreement

The Share Purchase Agreement provided for the purchase by Capital Power from EPCOR of all of the issued and outstanding shares of CPLPGP. The purchase price for the shares of CPLPGP was approximately \$468 million, payable in cash.

Asset Transfer Agreement

The Asset Transfer Agreement provided for the contribution by EPDC to CPLP of substantially all of the assets of EPDC.

The purchase price for the assets contributed to CPLP was approximately \$2,254 million, approximately \$468 million in cash, the issuance of 56.625 million Exchangeable LP Units, representing an approximate 72.2% equity interest in CPLP (together with the issuance by the Corporation of 56.625 million accompanying Special Voting Shares) and \$896 million by a loan from EPCOR under the Back-to-Back Credit Agreement described below.

Cooperation Agreement

The Cooperation Agreement provides for, among other things, certain governance, tax and financial reporting matters by Capital Power to EPCOR. The Cooperation Agreement deals with (among other things):

- certain governance matters including:
 - setting the size of the Board of Directors at: (i) a minimum of nine directors so long as EPCOR has the right to nominate and elect four directors pursuant to the rights attached to the Special Voting Shares and five directors so long as EPCOR has the right to nominate and elect two directors pursuant to the rights attached to the Special Voting Shares and (ii) a maximum of 12 directors;
 - requiring committees of the Board of Directors, including an audit committee; corporate governance, compensation and nominating committee; and environmental, health and safety committee;
 - establishing quorum for meetings of the Board of Directors: (i) as a majority of the number of directors, subject to the Canadian residency requirements of the *Canada Business Corporations Act*, (ii) so long as EPCOR's interest

in the outstanding Common Shares is not less than 10% (after giving effect to the exchange of the Exchangeable LP Units held by EPCOR), that a majority of the directors in attendance shall be directors not elected by EPCOR; and (iii) so long as EPCOR's interest in the outstanding Common Shares is not less than 20% (after giving effect to exchange of the Exchangeable LP Units held by EPCOR), at least one of the directors is elected by EPCOR; and

- providing that within 30 days of receipt of a written request by any two directors of the Board of Directors, a meeting of holders of Common Shares is to be called by the Corporation;
- certain tax-related matters including restrictions with respect to amending/changing tax returns for periods prior to the completion of the IPO and requirements to provide notice of audit adjustments; and
- financial reporting matters including providing EPCOR with financial and other information and data with respect to Capital Power in sufficient time to allow EPCOR to meet its financial and legal obligations.

The Cooperation Agreement does not limit the ability of EPCOR to exercise its rights attached to the Special Voting Shares, Special Limited Voting Share and Special Limited GP Voting Share. The Corporation has agreed to not, directly or indirectly, undertake any acquisition or investing activity that would be material to the Corporation, on a consolidated basis, except in or through CPLP, CPI Investments Inc. or their respective subsidiaries. Unless terminated earlier by written agreement of the parties, the Cooperation Agreement will terminate when EPCOR owns less than 10% of the outstanding Common Shares, after giving effect to the exchange of the Exchangeable LP Units to be held by EPCOR.

Registration Rights Agreement

The Registration Rights Agreement provides EPCOR with the right to require Capital Power to qualify Common Shares held by EPCOR, including Common Shares issuable upon the exchange of Exchangeable LP Units, for distribution: (i) by prospectus filed with the applicable Canadian securities regulatory authorities; and/or (ii) by registration statements filed with the United States Securities and Exchange Commission. In addition, the Registration Rights Agreement provides:

- EPCOR with the right to require Capital Power to include Common Shares held by EPCOR, including Common Shares issuable upon exchange of Exchangeable LP Units, in future offerings undertaken by Capital Power by way of prospectuses that it may file with applicable Canadian securities regulatory authorities or registration statements that Capital Power may file with the United States Securities and Exchange Commission. These rights are subject to various conditions and limitations; and
- Capital Power is obliged to indemnify EPCOR for any misrepresentation in a prospectus under which EPCOR's Common Shares were sold (other than in respect of any information provided by EPCOR for inclusion in the prospectus).

The Registration Rights Agreement (other than the indemnity provisions) will terminate upon the earlier of: (i) the date that EPCOR owns less than 10% of the outstanding Common Shares, after giving effect to the exchange of the Exchangeable LP Units; and (ii) July 1, 2024.

Exchange Agreement

Under the Exchange Agreement, Capital Power has granted the holders of Exchangeable LP Units the right to require Capital Power to exchange Exchangeable LP Units for Common Shares on a one-for-one basis at any time, subject to customary anti-dilution protections and adjustment provisions, and to a limitation on the maximum number of Common Shares for which Exchangeable LP Units may be exchanged at any time. See "Material Contracts - Limited Partnership Agreement". Capital Power agreed to not issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Common Shares entitling them to subscribe for or purchase Common Shares, evidences of indebtedness or assets of Capital Power, unless the equivalent of such Common Shares, rights, options, warrants, securities, evidences of indebtedness or other assets are simultaneously issued or distributed to holders of Exchangeable LP Units. Capital Power agreed to not issue any additional Special Voting Shares following completion of the Reorganization without the prior written consent of holders of at least $66\frac{2}{3}\%$ of the outstanding Exchangeable LP Units.

The exchange rights under the Exchange Agreement may be assigned by the holders of Exchangeable LP Units, in whole or in part, in connection with a transfer of Exchangeable LP Units; provided, however, that each holder of Exchangeable LP Units will agree that it will not transfer Special Voting Shares separately from the Exchangeable LP Units to which they relate, except to an affiliate in accordance with the terms and conditions of the Exchange Agreement.

CPI Investments Inc. Shareholder Agreement

CPLP and EPCOR hold 49 Class B Shares and 51 Class A Shares in the capital of CPI Investments Inc., respectively. Pursuant to the CPI Investments Inc. Shareholder Agreement, CPLP and EPCOR agreed that: (i) the board of directors of CPI Investments Inc. shall consist of three directors; and (ii) EPCOR is entitled to nominate one person for election to the board of directors of CPI Investments Inc. See "Capital Structure - CPI Investments Inc."

Social Objectives Agreement

Pursuant to the Social Objectives Agreement, the Corporation agreed to maintain its head office (as defined in the agreement) in The City of Edmonton in the Province of Alberta and in addition, the Corporation must maintain at least 350 employees based in The City of Edmonton for a period of 25 years following completion of the IPO. See “Capital Structure - Capital Power Corporation - Special Limited Voting Share”.

Back-to-Back Credit Agreement

In connection with the Reorganization, CPLP issued \$896 million of long term indebtedness to EPCOR pursuant to the Back-to-Back Credit Agreement. The indebtedness of CPLP to EPCOR mirrors existing indebtedness of EPCOR under debt issued by EPCOR to the public, which is to be repaid on the originally-scheduled maturity dates of such mirrored debt ranging from 2010 to 2018, and bears interest at rates corresponding to the interest rates of each component of the mirrored debt ranging from 5.80 to 6.95. The indebtedness of CPLP to EPCOR also includes an amount sufficient to meet existing obligations of EPCOR related to indebtedness of The City of Edmonton assumed by EPCOR, which will be repaid in accordance with an amortization schedule.

On or after December 2, 2012, if EPCOR no longer owns, directly or indirectly, at least 20% of the outstanding limited partnership units in CPLP, then EPCOR may require repayment of all or any portion of the outstanding principal amount under the credit agreement and accrued interest. If the principal amount required to be repaid is less than \$200,000,000, then such principal amount and accrued interest shall be payable 180 days after EPCOR gives notice requiring repayment, and, if the principal amount required to be paid is \$200,000,000 or more, then such principal amount and accrued interest shall be payable 365 days after EPCOR gives notice requiring repayment. The long-term debt payable to EPCOR requires CPLP to meet certain financial covenants and contemplates certain events of default including the acquisition of more than 50% of the voting equity of CPLP or of CPLPGP.

INTERESTS OF EXPERTS

The Corporation's Auditors are KPMG LLP, Chartered Accountants, 10125 – 102 Street, Edmonton, Alberta T5J 3V8. KPMG LLP has confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDIT COMMITTEE

Audit Committee Mandate

The responsibilities and duties of the Audit Committee (AC) are set out in the Committee's Terms of Reference, provided in Appendix A to this document.

Composition of the Audit Committee

The AC is currently composed of William Bennett (Chair), Philip Lachambre, Allister McPherson and Janice Rennie. As Chair of the Board, Donald Lowry also attends AC meetings in an ex-officio, non-voting capacity. The Board of Directors has determined that all members of the AC are “independent” and “financially literate” as such terms are defined under applicable Canadian securities law and mandated under the Board of Director's terms of reference. See “Directors and Officers”. The Board of Director's based the determination regarding financial literacy on the education and breadth and depth of experience of each AC member, as summarized below:

AC Member	Relevant Education and Experience
William Bennett	Mr. Bennett is Chair of the AC. He holds an undergraduate degree in economics from Kenyon College and a Master of Business Administration from the University of Chicago. Mr. Bennett currently sits as chair of the audit committee of the TD Bank Financial Group (and is a member of its Risk Committee). In addition, Mr. Bennett chairs the audit committee of TD Banknorth, the U.S. banking operation of TD Bank Financial Group. Mr. Bennett is the former president and chief executive officer of Draper & Kramer, Inc., a Chicago-based financial services and real estate company. Previously, he served as Executive Vice President and Chief Credit Officer of First Chicago Corp. and its principal subsidiary, the First National Bank of Chicago.

AC Member	Relevant Education and Experience
Philip Lachambre	Mr. Lachambre is currently President of PCML Consulting Inc. Mr. Lachambre has held many positions in the oil and gas, mining and construction sectors during his thirty-seven year career, thirty-one of which were at Syncrude Canada Ltd. where he was appointed to the position of Executive Vice President and Chief Financial Officer in 1997 which he held until his retirement in 2007. Mr. Lachambre holds a Bachelor of Commerce degree from the University of Alberta, has a Certified Professional Purchase designation from the Purchasing Management Association of Canada, and is a graduate of the Executive Management Program of the University of Western Ontario.
Allister McPherson	Mr. McPherson has served as Executive Vice President of Canadian Western Bank from September 2000 to November 2005 and was Deputy Provincial Treasurer (Finance and Revenue) for the Province of Alberta from 1984 to 1996. He holds a Master of Science from the University of BC. Mr. McPherson is currently an external member of the University of Alberta's Investment Committee, a director of The Churchill Corporation and EPCOR and a member of the Edmonton Regional Advisory Board of the Alberta Motor Association. He is a past Director and Vice Chair of the Edmonton Regional Airports Authority and a past Governor of Northern Alberta Institute of Technology, a past Chair of the Alberta Credit Union Deposit Guarantee Corporation, and past Chair of the Endowment Fund Policy Committee of Alberta Finance.
Janice Rennie	Ms. Rennie is an independent Director and business advisor. She has held senior management positions with a number of companies including, most recently, as Senior Vice President of Human Resources and Organizational Effectiveness at EPCOR Utilities Inc. from 2004 to 2005. Ms. Rennie was also Principal of Rennie & Associates, which operated a number of business interests and she has served as President of Research Technology Management Inc. and of Bellanca Developments Ltd., and as Senior Vice President of Princeton Developments Ltd., all private companies. Ms. Rennie has served as Corporate Director for various for-profit and not-for-profit organizations. Ms. Rennie attended the University of Alberta where she received her Bachelor of Commerce (with distinction), her Chartered Accountant designation and thereafter was made a fellow of the Alberta Institute of Chartered Accountants.

Reliance on Exemptions

The Corporation relied upon the exemption in Section 3.2(2) of NI 52-110 for the period between the filing of its prospectus and the completion of its IPO ending July 9, 2009. Otherwise, at no time since the commencement of Capital Power's most recently completed financial period has Capital Power relied on the exemptions in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), Section 3.4 of NI 52-110 (*Events outside Control of Members*), Section 3.5 of NI 52-110 (*Death, Disability or Resignation of Audit Committee Member*), Subsection 3.3(2) of NI 52-110 (*Controlled Companies*), Section 3.6 of NI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*), Section 3.8 of NI 52-110 (*Acquisition of Financial Literacy*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*).

Audit Committee Oversight

At no time since the commencement of Capital Power's most recently completed financial period was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Policies and Procedures for the Engagement of Audit and Non-audit Services

The Audit Committee's charter provides that it may formulate pre-approval policies and procedures relative to the authorization of non-audit services; however, it has not as yet chosen to do so.

Auditor's Fees

KPMG LLP has served as the Corporation's auditors since its incorporation. Fees billed by KPMG LLP to the Corporation for the six months ended December 31, 2009 in respect of the Corporation and the Corporation's subsidiaries were approximately \$0.6 million as detailed below. Fees do not include KPMG LLP billings for CPILP.

**Six Months Ended
December 31, 2009 (\$ millions)**

Audit Fees	0.3
Audit Related Fees	0.1
Tax fees	0.0
All Other fees	0.2
Total	0.6

Audit fees — Audit fees billed are for professional services rendered for the audit and review of the financial statements of the Corporation or services provided in connection with statutory and regulatory filings, providing comfort letters associated with securities documents and the IPO.

Audit-related fees — Audit-related fees are for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported under audit fees listed above.

Tax fees — Tax fees are tax-related services for review of tax returns, assistance with questions on tax audits, and tax planning.

All other fees — All other fees are fees for services other than audit fees, audit-related fees and tax fees, including advisory services related to implementation of International Financial Reporting Standards and potential financing activities.

Other Committees

Apart from the Audit Committee and the Corporate Governance, Compensation and Nominating Committee, the Board of Directors has established: (i) the Environmental, Health and Safety Committee to oversee matters relating to the impact of the Corporation's operations on the environment and on workplace health and safety; and (ii) the Keephills 3 Oversight Committee to oversee the construction of Keephills 3. Mr. Lowry, the Chair of the Board, is a non-voting ex-officio member of all committees. The members of these committees as at December 31, 2009 were as follows:

Corporate Governance, Compensation and Nominating Committee

Mr. Albrecht Bellstedt, Chair
Mr. Richard Cruickshank
Mr. Brian MacNeill
Mr. Robert Phillips
Ms. Janice Rennie
Mr. Don Lowry (ex-officio)

Environment, Health and Safety Committee

Mr. Brian Bentz, Chair
Mr. Albrecht Bellstedt
Mr. William Bennett
Mr. Philip Lachambre
Mr. Don Lowry (ex-officio)

Keephills 3 Oversight Committee

Mr. Robert Phillips, Chair
Mr. Brian Bentz
Mr. Richard Cruickshank
Mr. Allister McPherson
Mr. Don Lowry (ex-officio)

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com and on the Corporation's website at www.capitalpower.com

Additional financial information is provided in the Corporation's annual audited consolidated financial statements and MD&A for the period ended December 31, 2009.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensations plans, if applicable, is contained in The Corporation's information circular for its most recent annual meeting of securityholders that involved the election of directors.

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APPENDIX A — AUDIT COMMITTEE TERMS OF REFERENCE

A. OVERVIEW AND PURPOSE

1. The Audit Committee (the “Committee”), except to the extent otherwise provided by law, is responsible to the Board of Directors (the “Board”) of Capital Power Corporation (the “Corporation”). The Committee provides assistance to the Board in fulfilling its oversight responsibility to shareholders of the Corporation, the investment community and others in relation to the integrity of the Corporation’s financial statements, financial reporting processes, systems of internal accounting and financial controls, the risk identification assessment conducted by Management and the programs established by Management and the Board in response to such assessment, the internal audit function and the external auditors’ qualifications, independence, performance and reports to the Corporation. In addition, the Committee monitors, evaluates, advises or makes recommendations, in accordance with these terms of reference and any other directions of the Board, on matters affecting the financial and operational control policies and practices relating to the Corporation, including the external, internal or special audits thereof.
2. Management is responsible for preparing the interim and annual financial statements of the Corporation and for maintaining a system of risk assessment and internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. The Committee is responsible for reviewing management’s actions and has the authority to investigate any activity of the Corporation. The primary responsibilities of the Committee include:
 - assessing the processes related to identification of the risks and effectiveness of the Corporation’s control environment, as they relate to the production of financial statements and other publicly disclosed financial information;
 - overseeing and monitoring the Corporation’s financial reporting;
 - evaluating the Corporation’s internal control systems for financial reporting;
 - overseeing the audit of the Corporation’s financial statements;
 - overseeing and monitoring the qualifications, independence and performance of the Corporation’s external auditors;
 - maintaining direct lines of communication between the Corporation’s external auditors, its internal auditing department, management and the Board;
 - evaluating the internal and external, and any special, audit processes; and
 - monitoring and evaluating the Corporation’s financial risks.
3. The Committee will have unrestricted access to the Corporation’s personnel and documents, including its internal auditors, and will be provided with the resources required to carry out its responsibilities. The Committee is authorized to retain, at the expense of the Corporation, independent outside advisors and consultants as it sees fit to assist it in carrying out its duties and responsibilities.
4. The Committee will be the direct report for the external auditors, will evaluate their performance and will recommend their compensation to the Board.

B. STRUCTURE

1. The Committee will be composed of such number of directors as may be specified by the Board from time to time, which number will be not less than three.
2. At the first meeting of the Board following the Corporation’s annual general meeting, Committee Members (“Committee Members”) and the Committee Chair will be appointed by the Board on the recommendation of the Corporate Governance, Compensation and Nominating Committee (the “CGCN Committee”).

3. All Committee Members will be independent and unrelated, as set forth in all applicable securities laws and regulations or the rules or guidelines of any stock exchange on which the securities of the Corporation are listed for trading (including, without limitation, National Instrument 52-110 *Audit Committees* or “NI 52-110”, as implemented by the Canadian Securities Administrators and as amended or replaced from time to time), and have no relationship with the Corporation that may materially interfere with the ability of each Committee member to act with a view to the best interests of the Corporation.
4. All Committee Members will be financially literate (as such term is defined in NI 52-110). At least one member of the Committee will have a professional accounting designation or equivalent financial expertise as determined by the Board.
5. The Committee will meet at least quarterly and may call other meetings as required.
6. The minutes of the Committee meetings will accurately record the decisions reached and will be distributed to Committee Members, and, as directed by the Committee, to other Board members, the Senior Vice President and Chief Financial Officer (the “CFO”) and others.

C. DUTIES AND RESPONSIBILITIES

The Committee will:

1. Review the Corporation's annual audited financial statements including the notes thereto, management's discussion and analysis, earnings press releases and annual information forms before such documents are submitted to the Board for approval, including any report or opinion to be rendered in connection therewith, and make recommendations as to their approval by the Board.
2. Review, and make recommendations for subsequent approval by the Board, the Corporation's quarterly financial statements including the notes thereto, management's discussion and analysis and earnings press releases of the Corporation.
3. Review with management, the external auditors and, if necessary, internal and external legal counsel, any material litigation, claim, compliance issue, or regulatory or other contingency that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these will be, or have been, disclosed in the Corporation's financial statements.
4. Review on a quarterly basis with the CFO and General Counsel, and if necessary, external legal counsel, the status of all material litigation, claims, compliance programs, or regulatory or other contingencies faced by the Corporation.
5. Review, or establish procedures for the review of, all public disclosure documents containing audited, unaudited or forward-looking financial information before release by the Corporation, including any prospectus, management information circulars, offering memoranda, annual reports, management certifications, management's discussion and analysis, annual information forms and press releases.
6. As required, review management's plans and strategies around investment practices, banking performance and treasury risk management.
7. Assess management's procedures to ensure compliance by the Corporation with its loan and indenture covenants and restrictions, if any.
8. Monitor the appropriateness of the accounting policies and practices and financial reporting used by the Corporation, review any actual and prospective significant changes to such accounting policies and practices financial reporting to be adopted by the Corporation and review and assess any new or proposed developments in accounting and reporting standards that may affect or have an impact on the Corporation.
9. Review and recommend the nomination of the external auditors to the Board for appointment by the shareholders at the Corporation's annual general meeting. In connection therewith, the Committee will review the experience and qualifications of the external auditors' senior personnel who are providing audit services to the Corporation and the quality control procedures of the external auditors.

10. Review and discuss with the external auditors all relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the independence of the Corporation's external auditors, including, without limitation (i) requesting, receiving and reviewing, at least annually, a formal written report from the external auditors delineating all relationships that may reasonably bear on the independence of the external auditors with respect to the Corporation; and (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors. Following receipt and review of the external auditors' report and discussion with the external auditors, recommending that the Board, in response to the relationships or services disclosed in the report, take appropriate action to satisfy itself of the external auditors' independence.
11. Discussing with the Board whether, due to the passage of time or for other reasons, it would be appropriate to change the Corporation's external auditors or the audit engagement partner and, after consultation with appropriate management, recommending either that the external auditors be changed or retained for each future fiscal year.
12. Review and recommend to the Board for approval the compensation paid to the external auditors on an annual basis.
13. Review and pre-approve all non-audit services performed by the external auditors in relation to the Corporation and its subsidiaries.
14. Oversee the work of the external auditor, including reviewing and approving the planning of the annual audit and reviewing the results thereof with the external auditors, including:
 - approving the auditors' engagement letters;
 - approving the scope of the audit, including materiality, audit reports required, area of audit risk, timetable and deadlines;
 - reviewing with the external auditors the quality, not just the acceptability, of the accounting principles applied in the Corporation's financial reporting and the degree of aggressiveness or conservatism of the Corporation's accounting principles and underlying estimates;
 - reviewing the post-audit management letter together with management's responses;
 - reviewing any other matters the external auditors bring to the attention of the Committee;
 - resolving disagreements with management regarding financial reporting;
 - reviewing accruals, reserves and estimates which could have a significant effect on financial results;
 - reviewing the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles ("GAAP"); and
 - reviewing interim review engagement reports.

The Corporation's external auditors are ultimately accountable to the Board and the Committee as representatives of the shareholders of the Corporation, and will report directly to the Committee.

15. Review the rationale for any proposed change in auditors which is not initiated by the Committee or the Board.
16. Review reports from external auditors respecting their internal quality control procedures, peer reviews and investigations by governmental or professional authorities.
17. Obtain and review annually, prior to the completion of the external audit: (a) a report from the external auditors describing: (i) all critical accounting policies used by the Corporation in the preparation of its annual and interim financial statements; (ii) all alternative treatments of financial information within GAAP that have been discussed with management; (iii) the ramifications of the use of such alternative treatments; and (iv) the treatment preferred by the external auditors; and (b) all other material written communications.

18. Obtain reasonable assurance from discussions with and/or reports from management and reports from external and internal auditors that the Corporation's accounting systems are reliable and that the prescribed internal controls are operating effectively.
19. Assess whether management has implemented policies ensuring that the Corporation's financial risks are identified and that controls are adequate, in place and functioning properly. In connection therewith, as part of the financial risk assessment, management will prepare tax compliance and planning strategies annually for review by the Committee, including a review of any tax reserves.
20. Monitor compliance with the Corporation's Ethics Policy and ensure Management Compliance Certificates are received from management quarterly.
21. Meet with the external auditors, at least annually and when requested by the external auditors, without management representatives present.
22. Meet with the internal auditors, at least annually or as requested by the internal auditors, without management representatives present.
23. Review and ensure that appropriate liaison and cooperation exists where necessary between the external auditors and the internal auditors, and provide a direct line of communication between the external and internal auditors, the Committee and the Board.
24. Review the responses of management to information requests from government or regulatory authorities in respect of filing documents required under securities legislation, which may affect the financial reporting of the Corporation.
25. Review and approve the annual internal audit plan, including the mandate, staffing, scope and objectives of the internal audit department, and receive and review all financial internal audit reports issued in relation thereto.
26. Receive and review all follow-up action or status reports relating to the non-financial recommendations of the external auditor, and the internal auditor.
27. Obtain such information and explanations regarding the accounts of the Corporation as the Committee may consider necessary and appropriate to carry out its duties and responsibilities.
28. Annually review the performance, budget and independence of the internal audit function and direct the CFO to make any changes necessary.
29. Establish procedures for receiving, retaining and responding to complaints relating to accounting, internal accounting controls or auditing matters, on a basis that protects the confidentiality of the complainant.
30. Review and approve the hiring policies regarding employees and former employees of the present and former external auditors.
31. Periodically assess procedures for the review of disclosure of financial information, extracted or derived from the Corporation's financial statements.
32. Review and monitor quarterly results of financial and commodity exposure management activities, including foreign currency and interest rate risk strategies, counterparty credit exposure and the use of derivative instruments, and ensure that they are appropriately reflected in the Corporation's financial reporting.
33. Monitor and evaluate the Corporation's insurance programs.
34. Review with management and the external auditor any off balance sheet arrangements and special purpose vehicle structures.
35. Review disclosure made to the Committee by the President and CEO, the CFO and the General Counsel of a violation of applicable securities laws, a breach of a fiduciary duty under applicable laws or a similar violation by the Corporation or by any officer, director, employee or agent of the Corporation, which has been reported to the Committee, and determine whether an investigation is necessary regarding any such violation and report to the Board.

36. Receive, review and consider the annual and interim certificates provided by the President and CEO and CFO of the Corporation pursuant to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, as implemented by the Canadian Securities Administrators and as amended or replaced from time to time, along with reports from the Corporation's Disclosure Committee regarding the design and effectiveness of the Corporation's disclosure controls and internal controls over financial reporting.
37. Conduct all other matters required by law or stock exchange rules to be dealt with by an audit committee.
38. Review annually these Terms of Reference and recommend any required material changes to the Corporate Governance, Compensation and Nominating Committee for further recommendation to the Board.
39. Conduct a regular, periodic self-assessment relating to Committee effectiveness and performance.
40. Establish and maintain a financial reporting protocol regarding Capital Power Income L.P.
41. Report to the Board as required.

D. MEETINGS

1. Committee meetings may be called by the Committee Chair or by a majority of the Committee Members. In addition, the Committee Chair will call a meeting upon request of the external auditors. The Committee Chair will be a voting member and questions will be decided by a majority of votes.
2. Meetings may be called with 24 hours' notice, which may be waived, before or after the meeting, by Committee Members. Attendance at a meeting will be deemed to be waiver of notice of the meeting, except where the Committee member attends the meeting for the express purpose of objecting to the transaction of business on the grounds that the meeting has not been duly called. All Committee Members are entitled to receive notice of every meeting.
3. Meetings are chaired by the Committee Chair or in the Committee Chair's absence, by a member chosen by the Committee amongst themselves.
4. Agendas will be set by the Committee Chair with such assistance as the Committee Chair may request from the President and CEO, Senior Vice President, General Counsel and Corporate Secretary, CFO and auditors, and will be circulated with the materials for consideration at the meeting by the Committee Chair or the Corporate Secretary to all Committee Members and, if directed by the Committee Chair, to the Chair of the Board, the President and CEO, the Senior Vice President, General Counsel and Corporate Secretary and the Senior Vice President and CFO, no later than the day prior to the date of the meeting. However, it should be standard practice to deliver the agenda and draft materials for consideration at the meeting at least five business days prior to the proposed meeting except in unusual circumstances.
5. Except as provided in these terms of reference, the Chair of the meeting may establish rules of procedure to be followed at meetings.
6. Meetings may be conducted with the participation of a member by telephone which permits all persons participating in the meeting to hear or communicate with each other. A member participating in a meeting by that means is deemed to be present at the meeting.
7. The powers of the Committee may be exercised by vote at a meeting at which a majority of the Committee Members are present or by a resolution in writing signed by all Committee Members who would have been entitled to vote on the resolution at a meeting of the Committee. In the case of an equality of votes, the person acting as Chair of the Committee meeting will not be entitled to a second or casting vote.
8. A resolution in writing may be signed and executed in separate counterparts by Committee Members and the signing or execution of a counterpart will have the same effect as the signing or execution of the original. An executed copy of a resolution in writing or counterpart thereof transmitted by any means of recorded electronic transmission will be valid and sufficient.
9. Attendance at all or a portion of Committee meetings by staff, other directors, the auditors and others, will be determined by the Committee.

10. The Corporate Secretary, or such other person as may be designated by the Committee, will keep minutes of the proceedings of all meetings of the Committee, which following Committee approval, will, subject to determination by the Committee otherwise, be available to any member of the Board. All minutes will be circulated to the Lead Director and the Chair of the Board. With the exception of "in camera" items, minutes will be circulated to those receiving the agenda. Minutes will be retained by the Corporate Secretary.
11. The Committee may delegate its power and authority to individual Committee Members, where the Committee determines it is appropriate to do so in order for necessary decisions to be made between meetings of the Committee and where such delegation is permitted by law. Any such decisions will be reported to the Committee at its next meeting.