Notice of Annual Meeting April 30, 2010

Capital Power Corporation Management Proxy Circular

Capital Power Corporation is one of Canada's leading power generation companies. The Company's common shares trade on the Toronto Stock Exchange under the symbol CPX. For more information, please visit http://www.capitalpower.com.

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF CAPITAL POWER CORPORATION

The Board of Directors of Capital Power Corporation (the Company) hereby advises our shareholders of the upcoming Annual Meeting:

Friday, April 30, 2010
1:00 p.m. Alberta time
Art Gallery of Alberta
2 Sir Winston Churchill Square
Edmonton, Alberta T5J 2C1

At the Annual Meeting, you will:

- receive the consolidated financial statements of the Company for the six months ended December 31, 2009 and the auditors report on those statements;
- elect members of the Board of Directors of the Company for a term ending at the close of the next Annual Meeting;
- appoint auditors of the Company until the close of the next Annual Meeting at remuneration to be fixed by the Board of Directors on the recommendation of the Audit Committee; and
- transact any other business that may properly be brought before the Annual Meeting.

The Management Proxy Circular (the Circular) forms part of this Notice and provides detailed information on the business of the Annual Meeting.

You are entitled to vote at the Annual Meeting if you were a shareholder at the close of business on March 22, 2010.

Shareholders who cannot attend the Annual Meeting in person, or are attending but prefer the convenience of voting in advance, may vote by Proxy. Your deadline for getting the completed Proxy to our transfer agent and registrar, Computershare Trust Company of Canada (Computershare), is 1:00 p.m. Alberta time on April 28, 2010. If the Annual Meeting is adjourned, the deadline is at least 48 hours (excluding Saturdays, Sundays and holidays) before the adjourned Annual Meeting.

Send your completed Proxy to:

Computershare Trust Company of Canada
Attention: Proxy Department
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1

B. Kathryn Chisholm

Corporate Secretary
Edmonton, Alberta
April 2, 2010

INVITATION TO SHAREHOLDERS OF CAPITAL POWER CORPORATION

Dear Shareholder:

Invitation

The Company's Board of Directors and its management team invite you to attend the Annual Meeting of Shareholders. It will be held at 1:00 p.m. on Friday, April 30, 2010 at the Art Gallery of Alberta, 2 Winston Churchill Square, Edmonton AB T5T 2C1. Both the Notice of Meeting and this Management Proxy Circular describe the business to be conducted at the Annual Meeting.

RSVP

Although a RSVP is not required for your attendance, it would be appreciated if you could RSVP (by phone 780-392-5070 or by email rfaryna@capitalpower.com) if you plan on attending the Annual Meeting in person. This will assist in event planning.

Please ask questions and meet us

After the formal part of the Annual Meeting is adjourned, Brian Vaasjo, President and Chief Executive Officer of Capital Power Corporation, will review the Company's highlights and developments from the past year. You will also have an opportunity to ask questions and meet the management team and the Board of Directors.

Voting Rights

As a shareholder, you may choose to vote either by proxy or in person. No matter which method you select, the Company's management appreciates your participation in the Annual Meeting process. The Annual Meeting is an important event for our shareholders and we encourage you to exercise your right to vote.

If you cannot attend

We have arranged other options for you to learn about the Annual Meeting if you cannot attend. On the Company's website at www.capitalpower.com, you can:

- access the live webcast of the Annual Meeting or the archived webcast after the conclusion of the Annual Meeting; or
- read the transcripts of the Annual Meeting after its conclusion.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Donald Lowry	**Brian Vaasjo**
Chairman of the Board	President and Chief Executive Officer

MANAGEMENT PROXY CIRCULAR

All of the information in this Circular is as of March 9, 2010, unless otherwise indicated.

Capital Power Corporation provides this Circular in connection with the Annual Meeting and the solicitation of voting proxies.

QUESTIONS AND ANSWERS ON VOTING

Your vote is very important to the Company and we encourage you to exercise your right to vote by proxy if:

1) you plan to attend but prefer the convenience of voting in advance; or

2) you cannot attend the Annual Meeting.

The questions and answers below give general guidance for voting your shares of the Company. Unless otherwise noted, all answers relate to both registered and beneficial shareholders.

Am I entitled to vote?

You are entitled to vote if you were a holder of common shares (Common Shares) of the Company or special voting shares (Special Voting Shares) of the Company as of the close of business on March 22, 2010, being the record date for the Annual Meeting. See "Questions and Answers on Voting – How many shares are entitled to vote?".

What am I voting on?

Holders of Common Shares are voting:

- to elect eight nominees to the Board of Directors (Board) of the Company until the close of the next Annual Meeting, or until their successors are duly elected or appointed; and
- to appoint auditors of the Company until the close of the next annual meeting.

Holders of Special Voting Shares are voting:

- to elect four nominees to the Board until the close of the next Annual Meeting, or until their successors are duly elected or appointed; and
- to appoint auditors of the Company until the close of the next annual meeting.

Am I a registered shareholder?

You are a registered shareholder if you hold any shares in your own name. Your shares are represented by a share certificate.

You can inspect the Company's list of registered shareholders on request after March 22, 2010, between 8:00 a.m. and 4:00 p.m., at the office of the Company's Registrar and Transfer Agent, Computershare at Suite 600, 530 – 8th Avenue SW Calgary Alberta T2P 3S8. This list will also be available at the Annual Meeting.

Am I a beneficial shareholder (often referred to as a non-registered shareholder)?

You are a beneficial shareholder if your shares are held in an account in the name of a nominee (bank, trust company, securities broker or other nominee). Your shares are not represented by a share certificate but are recorded on an electronic system.

How do I vote if I am a registered shareholder?

As a registered shareholder, you may vote in person at the Annual Meeting or by proxy.

1. **Attend the Annual Meeting** - As a registered shareholder, you may attend the Annual Meeting and vote in person. If you attend the Annual Meeting, it is not necessary to complete or return the form of proxy (the Proxy). Please register with the Company's Registrar and Transfer Agent, Computershare, when you arrive at the Annual Meeting.

2. **By Proxy**- If you do not plan to attend the Annual Meeting in person, or you plan to attend but prefer the convenience of voting in advance, you can vote your Proxy in one of three ways:

   (a) **Mail** - Complete the Proxy in full, sign it and return it by mail or delivery;

   (b) **Telephone** - Call the toll free number on the Proxy and follow the instructions; or

   (c) **Internet** - Go to the website indicated on the Proxy and follow the instructions.

By following one of the three options above, you may authorize the management representatives of the Company named in the Proxy to vote your shares or **you have the right to appoint some other person to attend the Annual Meeting and vote your shares on your behalf. To appoint a person as proxy other than the management representatives, cross out the printed names and insert the name of the person you wish to act as your proxy, in the blank space provided.** Please indicate the way you wish to vote on each item of business and your vote will be cast accordingly.

The persons named in the Proxy will vote for or against or withhold from voting the shares in accordance with the direction you provide them. In the absence of such direction on your Proxy, such shares will be voted in favour of the election of each of the persons nominated by management as directors and in favour of the appointment of the auditors.

Mail

Complete, date and sign the Proxy in accordance with the instructions included on the Proxy. Return the completed form in the envelope provided to Computershare Trust Company of Canada, Attention: Proxy Department, 9th Floor, 100 University Avenue, Toronto Ontario M5J 2Y1.

To be voted at the Annual Meeting, the Proxy must be received not less than 48 hours prior to the time fixed for holding the Annual Meeting or any adjournment of the Annual Meeting.

Telephone

To vote by telephone, you must use a touch-tone telephone to transmit voting preferences to a toll free number: 1-866-732-VOTE (8663) (English and French). You must follow the instructions of the "Vote Voice" and refer to the Proxy sent to you for the 15 digit Control Number. Convey your voting instructions by use of touch-tone selections over the telephone. When you vote by telephone you must cast your vote not less than 48 hours prior to the time fixed for holding the Annual Meeting, or any adjournment.

Internet

To vote by Internet, you must access the website:

www.investorvote.com

You must then follow the instructions and refer to the Proxy sent to you for the 15 digit Control Number. Convey your voting instructions electronically over the Internet. When you vote by Internet, you must cast your vote not less than 48 hours prior to the time fixed for the holding of the Annual Meeting, or any adjournment.

How do I vote if I am a non-registered shareholder (beneficial shareholder)?

A beneficial owner or non-registered holder of shares is a shareholder whose shares are held in the name of a nominee, such as a bank, broker or trust company.

You may vote your shares through your nominee or in person at the Annual Meeting. **To vote your shares through your nominee you should follow the instructions on the request for voting instructions form provided by your nominee.** To vote your shares in person at the Annual Meeting you should take the following steps:

1) Appoint yourself as the proxyholder by writing your own name in the space provided on the request for voting instructions form. Do not complete the voting section on the request for voting instructions as your vote will be taken at the Annual Meeting; and

2) Return the request for voting instructions form to the nominee in the envelope provided or by the facsimile number provided. Alternatively, you can vote by telephone or the Internet by following the instructions for telephone and Internet voting in the request for voting instructions.

If you have voted through your nominee and would like to change your mind and vote in person, contact your nominee to discuss whether this is possible and what procedures you need to follow.

Who is soliciting my proxy?

The management of Capital Power Corporation is soliciting your proxy.

We solicit proxies primarily by mail. The Company's employees or agents may also use telephone or other forms to contact you, at nominal cost. The Company bears all costs of solicitation.

Who votes my shares and how will they be voted if I return a Proxy?

By properly completing and returning a Proxy, you are authorizing the persons named in the Proxy to attend the Annual Meeting and to vote your shares. You can use the enclosed Proxy, or any other proper form of proxy, to appoint your proxyholder.

The shares represented by your Proxy must be voted or withheld from voting as you instruct in the Proxy. If you properly complete and return your Proxy, but do not specify how you wish the votes cast, your proxyholder will vote your shares or withhold from voting as they see fit.

NOTE: **Unless you provide contrary instructions, shares represented by proxies that management receives will be voted:**

- FOR the election as directors of those nominees set out in this Management Proxy Circular; and
- FOR the appointment of KPMG LLP as the auditors of the Company.

Can I appoint someone other than those named in the enclosed Proxy to vote my shares?

Yes, you have the right to appoint another person of your choice. They do not need to be a shareholder to attend and act on your behalf at the Annual Meeting. To appoint someone who is not named in the enclosed Proxy, strike out the names appearing on it and print in the space provided the name of the person you choose.

NOTE: It is important for you to ensure that any other person you appoint will attend the Annual Meeting and that they have consented to your appointment of them. On arriving at the Annual Meeting, proxyholders must present themselves to a representative of Computershare.

What should I do if my shares are registered in more than one name or in the name of a company?

If the shares are registered in more than one name, all registered persons must sign the Proxy. If the shares are registered in any name other than your own or a company's name, you must provide documents proving your authorization to sign the Proxy for that company or name. If you have any questions about the proper supporting documents, please contact Computershare before submitting your Proxy.

May I revoke a proxy or voting instruction?

Yes. If you are a registered shareholder and have already submitted a Proxy, you may revoke it by:

1. completing and signing another Proxy with a later date and delivering it to Computershare before:

   (a) 1:00 p.m. on April 28, 2010; or

   (b) if the Annual Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time the meeting is adjourned to; or

2. delivering a written statement revoking the original proxy or voting instruction, signed by you or your authorized representative, to:

   (a) the Corporate Secretary of Capital Power Corporation at 5th Floor, TD Tower 10088, 102 Avenue, Edmonton, Alberta, Canada T5J 2Z1 before:

      (i) the close of business on April 29, 2010; or

      (ii) if the Annual Meeting is adjourned, up to the close of business on the last business day before the day the meeting is adjourned to; or

   (b) the Chairman of the Annual Meeting:

      (i) before the Annual Meeting begins; or

      (ii) if the meeting is adjourned, before the adjourned Annual Meeting begins.

If you are a beneficial shareholder, contact your nominee.

If the prior instructions were submitted by telephone or the Internet, you can revoke your proxy by mail within the time frame set forth above or by telephone or Internet not less than 24 hours prior to the time fixed for the Annual Meeting, or any adjournment.

Is my vote confidential?

No. The Company's transfer agent, Computershare, will receive, count and tabulate proxies. Computershare will provide Capital Power Corporation information on how each registered shareholder voted and for beneficial shareholders, how each participating broker voted.

How many shares are entitled to vote?

The Company'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 the date of this Circular, there were, 21.75 million Common Shares, no Preference Shares, 56.625 million Special Voting Shares and one Special Limited Voting Share outstanding.

Each holder of Common Shares has one vote for each Common Share held as of the close of business on March 22, 2010, being the record date for the Annual Meeting.

Provided that, as at the record date, the holders of Special Voting Shares collectively beneficially own the requisite number of Exchangeable LP Units (as defined below) and Common Shares issuable upon exchange of outstanding Exchangeable LP Units, the holders of the Special Voting Shares have the right, voting separately as a class, to nominate and elect the number of directors to the Board 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

"**Exchangeable LP Units**" are exchangeable limited partnership units of Capital Power L.P., which are exchangeable for Common Shares pursuant to the limited partnership agreement of Capital Power L.P. and an exchange agreement dated July 9, 2009 among the Company, Capital Power L.P., Capital Power GP Holdings Inc. and EPCOR Power Development Corporation.

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.

As at March 22, 2010, being the record date for the Annual Meeting, EPCOR Utilities Inc. (together with its subsidiaries, EPCOR) indirectly held all of the Special Voting Rights and Exchangeable LP Units representing approximately 72% of the outstanding Common Shares and Common Shares issuable upon exchange of outstanding Exchangeable LP Units. Accordingly, EPCOR is entitled to nominate and elect four directors. See "Nominees for Election to the Board of Directors".

With respect to all other matters, each Special Voting Share will entitle the holder thereof to that number of votes as is equal to the Vote Per Share (defined below), and the holders of Special Voting Shares will vote together with the holders of Common Shares as a single class.

"**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) 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.

The holder of the Special Limited Voting Share is entitled to receive notice of, to receive materials relating to, and to attend, the Annual Meeting; however, the holder of the Special

Limited Voting Share will not, in such capacity, be entitled to vote at the Annual Meeting. As at March 22, 2010, EPCOR held the Special Limited Voting Share.

For additional information on the rights, privileges and restrictions of the Common Shares, Special Voting Shares and Special Limited Voting Share, please see the Annual Information Form of the Company for the year ended December 31, 2009, which is available on the Company's website at www.capitalpower.com or on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

Except as set forth above, the Board of Directors and the executive officers of the Company know of no person who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company carrying 10 per cent or more of the voting rights attached to any class of voting securities of the Company.

Other questions?

If you have any questions regarding the Annual Meeting, please contact:

Transfer Agent:	Computershare Trust Company of Canada Suite 600, 530 -8th Avenue SW Calgary, Alberta T2P3S8 www.computershare.com
The Company:	Capital Power Corporation 5th Floor, TD Tower 10088, 102 Avenue Edmonton, Alberta, Canada T5J 2Z1 Telephone: 780-392-5305 Fax: 780-392-5124 Email: investor@capitalpower.com Website: www.capitalpower.com

BUSINESS OF THE MEETING

1. Consolidated Financial Statements

The consolidated financial statements of the Company for the six months ended December 31, 2009 and the report of the auditors thereon will be tabled at the Annual Meeting. These consolidated financial statements are included in the Annual Report of the Company, which is available to all shareholders upon request or on the Company's website at www.capitalpower.com. Copies of the Annual Report will also be available at the Annual Meeting and may also be obtained through the internet on the SEDAR website at www.sedar.com.

2. Election of the Board of Directors

At the Annual Meeting the holders of Common Shares will be asked to elect eight out of twelve directors. EPCOR, as the holder of all of the outstanding Special Voting Shares, has the right to elect the other four. See "Questions and Answers on Voting – How Many Shares are Entitled to Vote?".

The following individuals are the eight nominees proposed by the Corporate Governance Compensation and Nominating Committee (the CGCN Committee) and approved by the Board of Directors for election as directors. If elected, the nominees will hold office until the close of the next Annual Meeting or until their successors are duly elected or appointed:

*Albrecht Bellstedt	*Brian Vaasjo
*Brian Bentz	*William Bennett
*Richard Cruickshank	*Philip Lachambre
*Brian MacNeill	*Janice Rennie

The following individuals are currently members of the Board who are nominees of EPCOR. EPCOR has confirmed to the Company's management that the following are the individuals which it intends to nominate for re-election at the Annual Meeting.

*Donald Lowry	*Hugh Bolton
*Robert Phillips	*Allister McPherson

The four individuals named above will not be re-elected by the holders of Common Shares but rather by EPCOR pursuant to rights attached to the Special Voting Shares held by EPCOR. See "Questions and Answers on Voting – How Many Shares are Entitled to Vote?".

You will find the nominees' biographies under the heading "Nominees for Election to the Board of Directors".

3. Appointment of Auditors

The Audit Committee and the Board of Directors propose that KPMG LLP be appointed as Capital Power Corporation's auditors until the close of the next Annual Meeting at remuneration to be fixed by the Board on the recommendation of the Audit Committee.

KPMG LLP has served as the Company's auditors since its incorporation. Fees billed by KPMG LLP to the Company for the six month period ended December 31, 2009 in respect of the Company and the Company's subsidiaries were approximately $0.6 million as detailed below. Fees do not include KPMG LLP billings for Capital Power Income L.P.

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 Company or services provided in connection with statutory and regulatory filings, providing comfort letters associated with securities documents and the initial public offering of the Company.

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.

4. Other Matters

Management knows of no other matter to come before the Annual Meeting. The accompanying Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Annual Meeting. If any other matters properly come before the Annual Meeting, the shares represented by proxies in favour of management nominees will be voted on such matters in accordance with the best judgment of such nominees. Management is not currently aware of any such matters.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

According to the Company's by-laws the election of directors shall take place at each annual meeting of shareholders. Each director shall hold office for the stated term at the time of their election at any such meeting of shareholders, or if not stated until the close of the first annual meeting of shareholders following the director's election and all the directors then in office shall retire but, if qualified shall be eligible for re-election. Subject to the articles, the number of directors to be elected at any such meeting shall be the number of directors then in office unless the directors otherwise determine.

The Company's articles require the Board to have a minimum of 3 and a maximum of 12 directors. Resolutions of the Board of Directors set the number of directors of the Company from time to time (including the nominees for election as directors at the Annual Meeting). Currently 4 of the 12 directors of the Company are nominated by EPCOR (or its assignees) pursuant to rights attached to the Special Voting Shares held by EPCOR. The Board, on the recommendation of the CGCN Committee, has passed a resolution proposing eight additional nominees for election to the Board by the holders of Common Shares at the Annual Meeting.

Below are the names and biographies of the eight nominees for election as directors by holders of Common Shares and the four nominees for election as directors by EPCOR as the holder of the Special Voting Shares. The Board has strong experience in corporate governance, leading growth and participating in the power generation industry, both in the United States and Canada. The Board has determined that all of the directors, except Messrs. Cruickshank and Vaasjo, are independent within the meaning of applicable Canadian securities laws on the basis that they do not have any direct or indirect relationship with the Company which could, in the view of the Board, be reasonably expected to interfere with the exercise of their independent judgment. Mr. Vaasjo is not considered independent as he is the President and Chief Executive Officer of the Company. Mr. Cruickshank is not considered independent as he is a partner of a law firm which provides legal advice and services to the Company.

Each director elected will serve until the next annual meeting of shareholders or until his or her successor is elected or appointed, and each nominee director has agreed to serve as a director if elected.

On the election of directors, votes will be cast in favour or withheld from voting for each director individually. In an uncontested election of directors at an annual meeting of shareholders, the votes cast in favour of the election of a director nominee must represent a majority of the shares voted at the Annual Meeting. If that is not the case, that director must tender his or her resignation for consideration by the balance of the Board, whereupon the Board must determine whether to accept or reject the resignation and must disclose any decision not to accept the resignation within 90 days of the Annual Meeting.

Those individuals named on the enclosed Proxy intend to vote FOR the eight nominee directors set forth below unless authority to do so is withheld. Management does not expect that any of these nominees will be unable to serve as a director; however, if that occurs, those named in the Proxy may vote for another nominee, unless you direct that your shares be withheld from voting in the election of directors.

Director Nominees to be Elected by Holders of Common Shares

Brian Vaasjo
President & CEO
Edmonton, AB
Non-Independent[7]
Age: 53

Director since:
May 1, 2009

Brian Vaasjo has been President and Chief Executive Officer of Capital Power Corporation since July, 2009. Mr. Vaasjo was Executive Vice President of EPCOR Utilities Inc. until July, 2009, and was President of EPCOR's Energy Division from July, 2001 to April, 2005. Mr. Vaasjo was chiefly responsible for regional power generation and water operations. One of his primary responsibilities was advancing the company's competitive power and water businesses across North America including the clean coal initiatives. Mr. Vaasjo was also President of Capital Power Income L.P. (CPILP) from September 2005 until July 2009. Mr. Vaasjo is currently the Chair and a director of CPILP's general partner.

Mr. Vaasjo joined EPCOR in 1998 as Executive Vice President and Chief Financial Officer. Mr. Vaasjo led EPCOR's initial public offering of debentures and preferred shares. After joining EPCOR, Mr. Vaasjo was responsible for EPCOR's development and acquisition activity for most of his tenure with EPCOR, including the Genesee 3 project and the UE Waterheater Income Fund spin-off. Before joining EPCOR, Mr. Vaasjo spent 19 years with the Enbridge Group of Companies. At Enbridge, Mr. Vaasjo led or played a substantial role in the Consumers Gas acquisition, development of the Alliance and Vector Natural Gas Pipelines and the initial public offering of the Lakehead Pipeline Partners LP among other initiatives. Mr. Vaasjo holds a Master of Business Administration from the University of Alberta where he also received his undergraduate degree. Mr. Vaasjo is a Fellow of the Society of Management Accountants. Mr. Vaasjo also attended the University of Western Ontario Executive Program. In addition, he is a past Chairman of the Board of the United Way, Alberta Capital Region, and a member of the Financial Executives Institute of Canada and is a board member for the Alberta Shock Trauma Air Rescue Society.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	4 of 4	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4] (Cdn $)
20,000	N/A	20,000	$457,000

Options Held: 408,660[19]. See "Executive Compensation – Long Term Incentive Plan - 2009 Plan Grant".

Other Public Board Directorships: Capital Power Income L.P.

Albrecht Bellstedt[5]
Canmore, AB
Independent[1]
Age: 60
Director since:
July 9, 2009

Albrecht Bellstedt has been self-employed as a professional director since February, 2007. Previously, Mr. Bellstedt served as Executive Vice President and General Counsel of TransCanada Corporation and a predecessor corporation from January, 1999 until retiring in February, 2007. Prior to that, he was a transactional lawyer in private practice for 27 years.

Mr. Bellstedt currently serves on the boards of The Forzani Group Ltd., Canadian Western Bank, The Churchill Corporation and Horizon Drilling Ltd. Mr. Bellstedt has served on various other for profit boards (including TC PipeLines, L.P., Sun Times Media Group, Inc., Atlas Cold Storage Income Fund and LSI Logic Corporation of Canada, Inc.) and also not-for-profit boards (including the Alberta University Hospital Foundation, the Edmonton Symphony Orchestra and the Banff Centre).

Board and Committee Membership	**Attendance**[6]	
Board of Directors	4 of 4	100%
Corporate Governance, Compensation and Nominating Committee (Chair)	2 of 2	100%
Environment, Health and Safety Committee	1 of 1	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
7,090	1,036	8,126	$185,679

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: The Churchill Corporation[11]; Canadian Western Bank[12]; and Forzani Group Ltd.

William Bennett
Chicago, IL
Independent[1]
Age: 63
Director since:
July 9, 2009

William Bennett is presently semi-retired. Mr. Bennett has held numerous positions as a corporate director. Mr. Bennett is currently a director of TD Bank Financial Group and of TD Bank U.S. Holding Co. 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. Mr. Bennett has been a private investor since 1998. He holds an undergraduate degree in economics from Kenyon College and a Master of Business Administration from the University of Chicago. Mr. Bennett was a former director of Nuveen Investments Bond and Mutual Funds and currently serves on several non-profit boards in the U.S., including Kenyon College, DePaul University, YMCA of Metropolitan Chicago, Lincoln Park Zoo and Sprague Memorial Institute.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	4 of 4	100%
Audit Committee (Chair)	4 of 4	100%
Environment, Health and Safety Committee	1 of 1	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
1,000	1,328	2,328	$53,195

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: TD Bank Financial Group[15]

Brian Bentz
Vancouver, BC
Independent[1]
Age: 66
Director since:
July 9, 2009

Brian Bentz is a business consultant (and proprietor of Brian Bentz Consulting) who provides advisory management services to AMEC plc and who acts as an independent corporate director. Mr. Bentz retired in 2008 after a 38 year career in the engineering and project management industry, during which time he held several executive positions including: President, Oilsands and Mining, of Amec Americas Inc.; President, Project Investments Americas and Director of Business Development in the United Kingdom; member of the board of directors for AMEC Project Investments Limited (the AMEC company group responsible for developing and operating Private Finance Initiatives (Public Private Partnerships)); President, Special Projects Group, Agra Inc.; and President and Chief Executive Officer of Simons International Corporation. Mr. Bentz has served as a director of several corporations including Czar Oil and Gas Corporation and B.C. Telecom Inc. Mr. Bentz currently acts as a director of MacDonald, Dettwiler and Associates Ltd., of Seacliff Construction Corporation, and of Partnerships British Columbia. Mr. Bentz has been a Chartered Accountant since 1969, and holds a Bachelor of Science degree from University of British Columbia.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	4 of 4	100%
Environment, Health and Safety Committee (Chair)	1 of 1	100%
Keephills 3 Project Oversight Committee	2 of 2	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
1,000	1,036	2,036	$46,523

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: MacDonald, Dettwiler and Associates Ltd.[10] and Seacliff Construction Corporation

Richard Cruickshank
Edmonton, AB
Non-Independent[8]
Age: 59
Director since:
July 9, 2009

Richard Cruickshank currently serves as a senior partner with the national law firm, Fraser Milner Casgrain LLP. Prior to the merger of Cruickshank Karvellas with Fraser Milner Casgrain LLP in 2000, Mr. Cruickshank had, for 20 years, served as a member of the executive committee and, periodically, as the managing partner of Cruickshank Karvellas.

Mr. Cruickshank has practiced primarily in the tax and corporate law areas for 33 years and has served as president of the Edmonton Bar Association, member of the Board of the Edmonton Chamber of Commerce, Secretary to the Board of the Edmonton Community Foundation and Chair and member of the Board of Trustees of the University Hospital Foundation. He currently serves as a director of Familiae Emptor Equities Ltd.

Mr. Cruickshank attended Brown University and the University of Winnipeg from which he received a Bachelor of Arts (Economics) followed by his LL.B. from the University of Manitoba.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	4 of 4	100%
Corporate Governance, Compensation and Nominating Committee	1 of 2[16]	50%
Keephills 3 Project Oversight Committee	2 of 2	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
1,000	1,490	2,490	$56,897

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: None.

Philip Lachambre
Edmonton, AB
Independent[1]
Age: 58
Director since:
July 9, 2009

Philip Lachambre is currently President of PCML Consulting Inc., a position he has held since February, 2007. 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 Inc. 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's areas of responsibility have included corporate strategy and business planning, controllers, treasury and pension, legal and regulatory affairs, corporate environment, health and safety, mine closure and reclamation, business development, government and public affairs, investor and stakeholder relations, human resources, procurement and contracts, information services and technology, aboriginal affairs, corporate aviation and housing construction, property management and maintenance.

Mr. Lachambre holds a Bachelor of Commerce degree from the University of Alberta, is a Certified Professional Purchaser, and is a graduate of the Executive Management Program of the University of Western Ontario. Mr. Lachambre is also active in a number of local community organizations and boards, including the boards of Flint Energy Services Ltd., GLM Industries LP and the University Hospital Foundation.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	4 of 4	100%
Audit Committee	4 of 4	100%
Environment, Health and Safety Committee	1 of 1	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
1,000	1,043	2,043	$46,683

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: Flint Energy Services Ltd.

Brian MacNeill
Lead Director
Calgary, AB
Independent[1]
Age: 70
Director since:
July 9, 2009

Brian MacNeill held the position of President and Chief Executive Officer of Enbridge Inc., from 1991 until his retirement in July, 2000, and was Chairman of the Board of Directors of PetroCanada from June, 2000 until August, 2009. Mr. MacNeill currently holds board positions with Suncor Energy Inc., Oilsands Quest Inc., West Fraser Timber Co. Ltd., and Telus Corporation.

Mr. MacNeill is a member of the Alberta and Ontario Institutes of Chartered Accountants, and the Financial Executives Institute, and is also a fellow of the Canadian Institute of Chartered Accountants. In 2000, Mr. MacNeill was awarded the University of Calgary's Distinguished Business Leader Award and the Canadian Business Leader Award from the University of Alberta's School of Business in 2002. He was admitted to the Alberta Junior Achievement Business Hall of Fame in 2001 and the Canadian Petroleum Hall of Fame in 2002. In 2005, he was awarded the Lifetime Achievement Award from the Institute of Chartered Accountants of Alberta and honoured as a Fellow of the Institute of Corporate Directors.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	3 of 4	75%[18]
Corporate Governance, Compensation and Nominating Committee	2 of 2	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
5,000	1,409	6,409	$146,446

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: Suncor Energy Inc.; Oilsands Quest Inc.; West Fraser Timber Co. Ltd.[9] and Telus Corporation

Janice Rennie
Edmonton, AB
Independent[1]
Age: 52
Director since:
July 9, 2009

Janice 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 currently serves on the boards of Greystone Capital Management Inc., Matrikon Inc., Methanex Inc., West Fraser Timber Co. Ltd., Teck Resources Limited, and the Alberta Shock Trauma Air Rescue Society. In addition, Ms. Rennie has served on the boards of the Alberta Stock Exchange, Bellanca Developments Ltd., Calgary Centre Holdings Ltd., Canadian Hotel Income Properties REIT, EPCOR, EPCOR Preferred Equity Inc., NOVA Chemicals Inc., Research Technology Management Inc., bcIMC Hotel Group and Weldwood of Canada Limited.

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.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	3 of 4	75%[18]
Audit Committee	4 of 4	100%
Corporate Governance, Compensation and Nominating Committee	2 of 2	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
1,000	1,490	2,490	$56,897

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: Teck Resources Limited[14]; Matrikon Inc.[14]; Methanex Inc.; and West Fraser Timber Co. Ltd.[9]

Director Nominees to be Elected by EPCOR

Donald Lowry
Edmonton, AB
Chairman,
EPCOR Nominee
Independent[1]
Age: 58
Director since:
July 9, 2009

Donald Lowry is the President and Chief Executive Officer of EPCOR Utilities Inc., a position he has held since January, 1998. Prior to joining EPCOR, Mr. Lowry spent more than 20 years in the telecommunications industry, including six years as President and Chief Operating Officer of Telus Communications Inc.

Mr. Lowry graduated from the University of Manitoba with a Bachelor of Commerce degree (Honours), followed by a Master of Business Administration degree. He is a graduate of the Harvard Advanced Management Program and the Banff School of Management.

Mr. Lowry is past chair of the Canadian Electricity Association, the non-executive chair of Canadian Oil Sands Trust, and serves as director on several other Boards, including, the Alberta Economic Development Authority and the Canadian Electricity Association. Mr. Lowry also serves as a director of Telus Community Foundation.

Board and Committee Membership	**Attendance[6]**	
Board of Directors (Chair)	4 of 4	100%
Audit Committee (ex-officio)	4 of 4	100%
Corporate Governance, Compensation and Nominating Committee (ex-officio)	2 of 2	100%
Environment, Health and Safety Committee (ex-officio)	1 of 1	100%
Keephills 3 Project Oversight Committee (ex-officio)	2 of 2	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
2,000	N/A	2,000	$45,700

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: Canadian Oil Sands Trust

Hugh Bolton
Edmonton, AB
EPCOR Nominee
Independent[1]
Age: 71
Director since:
July 9, 2009

Hugh Bolton is the non-executive chair of the board of directors of EPCOR Utilities Inc. Prior to his appointment as chair of the EPCOR Utilities Inc. board of directors on January 1, 2000, and after his retirement as chairman & chief executive partner of Coopers & Lybrand Canada, Chartered Accountants on January 1, 1998, Mr. Bolton continued as a financial consultant with PricewaterhouseCoopers until December 2000. Mr. Bolton also currently serves as a director of Matrikon Inc., CN Rail Company Limited, Teck Resources Limited, WestJet Airlines Limited, TD Bank Financial Group, and the Alberta Shock Trauma Air Rescue Society.

Mr. Bolton holds an undergraduate degree in economics from the University of Alberta. He is a chartered accountant and fellow of the Alberta Institute of Chartered Accountants. In 2006, he was honoured as a Fellow of the Institute of Corporate Directors.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	4 of 4	100%

Common Shares and DSUs Held:

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
1,000	1,490	2,490	$56,897

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: : Matrikon Inc.[14]; CN Rail Company Limited; Teck Resources Limited[14]; WestJet Airlines Limited; EPCOR Utilities Inc.[13] and TD Bank Financial Group[15]

Allister McPherson
Edmonton, AB
EPCOR Nominee
Independent[1]
Age: 66
Director since:
June 25, 2009

Allister McPherson served as Executive Vice President of Canadian Western Bank from March, 1997 until his retirement in 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 degree from the University of British Columbia.

Mr. McPherson is currently an external member of the University of Alberta's Investment Committee, a director of The Churchill Corporation, a director of EPCOR Utilities Inc. and a member of the Edmonton Regional Advisory Board of the Alberta Motor Association. He is a past chair of the board of the Alberta Credit Union Deposit Guarantee Corporation, a past director and vice chair of the Edmonton Regional Airports Authority, a past governor of Northern Alberta Institute of Technology, and a past chair of the Endowment Fund Policy Committee of Alberta Finance.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	4 of 4	100%
Audit Committee	4 of 4	100%
Keephills 3 Project Oversight Committee	2 of 2	100%

Common Shares and DSUs Held

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
5,000	1,036	6,036	$137,923

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: The Churchill Corporation[11] and EPCOR Utilities Inc.[13]

Robert Phillips Vancouver, BC EPCOR Nominee Independent[1] Age: 59 Director since: June 25, 2009	Robert Phillips is the president of R.L. Phillips Investments Inc. and was previously president and chief executive officer of the BCR Group of Companies from March 2001 to July 2004. Mr. Phillips practiced corporate law for 15 years and has served in senior executive positions with Husky Oil, Dreco Energy Services, PTI Group, and MacMillan Bloedel Limited. Mr. Phillips received degrees in Chemical Engineering and Law from the University of Alberta. He serves on the boards of several Canadian corporations, including Axia NetMedia Corporation, Terra Vest Income Fund, Canadian Western Bank, Precision Drilling Corporation (also chairman of the board), West Fraser Timber Co. Ltd., MacDonald, Dettwiler and Associates Ltd. (also chairman of the board), R.L. Phillips Investments Inc. (also president) and EPCOR Utilities Inc.

Board and Committee Membership	**Attendance[6]**	
Board of Directors	4 of 4	100%
Corporate Governance, Compensation and Nominating Committee	2 of 2	100%
Keephills 3 Project Oversight Committee (Chair)	2 of 2	100%

Common Shares and DSUs Held

Common Shares[2]	DSUs[3]	Total of Common Shares and DSUs	Total Market Value of Common Shares and DSUs[4, 17] (Cdn $)
2,000	1,554	3,554	$81,209

Options Held: Non-employee directors are not entitled to receive stock options.

Other Public Board Directorships: Axia NetMedia Corporation; Terra Vest Income Fund; Canadian Western Bank[12]; Precision Drilling Corporation; West Fraser Timber Co. Ltd.[9]; MacDonald Dettwiler and Associates Ltd.[10]; and EPCOR Utilities Inc.[13]

Notes:

1. Independent: refers to the standards of independence established under Section 1.2 of Canadian Securities Administrators' National Instrument 58-101.
2. Common Shares refers to the number of common shares beneficially owned, controlled or directed, directly or indirectly, by the director, as of March 9, 2010.
3. DSUs refers to the number of Deferred Stock Units held by the director as of March 9, 2010. These numbers do not include the number of DSUs to be awarded to each director in respect of Q4 of 2009, as those numbers were not calculable as of the date of printing of this Circular.
4. The Total Market Value of Common Shares is determined by multiplying the number of common shares held by the closing price of the common shares on the TSX on March 9, 2010 of $22.85. The Total Market Value of DSUs is determined by multiplying the number of DSUs held by the closing price of the common shares on the TSX on March 9, 2010 of $22.85. Dividend equivalents are used to purchase additional DSUs.
5. Mr. Bellstedt was a trustee of Atlas Cold Storage Income Trust in December of 2003 when the Ontario Securities Commission issued a cease trade order against Atlas and its insiders pending the filing of restated financial statements in respect of two previous fiscal years. The restated financial statements were filed and the order was vacated in April of 2004.
6. Meeting attendance is determined from July 9, 2009, the date of closing of the Company's initial public offering, until December 31, 2009.
7. Mr. Vaasjo is not considered to be independent as he is the President and Chief Executive Officer of the Company.
8. Mr. Cruickshank is not considered to be independent as he is a partner of a law firm that provides legal advice and services to the Company.
9. Each of Mr. MacNeill, Ms. Rennie and Mr. Phillips serve as a director of West Fraser Timber Co. Ltd.
10. Each of Mr. Bentz and Mr. Phillips serve as a director of MacDonald, Dettwiler and Associates Ltd.

11. Each of Mr. Bellstedt and Mr. McPherson serve as a director of The Churchill Corporation.
12. Each of Mr. Bellstedt and Mr. Phillips serve as a director of Canadian Western Bank.
13. Each of Mr. Bolton, Mr. Phillips and Mr. McPherson serve as a director of EPCOR Utilities Inc.
14. Each of Ms. Rennie and Mr. Bolton serve as a director of Teck Resources Limited and Matrikon Inc.
15. Each of Mr. Bennett and Mr. Bolton serve as a director of TD Bank Financial Group.
16. Mr. Cruickshank was appointed to the Corporate Governance, Compensation and Nominating Committee on October 30, 2009. Mr. Cruickshank was a member of the Environment, Health and Safety Committee until October 30, 2009 and attended all meetings of that Committee until such time.
17. See "Compensation of the Board of Directors – Equity Ownership Guidelines". The directors of the Company who are not also executive officers of the Corporation, as a group, beneficially own, or control or direct, directly or indirectly, 60,002 Common Shares and DSU's ($22.85 per share as at the close of trading on March 9, 2010 for a value of $1,371,046).
18. Reflects one missed meeting out of a total of four meetings held.
19. Includes 171,060 stock options granted to Mr. Vaasjo in March 2010. Mr. Vaasjo also holds 20,976 performance share units granted to him in March 2010. See "Executive Compensation – Long-Term Incentive Compensation".

COMPENSATION OF THE BOARD OF DIRECTORS

The Company's practices regarding compensation for directors are designed to attract and retain the most qualified individuals to serve on the Board, to reflect the size and complexity of the industry and to reinforce the emphasis that the Company places on aligning directors' compensation with the interests of shareholders. The market competitiveness of directors' compensation is reviewed annually by the CGCN Committee against companies of similar size and scope in Canada. The companies reviewed are those with which the Company directly competes for executive talent and are in the power or energy business. The Canadian based companies reviewed form part of the Comparator Group which is outlined in this Circular, under "Executive Compensation – Compensation Philosophy and Objectives – Comparator Group".

The Company provides its directors with a compensation package consisting of an annual retainer, meeting fees and equity based compensation in the form of deferred stock units (DSUs). This is intended to attract and retain qualified talent to serve on the Board.

For the financial year ended December 31, 2009, each non-employee director was eligible to receive the following compensation:

Type of Fee		Amount ($)
Board Chair Annual Retainer[(1)]	$	150,000/year
Board Chair Annual Equity Retainer[(1)]	$	135,000/year
Lead Director Annual Retainer	$	45,000/year
Lead Director Annual Equity Retainer	$	100,000/year
Director Annual Retainer	$	35,000/year
Director Annual Equity Retainer	$	80,000/year
Audit Committee Chair Annual Retainer	$	10,000/year
Corporate Governance, Compensation & Nominating Committee Chair Annual Retainer	$	7,500/year
Other Committee Chair Annual Retainer	$	5,000/year
Board Meeting Attendance Fee	$	1,500/meeting
Committee Attendance Fee	$	1,500/meeting

Note:

1. Donald Lowry, the Chair of the Board, is the President and Chief Executive Officer of EPCOR Utilities Inc. and does not receive any compensation from the Company in his role as a director of the Company and Chair of the Board.

All Board meetings attended via teleconference would be paid on the same basis above. If a director needs to travel from their place of residence before a Board or Committee meeting, or should a member have to travel back to their residence the day following a meeting, then a travel allowance fee of $500 is allocated. The equity retainers are subject to the Company's equity ownership guidelines, as more fully discussed below.

Directors' DSU Plan

The Company has approved a deferred stock unit plan (DSU Plan) pursuant to which it is contemplated that non-employee directors of the Company will receive their annual equity retainer in the form of DSUs. Directors will also be entitled to elect to receive DSUs in full or partial satisfaction of their annual retainer, committee retainer, and/or committee chair retainer. The number of DSUs to be granted will be determined by dividing the amount of the retainer payable by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant (the value of a DSU). Each director will be required to hold any DSUs received until the director resigns or is not re-elected, or in the event of the death of a director, following which each DSU will be redeemed for cash during a prescribed period at the value of a DSU prevailing at the date of redemption. No Common Shares will be issuable pursuant to the DSU Plan and a director who receives DSUs will receive additional DSUs in respect of dividends payable on Common Shares, based on the value of a DSU at that time. The Company may amend the DSU Plan as it deems necessary or appropriate, but no such amendment may adversely affect the rights of an eligible director in DSUs granted prior to the date of amendment or adversely affect the rights of an eligible director with respect to any amount of eligible retainer in respect of which the director has elected to receive DSUs, without the consent of the eligible director unless required by applicable law. In the view of the CGCN Committee and the Board, the DSU Plan will further align the interests of directors with those of the Company's shareholders.

The following table sets forth information regarding DSUs outstanding as at December 31, 2009:

	Share-based Awards	
Name	**Number of shares or units of shares that have not vested (1) (#)**	**Market or payment value of share-based awards that have not vested(2) ($)**
Donald Lowry(3)	N/A	N/A
Albrecht Bellstedt	1,036	$22,145
William Bennett	1,328	$28,373
Brian Bentz	1,036	$22,145
Hugh Bolton	1,490	$31,834
Richard Cruickshank	1,490	$31,834
Philip Lachambre	1,043	$22,283
Robert Phillips	1,554	$33,218
Brian MacNeill	1,409	$30,103
Allister McPherson	1,036	$22,145
Janice Rennie	1,490	$31,834

Notes:

1. Includes units credited in lieu of reinvested dividends. These numbers do not include the number of DSUs to be awarded to directors in respect of Q4 of 2009 as those numbers were not calculable as of the date of printing of this Circular.
2. Based on the market value of the DSUs as of December 31, 2009 of $21.37.
3. Mr. Lowry does not receive DSUs for his service as a director and Chair of the Board.

Equity Ownership Guidelines

The Board believes that directors' compensation should align with shareholders' interests. As a result, a portion of each director's annual retainer must be paid in DSUs, described above.

Directors are subject to share ownership guidelines that require ownership of Common Shares and/or DSUs with an acquisition or market value equivalent to not less than three times the aggregate value of their annual cash and equity retainer. Directors have five years from their respective dates of appointment to accumulate the required number of Common Shares and/or DSUs.

Equity Ownership of Directors at December 31, 2009

Name(3)	**Year**	**Total Common Shares and DSUs(1)**	**Value(2)**	**Ownership Requirement Met**
Donald Lowry	2009	2,000	$42,740	N/A(4)
Albrecht Bellstedt	2009	8,126	$173,653	in progress
William Bennett	2009	2,328	$49,749	in progress
Brian Bentz	2009	2,036	$43,509	in progress
Hugh Bolton	2009	2,490	$53,211	in progress
Richard Cruickshank	2009	2,490	$53,211	in progress
Philip Lachambre	2009	2,043	$43,659	in progress
Robert Phillips	2009	3,554	$75,949	in progress
Brian MacNeill	2009	6,409	$136,960	in progress
Allister McPherson	2009	6,036	$128,989	in progress
Janice Rennie	2009	2,490	$53,211	in progress

Notes:

1. Includes units credited in lieu of reinvested dividends. These numbers do not include the number of DSUs to be awarded to directors in respect of Q4 of 2009 as those numbers were not calculable as of the date of printing of this Circular.
2. Based on the market value of the shares or DSUs as of December 31, 2009 of $21.37.
3. Does not include Brian Vaasjo, as Mr. Vaasjo is also an executive officer of the Company and is subject to share ownership guidelines for executives. See "Executive Compensation – Equity Ownership Guidelines".
4. Mr. Lowry does not receive an annual cash or equity retainer for his service on the Board.

Summary of Directors' Compensation for the Fiscal Year 2009

Name[1]	Fees earned ($)[16]	Share-based awards ($)[14][16]	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)[15]	Total ($)
Donald Lowry[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Albrecht Bellstedt	$34,750[3]	$40,000	N/A	N/A	N/A	$2,500	$77,250
William Bennett[4]	$36,000[5]	$40,000	N/A	N/A	N/A	$2,500	$78,500
Brian Bentz	$33,500[6]	$40,000	N/A	N/A	N/A	$3,000	$76,500
Hugh Bolton	$28,000[7]	$40,000	N/A	N/A	N/A	$2,500	$70,500
Richard Cruickshank	$31,000[8]	$40,000	N/A	N/A	N/A	$500	$71,500
Philip Lachambre	$31,000[9]	$40,000	N/A	N/A	N/A	$500	$71,500
Robert Phillips	$36,500[10]	$40,000	N/A	N/A	N/A	$3,000	$79,500
Brian MacNeill	$33,000[11]	$50,000	N/A	N/A	N/A	$1,500	$84,500
Allister McPherson	$32,500[12]	$40,000	N/A	N/A	N/A	$500	$73,000
Janice Rennie	$31,000[13]	$40,000	N/A	N/A	N/A	$500	$71,500

Notes:

1) Does not include Brian Vaasjo, as Mr. Vaasjo is also an executive officer of the Company and his total compensation is reflected under "Executive Compensation - Summary Compensation Table" in this Management Proxy Circular.

2) Donald Lowry, the Chair of the Board, is the President and Chief Executive Officer of EPCOR Utilities Inc. and does not receive any compensation from the Company in his role as a director of the Company and Chair of the Board.

3) Includes $17,500 director retainer, $3,750 CGCN Committee Chair retainer, $7,500 in board meeting attendance fees, $4,500 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. Bellstedt elects to receive all amounts payable in cash as permitted by the terms of the DSU Plan.

4) Canadian equivalent paid in US$ when paid.

5) Includes $17,500 director retainer, $5,000 Audit Committee Chair retainer, $7,500 in board meeting attendance fees, $4,500 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. Bennett elects to receive 50% of such amounts payable in cash and 50% of such amounts payable in DSUs as permitted by the terms of the DSU Plan. The number of DSUs granted is determined by dividing the amount of the retainer payable in DSUs by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant.

6) Includes $17,500 director retainer, $2,500 Environment, Health & Safety Committee Chair retainer, $7,500 in board meeting attendance fees, $4,500 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. Bentz elects to receive all amounts payable in cash as permitted by the terms of the DSU Plan.

7) Includes $17,500 director retainer, $7,500 in board meeting attendance fees, $1,500 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. Bolton elects to receive all amounts payable in DSUs as permitted by the terms of the DSU Plan. The number of DSUs granted is determined by dividing the amount of the retainer payable in DSUs by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant.

8) Includes $17,500 director retainer, $7,500 in board meeting attendance fees, $4,500 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. Cruickshank elects to receive all amounts payable in DSUs as permitted by the terms of the DSU Plan. The number of DSUs granted is determined by dividing the amount of the retainer payable in DSUs by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant.

9) Includes $17,500 director retainer, $7,500 in board meeting attendance fees, $4,500 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. Lachambre elects to receive 30% of such amounts payable in cash and 70% of such amounts payable in DSUs as permitted by the terms of the DSU Plan. The number of DSUs granted is determined by dividing the amount of the retainer payable in DSUs by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant.

10) Includes $17,500 director retainer, $2,500 Keephills 3 Oversight Committee Chair retainer, $9,000 in board meeting attendance fees, $6,000 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. Phillips

elects to receive all of such amounts payable in DSUs as permitted by the terms of the DSU Plan. The number of DSUs granted is determined by dividing the amount of the retainer payable in DSUs by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant.

11) Includes $22,500 lead director retainer, $6,000 in board meeting attendance fees, $3,000 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. MacNeill elects to receive 25% of such amounts payable in cash and 75% of such amounts payable in DSUs as permitted by the terms of the DSU Plan. The number of DSUs granted is determined by dividing the amount of the retainer payable in DSUs by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant.

12) Includes $17,500 director retainer, $7,500 in board meeting attendance fees, $6,000 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Mr. McPherson elects to receive all of such amounts payable in cash as permitted by the terms of the DSU Plan.

13) Includes $17,500 director retainer, $6,000 in board meeting attendance fees, $6,000 in committee meeting attendance fees and $1,500 in special meeting attendance fees. Ms. Rennie elects to receive all of such amounts payable in DSUs as permitted by the terms of the DSU Plan. The number of DSUs granted is determined by dividing the amount of the retainer payable in DSUs by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant.

14) Represents annual equity retainer payable in DSUs. The number of DSUs granted is determined by dividing the amount of the retainer paid by the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the date of grant.

15) Represents travel allowance paid to directors.

16) The Company closed its initial public offering in July 2009. Amounts paid to directors in 2009 for annual retainer fees represent half of the amounts the directors would be entitled to if they served as directors for a full calendar year.

EXECUTIVE COMPENSATION

Corporate Governance, Compensation and Nominating Committee

Composition

The CGCN Committee is a committee of the Board, composed of five members of the Board of Directors, each of whom, other than Mr. Cruickshank, are independent within the meaning of applicable Canadian securities laws. The members of the CGCN Committee are: Albrecht Bellstedt (Chair), Richard Cruickshank, Brian MacNeill, Robert Phillips and Janice Rennie. As Chair of the Board, Donald Lowry also attends CGCN Committee meetings in an ex-officio, non-voting capacity. See "Corporate Governance Summary – Corporate Governance, Compensation and Nominating Committee".

The CGCN Committee was appointed on July 16, 2009, just after completion of the Company's IPO. In the absence of a CGCN Committee for Capital Power, prior to the Company's IPO, the EPCOR Human Resources and Compensation Committee (EPCOR HR&C Committee) set the initial compensation for the Company's executives for 2009. None of the members of the EPCOR HR&C Committee are employed by EPCOR or the Company. The EPCOR HR&C Committee (in setting the initial compensation structure for the Company for 2009) adhered to principles designed to ensure that no employee either unduly benefitted or was unduly penalized by virtue of their placement in the Company or EPCOR following the transaction which resulted in the creation of the Company. Only those employees who received promotions received raises.

Mandate

With respect to executive compensation, the CGCN Committee assists the Board in fulfilling its responsibilities relating to the compensation, evaluation and succession of directors and employees of the Company, as well as oversight of the Company's corporate governance and identifying conditions for Board nomination. The role of the CGCN Committee with respect to compensation is to:

- oversee, review and recommend for approval by the Board, executive compensation policies including all forms of compensation for the directors, the CEO and each member of the Company's executive team, including the NEOs;
- oversee the general compensation policies and plans for the Company; and
- review and approve the annual performance measures for incentive plans.

The CGCN Committee has written terms of reference that establish its purpose, responsibilities, and membership.

The CGCN Committee follows an objective process for determining compensation by holding "in camera" sessions at the end of each committee meeting, without management present.

In conjunction with the establishment of compensation for the Company's executives, prior to the Company's IPO, the EPCOR HR&C Committee retained the services of an executive compensation consultant, Towers Watson (formerly Towers Perrin), to provide advice on levels of compensation in the competitive market in which the Company would operate and on other compensation matters such as total compensation benchmarking, peer group selection and incentive design and calibration. In 2009, fees of approximately $335,000 were paid to Towers Watson for their advice to the EPCOR HR&C Committee and the CGCN Committee regarding compensation for the Company's executives.

Towers Watson also provides consulting advice and administrative support to the Company on pension and benefits matters. In addition, Towers Watson may be retained to provide independent advice in connection with executive and management compensation matters. All such advice and consultation to the extent that it falls within their mandate will be subject to approval and review by the CGCN Committee and the Board.

Compensation Approval Process

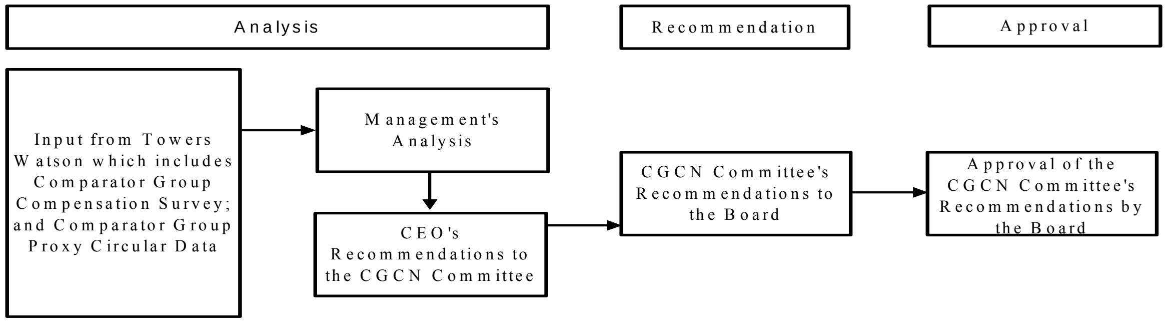
In determining the base salary, short-term incentives and long-term incentives of the Company's executives, the EPCOR HR&C Committee considered a comprehensive market analysis including market data for similar positions within the comparator group, including the Chief Executive Officer (the CEO), the Chief Financial Officer (the CFO) and the next three most highly compensated executive officers of the Company (together with the CEO and CFO, the Named Executive Officers, or NEOs, unless indicated otherwise).

The EPCOR HR&C Committee reviewed the various compensation elements both individually and in total to seek alignment with the Company's compensation program objectives. The EPCOR HR&C Committee then made recommendations on all executive pay and long-term incentive options to the EPCOR Board of Directors for approval.

In accordance with its Terms of Reference the CGCN Committee will carry out its responsibilities on an on-going basis throughout the year and has established a review process which includes the following matters:

- an annual review of compensation strategy and design, to ensure that it continues to meet the needs of the business. The CGCN Committee will also review on an annual basis the total compensation of the CEO and the other NEOs against market compensation data and recommend the approval of any changes to compensation levels to the Board;
- the CGCN Committee approves the overall salary budget for the year, and the annual incentive-plan design;
- the CGCN Committee will review the individual performance of the CEO, and receive and review the CEO's evaluation of the performance of the other NEOs, and recommend approval of payout amounts for all incentive plans; and
- the CGCN Committee approves the long-term incentive measures in place to ensure that they reinforce the key priorities of the business.

Performance Review Process



Compensation Philosophy and Objectives

The compensation of the Company's executives is influenced by a number of factors, including business strategy, organizational performance and governance. The Company's compensation philosophy aims to achieve the following objectives:

- attract and retain high performing employees through market competitive compensation and a performance culture that rewards superior performance;
- link compensation with the Company's business strategy and objectives; and
- align total compensation with the interests of stakeholders.

These objectives have guided the development of a compensation model that includes base salary, short-term incentives and long-term incentives. The compensation programs are designed to be market competitive with organizations in the Canadian energy and utility industries that are of a similar size and scope of operations to those of the Company. For executives, the primary focus is on performance related compensation (short and long-term incentives). The Company's short-term incentive plan is designed to reward executives for achievement of corporate and individual goals that have a one-year time horizon. The Company's long-term incentive plan is designed to align longer-term executive and stakeholder interests by focusing executives on the Company's longer-term strategic objectives and sustained value creation. The compensation model will transition over time to where base salaries for executives will be targeted at below the median and short and long-term incentive opportunities at above the median of this market when all performance objectives are met. The aggregate of salary, short-term and long-term incentives would produce above median compensation in the event of superior performance of the Company and/or individual, median compensation in the event of target performance and below median compensation if performance falls short of expectations.

In setting the Company's executive compensation strategy, the CGCN Committee supports the achievement of the Company's business priorities in the following ways:

- short-term goals are supported through its Short Term Incentive Plan which rewards the achievement of annual financial objectives, as well as key operating metrics;

- medium and long-term goals are supported through the Long Term Incentive Plan which rewards shareholder value creation; and
- equity ownership requirements align executive interests with shareholder interests.

Further details of the incentive plans, their purpose and objectives are discussed below.

Comparator Group

The composition of the Company's comparator group is expected to be reviewed annually by third party consultants and the CGCN Committee for continued relevance. In 2009, the executive compensation comparator group comprised the following companies, with which the Company competes for talent and which the CGCN Committee believes to be an appropriate comparator group:

ATCO Ltd.
Canadian Natural Resources Ltd.
Emera Inc.
Enbridge Inc.
Ensign Energy Services Inc.
Fortis Inc.
Husky Energy Inc.
Nexen Inc.
Spectra Energy Corp.
Suncor Energy Inc.
Talisman Energy Inc.
TransAlta Corp.
TransCanada Corp.

A broader comparator group is used to benchmark senior management and professional positions.

Overview of Compensation Mix for Executives in 2009

The table below outlines the mix of base salary and compensation-at-risk for each executive. The percentages shown for short and long-term incentive compensation assume achievement of target performance levels. While variable compensation represents the greatest proportion of total compensation for each NEO, the actual mix varies according to the executive's role and level in the Company, his relative ability to influence short and long-term business results and market practices for comparable positions.

Executive	Base Salary (%)	Short-term Incentive Compensation (%)	Long-term Incentive Compensation (%)
Brian Tellef Vaasjo	33	25	42
Stuart Anthony Lee	46	21	33
Kenneth Douglas Cory	45	23	32
James Nicolas Oosterbaan	48	24	28
Graham Lloyd Brown	48	24	28

Elements of Total Compensation

The following table outlines the key elements of the Company's compensation program, including the objective and rationale for each compensation element and what each compensation element is intended to reward.

Compensation Element	Objective and Rationale	What the Element Rewards
Base salary	To provide a competitive base level of fixed compensation based on responsibilities and market data. Determinant of value for benefit and pension plans.	Experience, expertise, knowledge and scope of responsibilities.
Short-term incentive program	To provide a component of compensation that is conditional on performance and rewards the achievement of annual targets that support the strategic direction.	Achievement of short-term company objectives and/or individual performance goals.
Long-term incentive program	To provide a component of compensation that is conditional on sustained mid to long term performance and aligns the interests of the executive officer with the interests of the shareholder through holdings of significant equity interests and to aid in long-term retention of our executive officers.	Achievement of mid to long-term performance results resulting in share price increases.
Other compensation arrangements (and perquisites)	To provide a competitive total compensation package.	Scope of responsibilities.
Pension and other retirement benefits	To provide a competitive total compensation package that includes market competitive health benefits and retirement savings vehicles. Facilitates long-term financial security for executive officers and aids in retention.	Long service.

Base Salary

Salaries are determined based on the responsibilities of each position, the executive's experience, expertise and knowledge when compared with market, individual performance and internal comparability and will generally align at a point below the median of the comparator group for executive positions with similar responsibilities to those of the Company. Base salaries for non-executive positions are targeted at the median of the comparator group for positions with similar responsibilities to those of the Company.

Short-Term Incentive Compensation

The Corporate Short-Term Incentive Plan

The Company believes that the corporate short-term incentive plan (STIP) should provide competitive bonuses that reflect corporate and individual performance. Corporate measures focus on corporate results and create joint accountability among the executives. Individual performance objectives allow for the differentiation of payouts based on individual contributions.

In 2009, the EPCOR HR&C Committee approved a transitional short term incentive arrangement for employees who transferred to the Company. Under this arrangement, 50% of the 2009 STI award is based on EPCOR's STI model and reflects results at target levels for all corporate and business unit performance measures. The balance of the award is based on the Company's actual results measured against interim measures for the July 1, 2009 to December 31, 2009 period.

Performance Measures

The corporate component of the STIP has a 70% weighting. The following table shows the performance measures applied for the period from July 1, 2009 to December 31, 2009 for the purposes of the STIP and awards thereunder.

Performance Measure	Weight	Actual Results	Performance Assessment
Return on Capital Employed (ROCE)	30%	5.7%	Above Target
Earnings Before Interest & Taxes (EBIT)(1)	20%	$76,654,000	Above Target
Aggregate of Shared Services Organizational transition/set up measures	10%	Achieved transition/set-up of corporate programs and processes for the Company ahead of schedule	Above Target
Total Recordable Injury Rate	10%	1.29	Below Target
Individual Performance	30%	Results varied	Results Varied

Note:

(1) The performance measure "Earnings Before Interest and Taxes" is adjusted from the amount calculated from the financial statements as it is calculated with the investment in CPILP accounted for on an equity basis as opposed to consolidated and it adjusts for items such as fair value changes which are not indicative of operating performance.

The individual component of the STIP has a 30% weighting. Individual executive objectives include a combination of quantitative and qualitative goals with no pre-determined weightings. These goals are intended to align with the annual corporate objectives and reflect goals which have a reasonable likelihood of being achieved within the relevant year and which, if met, would be considered target performance for purposes of the plan.

Individual performance results for each of the individuals who were NEOs in 2009 (which comprised 30% of the incentive payment for each of the NEOs in 2009) surpassed target. Portions of the individual performance assessments were based on subjective measures such as the significant role that each of the individuals played in the successful public offering of the Company.

The target incentive opportunity for each position is a percentage of base salary and will generally align at a point above the median of the comparator group for executive positions with similar responsibilities to those of the Company. The STIP is funded using a "sum of targets" approach.

Base Salary (e.g. $300,000)	X	Annual Incentive Target Payout (e.g. 50% of salary = $150,000)	X	Actual Results on Performance Measures: Corporate Performance + Individual Performance	=	Annual STIP Award (e.g. $150,000)

Corporate Performance: 70% weight (e.g. $105,000)	Individual Performance: 30% weight (e.g. $45,000)

CGCN Committee Oversight

After considering and evaluating the performance results for the year, the CGCN Committee retains the discretion to adjust payouts under company short term incentive plans to take into account factors affecting performance that are beyond the participants' control resulting in an outcome that would be unfair by either "over or underpaying" incentive or creating unintentional results.

Long-Term Incentive Compensation

The Company has two long-term incentive plans for its executives and employees; a long-term incentive plan for 2009 (the 2009 Plan) and a long-term incentive plan for the 2010 fiscal year and onward (the LTI Plan). The EPCOR board of directors approved the 2009 Plan and made recommendations as to the structure of the LTI Plan for the Company's 2010 fiscal year and onward, pursuant to which the Board of Directors may in its discretion grant from time to time stock options, performance share units (PSUs), restricted share units (RSUs) and stock appreciation rights (SARs) to employees and consultants (the eligible participants) of the Company and its affiliated entities. An aggregate of 2,183,100 options were issued under the 2009 Plan in connection with the IPO in July 2009. No awards were made under the LTI Plan during or in respect of the year ended December 31, 2009. An aggregate of 1,299,031 stock options and 159,293 PSUs were granted to eligible participants of the Company under the LTI Plan on March 9, 2010 and in accordance with Form 51-102F6 are not included in the tabular disclosure in this section "Executive Compensation". See also "Executive Compensation – Long-Term Incentive Plan – Treatment of Outstanding LTIP Grants" and "Equity Compensation Plans".

2009 Plan

The 2009 Plan is structured as a stock option plan providing for one-time only grants of options that replace the value of outstanding 2006, 2007, 2008 and 2009 phantom option grants of EPCOR held by individuals who became employees and executives of the Company.

The purpose of the options granted under the 2009 Plan was to make whole, and not provide any immediate advantage to, employees and executives of the Company whose employment with EPCOR ceased and whose replaced phantom options have been cancelled. The terms of the stock options are based on the fair market value of the Common Shares, and give recipients the opportunity to benefit financially when the Company's value, as reflected by the market price of the Common Shares as determined in accordance with the terms of the 2009 Plan, appreciates between the date on which the options are granted and the date on which they are exercised.

The value of phantom options of EPCOR from 2006, 2007, and 2008 grants which were cancelled were calculated on a theoretical value basis, based on the remaining term and current value. The value of phantom options of EPCOR from 2009 grants were calculated on an expected value basis, as at the time of their grant. The exercise price for options granted under the 2009 Plan were not less than the initial public offering price. The number of stock options to be granted under the 2009 Plan to replace the value of the cancelled phantom options was determined using the binomial option pricing model, which was dependent on the initial public offering price and other variables including:

Variable	Value
Expected Life..	"Safe Harbour" method based on a seven-year term
Volatility...	20% (estimated based on similar publicly traded companies)
Dividend Yield	4.75% - 5.5%
Risk Free Interest Rate	Based on Government of Canada treasury bills and bonds at December 31, 2008

The valuation was reviewed by the EPCOR HR&C Committee and approved by the Board as part of the approval of the 2009 Plan prior to awarding grants.

The Board has overall authority for interpreting, applying, amending and terminating the 2009 Plan.

Options granted under the 2009 Plan may be exercised during the period determined under the 2009 Plan, which is generally seven years, or the shorter option period established by the CGCN Committee for any individual grant. The 2009 Plan also provides that, unless otherwise determined by the Board, options will terminate within specified time periods set out in the 2009 Plan following the termination of employment of an eligible participant with the Company or affiliated entities. The options granted under the 2009 Plan were unvested at grant, with one third vesting on January 1 of each of 2010, 2011, and 2012.

When used in this paragraph, the terms "insiders" and "security based compensation arrangement" have the meanings ascribed thereto in the TSX rules for this purpose. The number of Common Shares that may be (a) reserved for issuance to insiders pursuant to the 2009 Plan and under any other security based compensation arrangement of the Company and (b) issued within a one-year period to insiders pursuant to the 2009 Plan and under any other security based compensation arrangement of the Company, is in each case limited to 10% of the total number of outstanding Common Shares after giving effect to the exchange of the Exchangeable LP Units. The number of Common Shares which may be reserved for issuance to any one participant pursuant to the 2009 Plan and under any other security based compensation arrangement of the Company or options for services granted by the Company is limited to 5% of the total number of outstanding Common Shares after giving effect to the exchange of the Exchangeable LP Units.

If options granted under the 2009 Plan would otherwise expire during a trading black-out period or within 10 business days of the end of such period, the expiry date of the option will be extended to the tenth business day following the end of the black-out period.

The interests of any participant under the 2009 Plan or in any option are not transferable, subject to limited exceptions.

The 2009 Plan may be amended with the approval of the Board, in accordance with TSX requirements and, to the extent provided under the 2009 Plan, the approval of shareholders of the Company.

LTI Plan

Under the LTI Plan, the Board may in its discretion grant from time to time stock options, PSUs, RSUs and SARs to employees and consultants, the "eligible participants", of the Company and its affiliated entities.

Eligibility to receive grants of stock options, PSUs, RSUs and SARs and grant guidelines is determined by the Board, provided that non-employee directors of the Company are not eligible to participate in the LTI Plan. The CEO recommends to the CGCN Committee the actual recipients of such grants from among the eligible participants, the composition of the grants (as among options, PSUs, RSUs and SARs) and the actual grant size, taking into consideration such factors as their levels of responsibility, performance and market information. In determining the size and composition of the grants that the CGCN Committee recommends to the Board, the CGCN Committee will consider their expected payout and the competitiveness of the Company's total compensation relative to the Company's comparator group in addition to the recommendation of the CEO. The CGCN Committee will determine the grant size and composition to be recommended to the Board in respect of the CEO. The Company intends to make new grants under the LTI Plan in subsequent years without taking prior grants into account when making such new grants.

An aggregate of five million Common Shares or approximately 6.4% of the number of outstanding Common Shares, after giving effect to the exchange of the Exchangeable LP Units, have been reserved for issuance from treasury under the LTI Plan and the 2009 Plan. The Company may satisfy its obligations to deliver Common Shares under the LTI Plan by the issuance of Common Shares from treasury or by acquiring Common Shares in the market. No grants have been awarded under the LTI Plan to date.

When used in this paragraph, the terms "insiders" and "security based compensation arrangement" have the meanings ascribed thereto in the TSX rules for this purpose. The number of Common Shares that may be (a) reserved for issuance to insiders pursuant to the LTI Plan and under any other security based compensation arrangement of the Company and (b) issued within a one-year period to insiders pursuant to the LTI Plan and under any other security based compensation arrangement of the Company, is in each case limited to 10% of the total number of outstanding Common Shares after giving effect to the exchange of the Exchangeable LP Units. The number of Common Shares which may be reserved for issuance to any one participant pursuant to the LTI Plan and under any other security based compensation arrangement of the Company or options or rights granted for services granted by the Company is limited to 5% of the total number of outstanding Common Shares after giving effect to the exchange of the Exchangeable LP Units.

Options granted under the LTI Plan may be exercised during the period determined under the LTI Plan, which is generally seven years, or the shorter option period established by the CGCN Committee for any individual grant. The LTI Plan also provides that, unless otherwise determined by the Board, options will terminate within specified time periods following the termination of employment of an eligible participant with the Company or affiliated entities. The exercise price for options granted under the LTI Plan is the closing price for Common Shares on the day prior to the grant. The exercise of options may, in the discretion of the Board, be subject to vesting conditions, including specific time schedules for vesting and performance based conditions such as share price and financial results.

Under the LTI Plan, the Board also has the discretion to attach a SAR to an option when granted to an eligible participant or at a later date. Such SARs provide the holder with a right to receive an amount in cash or Common Shares equal to the difference between the option exercise price at the time of the grant and the closing price for a Common Share on the last trading day prior to exercise. The exercise of any such SARs will be subject to the same terms and conditions as the options to which they are attached. When SARs attached to an option are exercised, the related options are cancelled and the Common Shares underlying such cancelled options will, to the extent not used to satisfy stock settled SARs, no longer be available for issuance under the LTI Plan.

The LTI Plan also permits eligible participants to receive grants of SARs that are not attached to options (Stand Alone SARs). Each Stand Alone SAR gives holders the right to receive an amount in cash or Common Shares equal to the difference between the market price of a Common Share at the time of grant and the market price of Common Shares at the time of exercise of the Stand Alone SAR. The "market price" used for this purpose is the simple average closing price of the Common Shares as traded on the stock exchange on which the highest aggregate volume of Common Shares have traded on each of the five trading days immediately preceding the grant or exercise date, as the case may be. Such amounts may also be payable at the election of the Company by the delivery of Common Shares. The exercise of Stand Alone SARs may also, at the discretion of the Board, be subject to conditions similar to those that may be imposed on the exercise of stock options.

Under the LTI Plan, eligible participants may be granted PSUs or RSUs, which represent the right to receive an equivalent number of Common Shares at a specified release date or an amount equal to the market price of such number of Common Shares on the release date (market price having the same meaning as in the case of Stand Alone SARs). The delivery of such Common Shares or payment of cash in respect of PSUs or RSUs may, at the discretion of the Board, be subject to vesting requirements similar to those described above with respect to the exercisability of options and SARs, including such time or performance based conditions as may be established by the Board.

If incentives granted under the LTI Plan that are to be settled in newly issued Common Shares would otherwise expire during a trading black-out period or within 10 business days of the end of such period, the expiry date of the incentive will be extended to the tenth business day following the end of the black-out period.

The interests of any participant under the LTI Plan or in any option, PSUs, RSUs or SAR are not transferable, subject to limited exceptions.

The LTI Plan may be amended with the approval of the Board, in accordance with TSX requirements and, to the extent provided under the LTI Plan, the approval of shareholders of the Company.

The Board has overall authority for interpreting, applying, amending and terminating the LTI Plan.

Benefit and Pension Plans

The Company's benefit and pension plans support the well-being of employees and facilitate retirement savings. The plans will be reviewed periodically to determine whether they are competitive and whether they continue to meet the Company's business and human resources objectives.

Health and Welfare Benefits

The benefit plans are designed to protect the health of employees and their dependents, and cover them in the event of death or disability. The executive officers participate in the same benefits program as all other permanent employees of the Company. The Company provides Canadian based executives with an executive benefit allowance, paid on a bi-weekly basis, to offset employee costs under the plan.

Executive Business Allowance

Executive officers are provided with an annual taxable allowance that can be used to offset the cost of a variety of business related expenses including but not limited to memberships and other out-of-pocket costs associated with performing the duties of the position.

Financial Planning Allowance

Mr. Vaasjo is eligible to receive an annual financial planning allowance in an amount not exceeding $5,000. Other NEOs are eligible to receive an annual financial planning allowance in an amount not to exceed $3,500.

Employee Savings Plan

Under the voluntary Employee Savings Plan, all Canadian based non-bargaining unit employees may contribute up to 10% of their base salary towards a range of investment options, including Common Shares of the Company and limited partnership units of Capital Power Income L.P. The Company matches employee contributions to a maximum of 3% of base salary.

Defined Benefit (DB) Pension Plan

The Local Authorities Pension Plan (LAPP) is a contributory, defined benefit, best average earnings registered pension plan that is governed by the Public Sector Pension Plans Act (Alberta). In 2009, all NEOs, with the exception of Messrs. Oosterbaan and Brown, as well as many of the former employees of EPCOR whose employment was transferred to the Company, participated in the LAPP.

Defined Contribution (DC) Pension Plan

The DC Pension Plan is the DC component in the Capital Power Corporation Pension Plan, under which contributions are made based on pensionable earnings subject to the annual limits under the Tax Act. There were no NEOs in 2009 who participated in the DC Pension Plan with the exception of Mr. Oosterbaan. Mr. Brown retained an account balance in the DC component of the plan which he earned while employed in Canada prior to his period of service in the U.S.

401(k) Plan

The 401(k) plan is the pension plan for the Company's US based employees. Contributions are made to the plan up to certain annual limits. In 2009, Mr. Brown was the only NEO who participated in the 401(k) plan sponsored by the Company.

Supplemental Pension Plan (SPP)

The SPP is an unfunded pension plan that provides benefits that cannot be paid under either the Company sponsored registered pension plan or the LAPP. In 2009, all NEOs with the exception of Mr. Brown participated in a SPP sponsored by the Company and EPCOR prior to their employment transfer date.

Summary Compensation Table

The following table sets forth all compensation for services in all capacities to the Company and its subsidiaries for the fiscal year ended December 31, 2009 in respect of each of the NEOs. The Company was not a reporting issuer for any part of the year ended December 31, 2008.

					Non-Equity Incentive Plan Compensation				
Name and Principal Position	**Year**	**Salary[(1)(12)] ($)**	**Share Based Awards ($)**	**Option Based Awards[(2)(14)] ($)**	**Annual Incentive Plans[(3)(13)] ($)**	**Long-Term Incentive Plans ($)**	**Pension Value[(10)(15)] ($)**	**All Other Compen-sation ($)**	**Total Compen-sation ($)**
Brian Tellef Vaasjo, President and Chief Executive Officer[(16)]	2009	$316,423	—	$610,632	$843,000	$0	$6,886[(9)]	$91,004[(4)]	$1,867,945
Stuart Anthony Lee, Senior Vice President and Chief Financial Officer	2009	$156,885	—	$152,144	$290,000	$0	$8,733[(9)]	$76,759[(5)]	$684,521
Kenneth Douglas Cory, Senior Vice President Strategy and Risk[(17)]	2009	$175,000	—	$302,746	$175,000	$0	$25,563[(9)]	$57,689[(6)]	$735,998
James Nicholas Oosterbaan, Senior Vice President Commercial Services	2009	$162,500	—	$303,517	$232,000	$0	$3,855[(11)]	$154,175[(7)]	$856,047
Graham Lloyd Brown, Senior Vice President Operations[(18)]	2009	$146,207	—	$156,770	$204,414	$0	5,976	$71,121[(8)]	$584,488

Notes:

(1) Salary represents actual earnings for July 1, 2009 to December 31, 2009. Base salaries for the NEOs as per their respective employment agreements are as follows: Mr. Vaasjo $650,000; Mr. Lee $320,000; Mr. Cory $350,000; Mr. Oosterbaan $325,000; Mr. Brown US$250,000.

(2) Expected value of the stock option grant for 2009 as well as the replacement for the outstanding 2006, 2007 and 2008 grants. See "Executive Compensation – Long-Term Incentive Plan – Treatment of Outstanding LTIP Grants".

(3) Represents actual STIP award earned for 2009 and payable in April 2010. See "Executive Compensation — Short Term Incentive Compensation — The Corporate Short Term Incentive Plan". A portion of the STIP payment relates to the NEOs' services with EPCOR from January 2009 to July 2009.

(4) Includes a vacation payout of $64,866.

(5) Includes a vacation payout of $56,385.

(6) Includes a vacation payout of $42,067.

(7) Includes a moving allowance of $109,000.

(8) Includes a relocation allowance of $47,582 and an executive business allowance of $18,557.

(9) Reflects service cost in respect of the SPP and the annual 2009 employer contribution (current service cost and unfunded liability) to the LAPP. Notwithstanding the foregoing, the maximum LAPP employer contributions had been attained for these NEOs prior to July 1, 2009.

(10) Reflects compensatory changes for the period from July 1, 2009 to December 31, 2009 and assumes a 4% increase in pensionable earnings per annum (a 2% increase over the period). However, no earnings increases occurred during the period from July 1, 2009 to December 31, 2009. One time increases in pensionable earnings as a result of the transfer of

NEOs from EPCOR to Capital Power are reflected in the July 1, 2009 accrued obligation in the Defined Benefit Pension Table below. See "Executive Compensation - Pension Plan Tables".

(11) Reflects service cost in respect of the SPP and the DC employer contribution of $3,649. The change in earnings threshold due to an increase in DC employer contribution rates is reflected in the July 1, 2009 accrued obligation in the Defined Benefits Plan Table below.

(12) See "Executive Compensation – Base Salary".

(13) See "Executive Compensation – Short-Term Incentive Compensation". Represents Short-Term Incentive award earned for the stated year's performance and paid in the subsequent year.

(14) See "Executive Compensation – Long-Term Incentive Compensation".

(15) See "Executive Compensation – Benefit and Pension Plans".

(16) NEOs who are directors of the Company do not and did not receive any incremental income from the Company for their roles as directors of the Company.

(17) Mr. Cory ceased employment with the Company in January 2010.

(18) Converted to Canadian dollars using an average conversion rate of 1.142 Canadian/US with the average rate based on 251 days of data provided by the Bank of Canada.

Equity Ownership Guidelines

The NEOs are subject to share ownership guidelines that require ownership of Common Shares with an acquisition or market value equivalent to not less than three times base salary in the case of the CEO, two times base salary in the case of the CFO and one times base salary in the case of the other NEOs. NEOs have five years from the date of their respective appointments to accumulate the required number of Common Shares.

Equity Ownership of NEOs at December 31, 2009

Name	Year	Total Shares	Change Year Over Year	Value[1]	Ownership Requirement Met
Brian Tellef Vaasjo	2009	20,000	-	$427,400	in progress
Stuart Anthony Lee	2009	6,688	-	$142,923	in progress
Kenneth Douglas Cory	2009	500	-	$10,685	N/A[2]
James Nicholas Oosterbaan	2009	13,254	-	$283,238	in progress
Graham Lloyd Brown	2009	2,200	-	$47,014	in progress

Notes:

(1) Based on the closing price of the common shares as at December 31, 2009 of $21.37.

(2) Mr. Cory ceased employment with the Company in January 2010.

Long-Term Incentive Plan

Treatment of Outstanding LTIP Grants

Employees that transferred to the Company from EPCOR had the value of phantom options granted to them in 2006, 2007 and 2008 under the EPCOR long term incentive plan (EPCOR LTIP) converted to Company stock options under the 2009 Plan. Vested and unvested phantom options were converted using a binomial option pricing model with the calculated value of both the vested and unvested EPCOR phantom options determining the replacement grant of Company options.

Options granted in 2009 under the EPCOR LTIP were cancelled and a new grant of Capital Power stock options that was equivalent in value to the cancelled EPCOR options was awarded under the 2009 Plan.

The following table sets forth the information regarding the conversion of phantom options held by the NEOs under the EPCOR LTIP to Capital Power stock options under the 2009 Plan:

Name	Replaced Value of 2006, 2007 & 2008 EPCOR Phantom Options ($)	Options granted under Capital Power 2009 Plan (1) (#)	Expected Value of Cancelled 2009 EPCOR Phantom Options (2) ($)	Options Granted under Capital Power 2009 Plan(3) (#)	Total Expected value of 2009 grant ($)
Brian Tellef Vaasjo	247,420	96,300	363,140	141,300	610,632
Stuart Anthony Lee	56,500	22,000	95,600	37,200	152,144
Kenneth Douglas Cory	57,530	22,400	245,180	95,400	302,746
James Nicholas Oosterbaan	108,270	42,200	195,060	75,900	303,517
Graham Lloyd Brown......	26,910	10,500	129,790	50,500	156,770

Notes:

(1) The number of options granted to replace the value of 2006, 2007 and 2008 outstanding EPCOR phantom options.

(2) The 2009 grant was based on EPCOR base salaries and LTIP targets and has the equivalent expected value to the cancelled EPCOR options awarded under the EPCOR LTIP .

(3) The number of options granted to replace the value of cancelled 2009 EPCOR phantom options.

Stock options granted under the 2009 Plan in 2009 represent 10% of the total number of Common Shares of the Company outstanding as at December 31, 2009 (prior to giving effect to the exchange of any Exchangeable LP Units of Capital Power L.P. for Common Shares) and less than 3% of the total number of Common Shares of the Company outstanding as at December 31, 2009 after giving effect to the exchange of any Exchangeable LP Units of Capital Power L.P. for Common Shares.

2009 Plan Grant

The initial exercise price of an option is determined based on the value of the Common Shares as at the date on which the options are granted, as further described in the section "Executive Compensation - Long-Term Incentive Compensation", above. Options granted in 2009 vest in equal amounts on January 1 in each of 2010, 2011 and 2012, and will have a seven-year term.

The following table sets forth the information regarding the options that were granted to the NEOs under the 2009 Plan during the 2009 fiscal year in place of phantom options under the EPCOR LTIP:

	Option-based Awards				Share-based Awards	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price[(1)] ($)**	**Option expiration date[(2)]**	**Value of unexercised in-the-money options ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payment value of share-based awards that have not vested ($)**
Brian Tellef Vaasjo..................	237,600	23.00	July 8, 2016	0	N/A	N/A
Stuart Anthony Lee..................	59,200	23.00	July 8, 2016	0	N/A	N/A
Kenneth Douglas Cory	117,800	23.00	July 8, 2016	0	N/A	N/A
James Nicholas Oosterbaan	118,100	23.00	July 8, 2016	0	N/A	N/A
Graham Lloyd Brown	61,000	23.00	July 8, 2016	0	N/A	N/A

Notes:

(1) Represents the initial public offering price of $23.00.

(2) The date of grant of the options was July 8, 2009.

The following table sets forth the value vested or earned in 2009 in respect of option based awards, share based awards and non-equity incentive plan compensation:

Name	**Option-based awards – Value vested during the year ($)**	**Share-based awards – Value vested during the year ($)**	**Non-equity incentive plan compensation – Value vested during the year ($)**
Brian Tellef Vaasjo.........................	$0	N/A	N/A
Stuart Anthony Lee.........................	$0	N/A	N/A
Kenneth Douglas Cory	$0	N/A	N/A
James Nicholas Oosterbaan	$0	N/A	N/A
Graham Lloyd Brown	$0	N/A	N/A

Pension Program

Canadian based employees who transferred employment from EPCOR participate in one of two registered pension plans: the LAPP (for employees who were members of the LAPP as of the date of their employment transfer to CPC) and the Capital Power Corporation Pension Plan (for employees who were members of the EPCOR Utilities Inc. Pension Plan as of the date of their employment transfer). The Capital Power Corporation Pension Plan includes a DC component and, for certain employees who work in Capital Power Income L.P. plants, a DB component. There are no NEOs who participate in the DB component of the Capital Power Corporation Pension Plan. In addition, Canadian management employees whose benefits under the Capital Power Corporation Pension Plan or the LAPP are limited due to the Tax Act maximum pension or contribution limits are eligible to participate in the Company sponsored Supplemental Pension

Plan. US based employees who transferred employment from EPCOR participate in the Capital Power 401(k) plan.

LAPP Plan

Employees of the Company who participated in the LAPP immediately prior to the closing of the IPO continued to participate in the LAPP and accrue pension benefits thereunder for service with the Company. The LAPP is a contributory, defined benefit, best average earnings pension plan that is governed by the Public Sector Pension Plans Act (Alberta). The LAPP is a multi-employer pension plan that covers approximately 130,000 active members as at December 31, 2008 who are employed by Alberta municipalities, hospitals and other public entities.

Benefits payable under the LAPP are based on the average of the best five consecutive years of pensionable earnings and years of service. Pensionable earnings are equal to base salary plus actual bonus, up to a maximum of 20% of base salary (effective January 1, 2004). Pensionable earnings are limited for each year of service after 1991 to the earnings which provide the maximum annual accrual under the Tax Act.

Subject to Tax Act limits, the benefit formula under the LAPP is 1.4% of the average of the best five consecutive year's annual pensionable earnings up to the average Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan plus 2% of the average of the best five consecutive year's annual pensionable earnings in excess of the five year average YMPE. The benefit formula is multiplied by years of service up to a maximum of 35 years.

Employee and employer contribution rates under the LAPP are set out in the plan rules and are adjusted from time to time by the LAPP Board of Trustees based on recommendations from the plan's actuary. In 2009, members were required to contribute 7.46% up to the YMPE plus 10.66% of pensionable earnings in excess of the YMPE, and employers contributed 8.46% up to the YMPE and 11.66% of pensionable earnings in excess of the YMPE.

The pension payable under the LAPP is reduced by 3% for each year that the combination of the individual's age and years of service is less than 85 or for each year the individual is younger than 65, whichever provides the lower reduction. No pension is payable if a participant has not completed two years of service.

The pension payable is indexed annually to 60% of the increase in the Alberta consumer price index.

Company DC Plan

All transferring employees who participated in the DC component of the EPCOR Utilities Inc. Pension Plan commenced participation in the Company DC Plan effective as of July 2009. All new hires after July 2009 will participate in the Company DC Plan. Contributions to the Company DC Plan are made based on pensionable earnings subject to the annual limits imposed under the Tax Act. Specifically, members are required to contribute 5% of pensionable earnings and CPC contributes either 5%, 6.5%, or 8% of pensionable earnings depending on the member's length of service. For transferring employees, account balances under the EPCOR Utilities Inc. Pension Plan will be transferred to the Company DC Plan.

Supplemental Pension Plan (SPP)

CPC has established an unfunded SPP that provides benefits that cannot be provided under the CPC registered pension plan or, if applicable, the LAPP due to the Tax Act maximum pension or contribution limits. The pensionable earnings defined under the SPP includes base salary and target bonus. For employees transferring from EPCOR, the Company SPP will have the same provisions as the EPCOR Utilities Inc. Supplemental Pension Plan. Specifically, the SPP will provide a defined benefit pension equal to 2% of the average pensionable earnings in excess of an earnings threshold multiplied by service after January 1, 2000. The SPP has the same early retirement and indexing provisions as the LAPP. For new hires after July 2009 the Company SPP will provide benefits on a defined contribution basis that are in excess of the Tax Act maximum contribution limits. For transferring employees, the Company will assume all obligations from EPCOR relating to the entitlements accrued under the EPCOR Utilities Inc. Supplemental Pension Plan.

Capital Power 401(k) Plan

The 401(k) plan maintained by EPCOR was assumed by the Company effective as of July 2009 and the Company's U.S. employees, including Mr. Brown, continued to participate in the plan. Mr. Brown ceased participation in the 401(k) plan on December 31, 2009 and commenced participation in the Company DC Plan on January 1, 2010.

Members are permitted to make pre-tax elective contributions of up to 100% (less applicable tax withholdings) of eligible compensation (maximum of U.S.$22,000 in 2009, including up to $5,500 in catch-up contributions for employees at least age 50). After tax contributions are not permitted. Eligible compensation includes total salary and wages during the plan year as reported on the W-2, including pre-tax contributions to the Plan. Annual compensation in excess of U.S.$245,000, as adjusted for cost of living increases, is not included.

The Company matches employee contributions equal to 100% of the member's pre-tax contributions up to 5% of compensation plus the Company has the option to make additional matching contribution equal to 2% of the first 2% the member elects to defer. Each year the Company has the option to make an additional matching contribution and/or additional employer contribution on behalf of each eligible participant in amounts determined by the Company.

Interest credited on 401(k) accounts reflects the rate of return on investment options selected by the participant.

Pension Plan Tables

The Defined Benefits Plan Table set forth below provides a reconciliation of the accrued obligation for NEOs who have defined benefit entitlements. In particular, the compensatory change reflects the Supplemental Pension Plan employer current service cost, any change in the SPP obligation due to the actual increase in compensation during the period being different than expected, any change in the SPP obligation due to plan changes, and, if applicable, the employer contributions to the LAPP. The actual increase in compensation may deviate from the expected increase used in the actuarial assumptions. The actual increase will vary between NEO and will vary from year to year.

The Defined Contribution Plans Table set forth below provides a reconciliation of accumulated values. In particular, the compensatory change for Canadian based NEOs who participate in the Company DC Plan and U.S. based NEOs who participate in the 401(k) Plan equals the employer contribution made in respect of the NEO.

Defined Benefits Plan Table

Name(a)	Number of years credited service (#) (b)	Annual benefits payable ($)		Accrued obligation at July 1, 2009[7][8] ($) (d)	2009 Compensatory changes[7][9] ($) (e)	2009 Non-Compensatory changes[8] ($) (f)	Accrued obligation at December 31, 2009[7][8] ($) (g)
		At year end[5] (c1)	At age 65 (c2)[6]				
Brian Tellef Vaasjo	11.5833[3][4]	138,115	281,683	1,800,737	6,886	6,373	1,813,996
Stuart Anthony Lee	6.4452[1]	35,661	143,552	333,866	8,733	(1,998)	340,601
Kenneth Douglas Cory	2.0587[1]	20,847	241,098	98,977	25,563	(452)	124,088
James Nicholas Oosterbaan	9.1530[2]	37,925	100,768	515,624	206	(268)	515,562

Notes:

(1) Credited service under LAPP and SPP.

(2) Credited service under SPP.

(3) Credited service in respect of LAPP as at December 31, 2009.

(4) Credited service under SPP is ten years.

(5) Accrued Defined Benefit pension under the SPP and, if applicable, the LAPP as at December 31, 2009 and payable at normal retirement age of 65. Reflects highest average earnings and credited service as at December 31, 2009.

(6) Benefits payable on retirement at age 65, assuming continued service accrual to age 65 and highest average earnings as at December 31, 2009 remain unchanged.

(7) The accrued benefit obligation and the service cost were calculated using the projected unit credit cost method.

(8) Reflects SPP only. LAPP has been valued on a defined contribution basis; therefore, employer contributions to the LAPP have been included in column (e) compensatory changes only, with the exception of Mr. Oosterbaan who does not participate in the LAPP. As a result, where applicable, columns (d), (e) and (f) do not sum up to column (g). Notwithstanding the foregoing, the maximum LAPP employer contributions had been attained for these NEOs prior to July 1, 2009.

(9) Compensatory changes are for the period from July 1, 2009 to December 31, 2009 and assume a 4% increase in pensionable earnings per annum (a 2% increase over the period). However, no earnings increases occurred during the period from July 1, 2009 to December 31, 2009. One time increases in pensionable earnings as a result of the transfer of NEOs from EPCOR to Capital Power are reflected in column (d) "Accrued Obligation at July 1, 2009". The following NEOs have one time increases in pensionable earnings reflected in column (d): Brian Vaasjo - $757,803 and Stuart Lee - $135,622. In addition, for James Oosterbaan, column (d) includes a one time increase in obligation of $73,879 as a result of the change in the earnings threshold in the DC component.

Defined Contribution Plans Table

Name	Accumulated value at start of year ($)	Compensatory ($)	Non-Compensatory ($)	Accumulated value at year end ($)
Graham Lloyd Brown	18,801	-	995	19,796
James Nicholas Oosterbaan	136,972	3,649	22,041	162,662

401(k) Pension Plan Table

Name	Accumulated value at start of year (US$)	Compensatory (US$)	Non-Compensatory (US$)	Accumulated value at year end (US$)
Graham Lloyd Brown	76,379	5,233	23,162	104,774

Employment Contracts

The Company has entered into employment agreements with all of the NEOs.

If Mr. Vaasjo were to cease employment with Capital Power, his compensation and benefits would be treated as follows:

Event	**Action**
Resignation	• All salary and benefit programs cease. • Annual short-term incentive payment is forfeited. • All unvested options under the LTI Plan and 2009 Plan are forfeited. • Vested pension paid as a commuted value or deferred benefit. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment.
Retirement	• All salary and benefit programs cease. • Annual short-term incentive payment is paid at target on a pro rata basis. • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 12 months after termination of employment. • Vested pension paid as a monthly benefit.

Death	• All salary, compensation and benefit programs cease. • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 12 months after termination of employment • Vested pension paid as a commuted value or deferred benefit.
Termination for cause	• All salary, compensation and benefit programs cease. • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Pension paid as a commuted value or deferred benefit.
Termination without cause	• All salary, compensation and benefit programs cease. • Annual short term incentive is paid at target on a pro rata basis. • All unvested options and PSUs under the LTI Plan and 2009 Plan vest. Options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit • Severance is provided representing an aggregate of 24 months' of each of salary, short-term incentive at target, and benefit costs, pension contributions and business allowance.
Double trigger change of control — change of control and termination without cause/resignation based on adverse changes to terms of employment	• All salary, compensation and benefit programs cease. • All unvested options and PSUs under the LTI Plan and 2009 Plan vest. Options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit • Severance is provided representing an aggregate of 24 months' of each of salary, short-term incentive at target, and benefit costs, pension contributions and business allowance.

If Dr. Cory were to have ceased employment with Capital Power as at December 31, 2009, his compensation and benefits would be treated as follows:

Event	**Action**
Resignation	• All salary and benefit programs cease • Annual short-term incentive payment is forfeited • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit

Retirement	• All salary and benefit programs cease • Annual short-term incentive payment is paid at target on a pro rata basis • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 12 months after termination of employment. • Vested pension paid as a monthly benefit
Death	• All salary and benefit programs cease • Annual short-term incentive payment is paid on a pro rata basis • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 12 months after termination of employment. • Vested pension paid as a commuted value or deferred benefit
Termination for cause	• All salary and benefit programs cease • Annual short-term incentive payment is not paid • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit
Termination without cause	• All salary and benefit programs cease • Annual short term incentive is paid at target on a pro rata basis. • All unvested options and PSUs under the LTI Plan and 2009 Plan vest. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit • Severance is provided representing an aggregate of 18 months plus two months for each year of service with EPCOR, plus two months for each year worked with Capital Power to a maximum of 24 months' of each of, salary, short-term incentive at target, and benefit costs, pension contributions and allowances

Double trigger change of control — change of control and termination without cause/resignation based on adverse changes to terms of employment	• All salary and benefit programs cease • All unvested options and PSUs under the LTI Plan and 2009 Plan vest. Options to expire on the earlier of the original expiry date and the date 90 days after termination of employment • Vested pension paid as a commuted value or deferred benefit • Severance is provided representing an aggregate of 18 months plus 2 months for each year of service with EPCOR, plus two months for each year worked with Capital Power to a maximum of 24 months' of each of salary, short-term incentive at target, and benefit costs, pension contributions and allowances

All other NEOs would receive the following in the event of separation:

Event	**Action**
Resignation	• All salary and benefit programs cease. • Annual short-term incentive payment is forfeited. • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit.
Retirement	• All salary and benefit programs cease. • Annual short-term incentive payment is paid at target on a pro rata basis. • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 12 months after termination of employment. • Vested pension paid as a monthly benefit.
Death	• All salary and benefit programs cease. • Annual short-term incentive payment is paid on a pro rata basis. • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 12 months after termination of employment. • Vested pension paid as a commuted value or deferred benefit.

Termination for cause	• All salary and benefit programs cease. • Annual short-term incentive payment is not paid. • All unvested options under the LTI Plan and 2009 Plan are forfeited. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit.
Termination without cause	• All salary and benefit programs cease. • All unvested options and PSUs under the LTI Plan and 2009 Plan vest. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit. • Severance is provided representing an aggregate of 12 month plus 1/2 a month for each year of service with EPCOR, plus one month for each year worked with Capital Power to a maximum of 24 months' of each of salary, short-term incentive at target, and annual benefits allowance and annual business allowance.
Double trigger change of control — change of control and termination without cause/resignation based on adverse changes to terms of employment	• All salary and benefit programs cease. • All unvested options and PSUs under the LTI Plan and 2009 Plan vest. Vested options to expire on the earlier of the original expiry date and the date 90 days after termination of employment. • Vested pension paid as a commuted value or deferred benefit. • Severance is provided representing an aggregate of 12 months plus 1/2 month of each year of service with EPCOR, plus one month for each year worked with Capital Power to a maximum of 24 months' of each of salary, short-term incentive at target, and annual benefits allowance and annual business allowance.

The following table provides an estimate of amounts payable to each NEO in the event of termination without cause or double trigger change of control:

Name	Service for the purpose of calculating severance payment(1)	Estimated severance payment	Estimated value of vested stock options
Brian Tellef Vaasjo	24 months	$2,600,000	$0
Stuart Anthony Lee	15 months	$600,000	$0
Kenneth Douglas Cory(2)	20 months	$950,000	$0
James Nicholas Oosterbaan	17 months	$700,000	$0
Graham Lloyd Brown	14 months	$450,000	$0

(1) Assumes a December 31, 2009 date of termination.

(2) Dr. Cory ceased employment with the Company in January 2010 and was paid a severance of $923,333.

EQUITY COMPENSATION PLANS

The Company has two equity compensation plans for its executives and employees, the 2009 Plan and the LTI Plan. An aggregate of 5,000,000 Common Shares may be issued under the 2009 Plan and the LTI Plan. No awards were made under the LTI Plan during the year ended December 31, 2009. An aggregate of 2,183,100 options were issued under the 2009 Plan in connection with the Company's initial public offering in July 2009. For additional information regarding the 2009 Plan and the LTI Plan see "Executive Compensation – Long Term Incentive Compensation".

The following table sets forth information regarding the equity compensation plans as at December 31, 2009.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights** ***(a)***	**Weighted-average exercise price of outstanding options, warrants and rights** ***(b)***	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))** ***(c)***
Equity compensation plans approved by securityholders	N/A	N/A	N/A
Equity compensation plans not approved by securityholders(1)	2,183,100	$23.00	2,816,900
Total	2,183,100	$23.00	2,816,900

Note:

(1) The 2009 Plan and the LTI Plan were adopted by the Company prior to its IPO and were not required to be approved by the Company’s shareholders pursuant to applicable TSX requirements.

CORPORATE GOVERNANCE SUMMARY

Board Roles and Responsibilities

The Board oversees the management of Capital Power Corporation and is responsible for its overall direction. A copy of the Board Terms of Reference is attached as Appendix A to this Circular. In summary, the Board is responsible for:

- management selection, retention, succession and remuneration;
- overseeing the development of the Company's business strategy and monitoring its progress;
- approving significant Company policies and procedures;
- overseeing the timely and accurate reporting to shareholders and public filing of documents; and
- approving major Company decisions, such as budgets, acquisitions and major capital expenditures, and documents, including such things as audited financial statements, declarations of dividends, offering circulars and initiation of bylaw amendments.

Currently the Board is scheduled to meet a minimum of four times per year and schedules in camera sessions at each meeting where directors meet without members of management. The Company completed its initial public offering (IPO) on July 9, 2009. From July 9, 2009, the date of the Company's IPO, until December 31, 2009 there were four Board and in camera meetings. Prior to each meeting, the Chair solicits recommendations from Board members on matters that should be brought before the Board, and with the CEO, sets the agenda for each meeting. All directors receive a meeting agenda and background material on agenda items prior to each meeting so that they have the opportunity to review and consider the items that will be discussed. Individual directors also notify the Board if they have any material interest in any matter that the Board is considering, in which case the interested Board member is not entitled to participate in Board discussions or vote on the particular matter at the meeting.

The Board Terms of Reference contain more detail on the membership, procedures and responsibilities of the Board.

In addition to the Board Terms of Reference, the Board has developed terms of reference for individual directors, to outline the personal and professional characteristics required for all directors. The terms of reference will be used as the basis for the evaluation of the performance of directors and will serve as a model for establishing the general attributes and expectations in screening and selecting nominees to the Board. The terms of reference for individual directors is attached as Appendix C to this Circular.

Board Composition and Independence

The Company's Articles and the Board's Terms of Reference require the Board to have a minimum of three and a maximum of 12 directors. The Board consists of qualified members with backgrounds that help the Company to meet its goals and objectives. Currently 4 of the 12 directors of the Company are nominated by EPCOR (or its assignees) pursuant to rights attached to the Special Voting Shares held by EPCOR. The Board, on the recommendation of the CGCN Committee, has passed a resolution proposing eight additional nominees for election to the Board by the holders of Common Shares at the Annual Meeting. The Board has determined that all of the directors, except Messrs. Cruickshank and Vaasjo, are independent within the meaning of applicable Canadian securities laws on the basis that they do not have any direct or indirect relationship with the Company which could, in the view of the Board, be reasonably expected to interfere with the exercise of their independent judgment. Mr. Vaasjo is not considered independent as he is the President and Chief Executive Officer of the Company. Mr. Cruickshank is not considered independent as he is a partner of a law firm which provides legal advice and services to the Company.

It is the responsibility of the CGCN Committee to annually review the size and effectiveness of the Board as a whole, and the skills and contributions of its members. The Company has implemented an annual process to confirm details on directors' current employers, other directorships, shareholdings and business relationships. This will help in determining each director's independence and ability and capacity to fulfill the responsibility of, and make an effective contribution as, a director.

This year, the CGCN Committee has recommended to the Board the eight nominees to be elected by the holders of Common Shares which, together with the EPCOR nominees, have the appropriate mix of experience and skill to oversee the stewardship of the Company. A brief description of each director nominee, including the directors to be elected by EPCOR, can be found under the heading "Nominees for Election to the Board of Directors".

An expertise matrix providing additional information on the directors, including their background, experience and expertise is set forth in Appendix D to this Circular.

Corporate Governance Practices

The Company's corporate governance practices are intended to meet or exceed the rules and guidelines of the Canadian securities regulators, which include the following:

- National Instrument 58-101 - Disclosure of Corporate Governance Practices (NI 58-101)
- National Policy 58-201 - Corporate Governance Guidelines
- National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings
- National Instrument 52-110 - Audit Committees (NI 52-110)

2009 Governance Initiatives

In 2009, following the Company's IPO, the CGCN Committee and management began evaluating the adequacy and effectiveness of the Company's policies and the compliance and ethics programs in place. As a result of this evaluation, the activities in 2009 also included drafting and implementing the following policies:

- Ethics Policy
- Respectful Workplace Policy
- Purchasing Policy
- Contract Execution and Signing Authority Policy (CESAP)
- Legal Contract Review Procedure (accompanies CESAP)
- Commodity Risk Management Policy
- Disclosure and Insider Trading Policy
- Environment, Health & Safety Policy
- Credit Policy
- Enterprise Risk Management Policy
- Financial Exposure Management Policy
- Investment Policy

Board Committees

The Board has also established or continued the following four standing Committees:

- Audit Committee
- Corporate Governance, Compensation and Nominating Committee (CGCN Committee)
- Environment, Health and Safety Committee (EH&S Committee)
- Keephills 3 Project Oversight Committee

All or a majority of the members of the Committees described above are independent. In camera sessions are scheduled at each Committee meeting where members of the Committees meet without members of management. The CGCN Committee makes recommendations to the Board regarding the individuals to be appointed as Committee members and Chairs. The Chair of each Committee is responsible for the management, development and effective performance of his or her respective Committee, and with the CEO, sets the agenda for each meeting. The Chair provides leadership to the Committee, with an aim to fulfill the Committee's mandate and attend to other matters delegated to it by the Board. The Committee Chairs' mandates are set out in the relevant Committee's Terms of Reference, and include calling the meetings, chairing the meetings, setting the agendas for the meetings with assistance from the President and CEO and other officers, and establishing rules of procedure.

The following table provides an overview of the membership of each of the Company's Committees.

	Committees (Number of Members)			
	Audit Committee[1,2] (4)	**CGCN Committee[3]** (5)	**EH&S Committee[4]** (4)	**KH3 Project Oversight Committee[3]** (4)
Management Director – Not Independent				
Brian Vaasjo				
Outside Director – Not Independent				
Richard Cruickshank		√		√
Independent Directors				
Albrecht Bellstedt		Chair	√	
William Bennett	Chair		√	
Brian Bentz			Chair	√
Philip Lachambre	√		√	
Brian MacNeill		√		
Janice Rennie	√	√		
Donald Lowry[5]				
Hugh Bolton				
Allister McPherson	√			√
Robert Phillips		√		Chair

Notes:

1. All members are "independent" and "financially literate" within the meaning of NI 52-110.
2. Experience of the members of the Audit Committee that indicates an understanding of the accounting principles the Company uses to prepare its financial statements is shown in their biographies under "Nominees For Election to the Board of Directors".
3. All members, except Mr. Cruickshank, are independent within the meaning of NI 58-101. Mr. Cruickshank is not considered independent as he is a partner of a law firm that provides legal advice and services to the Company.

4. All members are independent within the meaning of NI 58-101.

5. As Chair of the Board, Mr. Lowry is an ex-officio, non-voting member of each Committee.

Committee Responsibilities

In accordance with its terms of reference, each Committee is responsible for overseeing certain corporate governance matters and making appropriate recommendations to the Board. Each Committee is committed to meeting or exceeding governance standards set out by various regulatory authorities and governance policy-makers including the Canadian Securities Administrators' instruments relating to corporate governance. Each Committee also helps the Board to:

- monitor changes in best practices for governance and reporting;
- address developments in applicable regulatory and legislative frameworks;
- assess the size, competencies and skills of the Board;
- propose nominees for election to the Board;
- oversee the conduct of the Board, Board Committee and director evaluation processes; and
- oversee the orientation and education of Board members.

The following summarizes the committees' responsibilities. Each committee has adopted written terms of reference. The terms of reference for each committee details its procedures and responsibilities.

Audit Committee

Audit Committee Mandate

The Audit Committee operates under the Audit Committee Terms of Reference. These can be found at Appendix B hereto.

Composition of the Audit Committee

The Audit Committee is composed of William Bennett (Chair), Philip Lachambre, Allister McPherson and Janice Rennie, each of whom is considered "independent" and "financially literate" within the meaning of National Instrument 52-110—Audit Committees (NI 52-110). For the education and experience of each member of the Audit Committee relevant to the performance of his or her duties as a member of the Audit Committee see "Nominees for election to the Board of Directors". As Chair of the Board, Donald Lowry also attends Audit Committee meetings in an ex-officio, non-voting capacity.

Overview and Purpose

The Audit Committee, except to the extent otherwise provided by law, is responsible to the Board of Directors. The Audit 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 Audit Committee monitors, evaluates, advises or makes recommendations, in accordance with its 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.

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 Audit Committee is responsible for reviewing management's actions and has the authority to investigate any activity of the Company. The primary responsibilities of the Audit 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.

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

Under its Terms of Reference, the Audit Committee is required to pre-approve all non-auditing services to be performed by the external auditors in relation to the Company and its subsidiaries. Annually, the external auditors will submit their work plan to the Audit Committee, including the nature and scope of any audit-related advisory services (as requested by management) planned for the upcoming year. That plan is reviewed and pre-approved by the Audit Committee. Once pre-approved, management has the authority to schedule such services. Any unplanned audit-related advisory services or other advisory services are presented for pre-approval at the regularly scheduled meetings of the Audit Committee. If, due to timing issues, the pre-approval of non- audit services must be expedited and it is not practical to wait until the next scheduled Audit Committee meeting, the Chair of the Audit Committee has the delegated authority, on behalf of the Audit Committee, to pre-approve the non-audit services when the individual engagement fees are projected to be less than $50,000, subject to an annual maximum approval limit of $200,000.

Corporate Governance, Compensation and Nominating Committee

Composition

The CGCN Committee is a committee of the Board composed of the following five members, each of whom, other than Mr. Cruickshank, is independent within the meaning of applicable Canadian securities laws: Albrecht Bellstedt (Chair), Richard Cruickshank, Brian MacNeill, Robert Phillips and Janice Rennie. As Chair of the Board, Donald Lowry also attends CGCN Committee meetings in an ex-officio, non-voting capacity.

Overview and Purpose

The purpose of the CGCN Committee is to:

- provide direction on the Company's approach to governance issues to enhance corporate performance by developing and recommending to the Board a set of corporate governance principles applicable to the Corporation and to monitor compliance therewith;
- make recommendations regarding the Board's effectiveness and to identify and recommend individuals to the Board for nomination as Board members, other than directors nominated by EPCOR; and
- review and determine matters affecting personnel and compensation and key compensation and human resources policies for the Corporation, so that such policies provide total compensation which is competitive in the market.

The CGCN Committee has unrestricted access to the Company's personnel and documents and has the authority to bring in outside advisors on matters requiring specialist knowledge.

Mandate

With respect to executive compensation, the CGCN Committee assists the Board in fulfilling its responsibilities relating to the compensation, evaluation and succession of directors and employees of the Company, as well as oversight of the Company's corporate governance and identifying conditions for Board nomination. The role of the CGCN Committee with respect to compensation is to:

- oversee, review and recommend for approval by the Board, executive compensation policies including all forms of compensation for the directors, the CEO and each member of the Company's executive team;
- oversee the general compensation policies and plans for the Company; and
- review and approve the annual performance measures for incentive plans.

The CGCN Committee has written terms of reference that establish its purpose, responsibilities, and membership.

The CGCN Committee will undertake an objective process for determining compensation by holding "in camera" sessions at the end of each committee meeting, without management present.

Performance Evaluation

The CGCN Committee must annually review the size, composition, charters and membership of the Board and each Board Committee and, together with the Chair of the Board, lead a process for evaluating the effectiveness of the Board, its Committees and the contribution of Board members. Every director participates in the annual performance evaluation review. The review process consists of self-assessment questionnaires and broad ranging interviews. The questionnaires address such matters as committee structures, information and resources and processes. The CGCN Committee uses the information from the questionnaires and interviews to report to the Board. The CGCN Committee also provides feedback to individual directors on their performance provided by peers, and suggestions for improvement are provided, as necessary. In addition, a third party review of the Board, its Committees and the contribution of Board members will be completed periodically.

Executive and Board Compensation

In conjunction with the establishment of compensation for the Company's executives, the EPCOR HR&C Committee retained the services of Towers Watson, to provide advice on levels of compensation in the competitive market in which the Company operates and on other compensation matters such as total compensation benchmarking, peer group selection and incentive design and calibration. In 2009, fees of approximately $335,000 were paid to Towers Watson for their advice to the EPCOR HR&C Committee regarding compensation for the Company's executives. See "Executive Compensation".

The CGCN Committee is also responsible for recommending to the Board for approval the compensation arrangements for the directors, including compensation for the Board Chair, for the chairpersons of each Board Committee and for member attendance at Board and Committee meetings. The CGCN Committee also approves compensation policies and guidelines applicable to employees; it recommends for approval by the Board such incentive compensation plans, equity compensation plans, registered pension plans, supplemental pension plans and other compensation plans for employees as it deems appropriate; and it oversees the management of the Company's incentive compensation plans and equity compensation plans. See "Compensation of the Board of Directors".

Towers Watson has been engaged to provide the CGCN Committee with independent advice in respect of directors' compensation and to advise the CGCN Committee on levels of compensation in the competitive market in which the Company operates and on other compensation matters. In addition, Towers Watson provides consulting advice and administrative support to the Company on pension and benefits matters.

Further particulars of the process by which compensation for the Company's directors and officers is determined can be found under "Compensation of the Board of Directors" and "Executive Compensation".

Environment Health & Safety Committee

Composition

The Environment, Health and Safety (EH&S) Committee is a committee of the Board composed of the following four members: Brian Bentz (Chair), William Bennett, Albrecht Bellstedt and Philip Lachambre. Each of the members of the EH&S Committee is independent within the meaning of applicable Canadian securities laws. As Chair of the Board, Donald Lowry also attends EH&S Committee meetings in an ex-officio, non-voting capacity.

Overview and Purpose

The EH&S Committee monitors, evaluates, advises and makes recommendations on matters relating to the impact of the operations of the Company, its subsidiaries and its affiliates on the environment and on the workplace health and safety of the employees of the Company and its subsidiaries and affiliates and of contractors who conduct work for or on behalf of the Company at its worksites. The Committee's role includes monitoring, advising and making recommendations to the Board on matters relating to:

- the establishment, maintenance and review of the Corporation's strategies, goals and policies relating to environment, health and safety;
- the conduct of due diligence in matters of environment, health and safety; and
- the achievement of excellent corporate performance in environment, health and safety.

Keephills 3 Project Oversight Committee

Composition

The Keephills 3 Project Oversight Committee is a committee of the Board composed of the following four members: Robert Phillips (Chair), Brian Bentz, Richard Cruickshank and Allister McPherson. Each of the members of the Keephills 3 Project Oversight Committee, other than Mr. Cruickshank, is independent within the meaning of applicable Canadian securities laws. As Chair of the Board, Donald Lowry also attends Keephills 3 Project Oversight Committee meetings in an ex-officio, non-voting capacity.

Purpose

The Keephills 3 Project Oversight Committee is responsible to the Board. The Committee, in an oversight capacity, reviews and monitors and reports to the Board on all aspects of the development, management and construction of the Keephills 3 Project (the Project).

Descriptions of Key Positions

Chair of the Board

The Chair of the Board is an independent director whose position is separate from the President and Chief Executive Officer. The Chair leads the Board and is responsible for enhancing its effectiveness. The Chair also acts as an advisor to the President and Chief Executive Officer and to other officers in all matters concerning the management of the Company. The CGCN Committee will annually review the performance of the Chair of the Board.

President and Chief Executive Officer

The President and Chief Executive Officer leads the Company's Executive Leadership Team. He is responsible for the strategic direction of the Company and its sound management and performance. Annually, the Chair of the Board and the Chair of the CGCN Committee request the Board members to provide input on the President and Chief Executive Officer's performance, request input and comments from other officers as they may see fit and have a detailed performance review discussion with the President and Chief Executive Officer. The CGCN Committee then recommends to the independent members of the Board the compensation of the President and Chief Executive Officer for the upcoming year.

Detailed position descriptions for the Chair of the Board, the President and Chief Executive Officer, Individual directors and the Lead Director are published in the Company's Corporate Governance Reference Manual.

Director Orientation and Continuing Education

The CGCN Committee's terms of reference require that the CGCN Committee review, monitor and make recommendations to the Board regarding new director orientation and ongoing development of existing Board members. The Board identifies discussion topics for its annual planning sessions.

All new directors are encouraged to attend meetings of committees on which they are not members to assist in their orientation. As required, the Company will arrange a mentor for a new director to help them learn about the Company's operations.

In June 2009, all individuals that were to become directors of the Company on completion of the IPO attended an orientation session at which they were provided with (a) an overview of the business of the Company, including (i) an overview of the power generation business, (ii) the Company's competitive advantages, (iii) the Company's growth strategy, (iv) the Company's near term challenges, opportunities and risks, and (v) the Company's relationship with Capital Power Income L.P., and (b) an overview of the Company's corporate governance policies and practices.

All directors are provided with an orientation to the duties and obligations of directors and the business of the Company. Opportunities for meetings and discussions with senior management and other directors are also available and the details of the orientation of each director are tailored to that director's individual needs and areas of interest. In addition, a Corporate Governance Reference Manual is provided to directors which helps familiarize directors with the Company. The current Corporate Governance Reference Manual contains the Company's constating documents and other materials relevant to governance of the Company.

Management periodically provides directors with articles, papers and other materials relating to or addressing issues relevant to the Company, its business, and the various regulatory and legal regimes within which it operates, including on corporate governance matters. Directors are responsible for reviewing the materials provided and for generally keeping their knowledge of issues relevant to the Company current through the media and other public sources of information.

The Company provides directors with the opportunity to tour certain of the Company's facility sites that are illustrative of each of the various types of facilities and plants owned by the Company on a periodic basis.

In November 2009, the Board was presented with a half-day seminar on the Company's commodity risk management systems and approach. In March 2010, the Board received a half-day seminar on International Financial Reporting Standards (IFRS), the policy choices management proposes to make in accordance with IFRS and the expected impact of IFRS on the Company's financial statements. Other in-house courses and seminars will also be offered to the Board as required and appropriate.

On March 9, 2010, the Board, on the recommendation of the CGCN Committee, approved a Director Education Policy, which sets out the guidelines for a new director's orientation and education, the types of education and orientation information available and provided to directors, as well as the education and educational opportunities provided to directors annually, including reimbursement for fifty percent of the cost of attending pre-approved educational conferences, industry symposia and other seminars, and periodic tours of sites.

Ethical Business Conduct and Compliance

Ethics Policy — The Company has adopted a written Ethics Policy (the Ethics Policy), applicable to all permanent and temporary employees of the Company and its directors. The Board of Directors has oversight and control over the policy including governance over all material changes to the Ethics Policy. A copy of the Ethics Policy may be obtained from the Company's Corporate Secretary upon request or from the Company's website at www.capitalpower.com and has also been filed on SEDAR at www.sedar.com.

Board of Directors - The Board of Directors is responsible for oversight of the Company's compliance with applicable laws. The Board of Directors receives regular reports that includes a report of any ethical breach, along with relevant management follow- up activities and mitigation strategies.

Senior Officers – The Company's senior officers provide quarterly certifications under the Company's Ethics Policy. The President and Chief Executive Officer and Senior Vice-President and Chief Financial Officer certify the Company's quarterly and annual financial statements for filing with the Canadian regulators.

Integrity Hotline - Although the Company wants its employees and agents to feel comfortable raising any ethical concern, there may be situations in which employees or agents would understandably feel more comfortable reporting ethical concerns or possible violations anonymously. Employees and agents may therefore access Capital Power's Integrity Hotline 1-866-363-8028 or www.CPCEthics.com for this purpose. The Integrity Hotline operates 24/7 and is manned by an independent third party under strict confidentiality obligations.

Investigating Ethical Complaints - The Company investigates all ethical complaints thoroughly and promptly. Investigations may include interviewing the employee or agent accused, interviewing other persons to corroborate the facts, and reviewing any pertinent documentation. To the fullest extent practicable, Capital Power keeps complaints and the terms of their resolution confidential, however this is not always possible and a written report outlining the investigative process, as well as all findings and conclusions is kept on file. Whenever an investigation leads to a determination that a complaint is well grounded, appropriate corrective action is taken.

Disclosure and Insider Trading Policy - The Company has adopted a Disclosure and Insider Trading Policy to govern the dissemination of information to the public and assist the Company in providing clear and complete disclosure in a timely manner, in compliance with all securities regulations. Capital Power Corporation must comply with certain legal and regulatory requirements regarding the public disclosure of material information, and the directors, officers and employees and other insiders must comply with insider trading and reporting requirements.

A disclosure committee consisting of members of senior management is responsible for reviewing and reporting to the Audit Committee with respect to proposed disclosure required to be made in accordance with applicable securities laws.

Other Business

Submission Date for 2011 Shareholder Proposals

The *Canada Business Corporations Act*, the general corporate statute that governs the Company, provides that the Company must receive shareholder proposals by no later than January 2, 2011 to consider including them in the Management Proxy Circular and the Proxy for the Company's 2011 annual meeting of shareholders, which is expected to be held on or about April 30, 2011.

Annual Disclosure Documents

Management anticipates that the Company will be mailing this Management Proxy Circular and the accompanying Proxy to shareholders on or about April 2, 2010. Unless otherwise stated, the information we provide here is as of March 9, 2010.

To obtain copies of this Management Proxy Circular, the Company's Annual Information Form for the year ended December 31, 2009, or the Company's Annual Report (which includes the Company's Consolidated Financial Statements and Management's Discussion and Analysis) for the six months ended December 31, 2009:

(a) go to the Company's website at www.capitalpower.com to make copies, or

(b) request mailed copies from the Corporate Secretary, 5th Floor, TD Tower 10088, 102 Avenue, Edmonton, Alberta, Canada, T5J 2Z1.

You may also access the Company's disclosure documents and any reports, statements or other information that the Company files with Canadian provincial securities commissions or other similar regulatory authorities through the Internet on the Canadian System for Electronic Document Analysis and Retrieval that is commonly known by the acronym SEDAR. You may access it at www.sedar.com. Additional information relating to the Company is available on SEDAR. Financial information relating to the Company is provided in the Company's comparative financial statements and Management's Discussion and Analysis for the six months ended December 31, 2009.

Board of Directors Approval

The Board of Directors of the Company has approved the contents and sending of this Management Proxy Circular.

B. Kathryn Chisholm
Corporate Secretary

Appendix A

BOARD OF DIRECTORS TERMS OF REFERENCE

I. INTRODUCTION

A. The Board of Directors (the "Board") has the power to manage, or supervise the management of, the business and affairs of Capital Power Corporation (the "Corporation") except as limited or restricted by the *Canada Business Corporations Act* (the "Act") and the Corporation's Articles and By-laws.

B. The Corporation hereby adopts these terms of reference for the Board, which set out the specific responsibilities to be discharged by the Board. The purpose of these terms of reference is to assist the Board in annually assessing its performance.

C. The President and Chief Executive Officer (the "CEO") and management formulate strategies and plans and present them to the Board for approval. The Board approves the goals of the business, the objectives and policies within which it is managed, and then assumes a stewardship role and evaluates management performance. Reciprocally, the CEO keeps the Board fully informed of the Corporation's progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

II. BOARD COMPOSITION

A. The Board will consist of a minimum of 3 and a maximum of 12 Directors.

B. A majority of the members of the Board will be independent pursuant to National Policy 58-201 *Corporate Governance Guidelines* (as implemented by the Canadian Securities Administrators and as amended from time to time) ("NP 58-201").

C. The Board should consist of professional and competent members with an appropriate mix of skills and abilities to ensure that the Board carries out its duties and responsibilities in the most effective manner and that the Corporation meets its legal, financial and operational objectives.

D. The Directors will be elected at the annual general meeting of the Corporation each year and will hold office until their successors are duly elected or appointed.

III. RESPONSIBILITIES

All of the following responsibilities are undertaken within the parameters and restrictions established by the Act, the Articles, and the By-laws.

A. Managing the Affairs of the Board

The Board supervises the management of the affairs of the Board by establishing committees (the "Committees") to provide more detailed review of important areas of responsibility, delegating certain of its authorities to management, reserving certain powers to itself and making certain recommendations to the shareholders. This process includes:

i) appointing Committees and/or advisory bodies, which at a minimum shall be comprised of an Audit Committee, a Corporate Governance, Compensation and Nominating Committee (the "CGCN Committee") and an Environmental, Health and Safety Committee;

ii) delegating responsibilities to, and seeking the advice of, the Committees and establishing and periodically reviewing/approving their respective terms of reference;

iii) approving terms of reference for the Chair, Lead Director and Individual Directors;

iv) implementing processes to evaluate the performance of the Board, the Committees and the Directors in fulfilling their respective responsibilities;

v) on the recommendation of the CGCN Committee, implementing processes for new Director orientation and ongoing Director development;

vi) appointing the Secretary;

vii) on the recommendation of the CGCN Committee, implementing effective governance processes to fulfill its responsibility for oversight and control;

viii) making recommendations to the shareholders in the following areas:

   a) on the recommendation of the CGCN Committee, director nominees, other than the nominees of EPCOR Utilities Inc.;

   b) on the recommendation of the Audit Committee, the appointment of the external auditors; and

   c) any special business items to be addressed by the shareholders that may be brought forward by the Board or the Corporation from time to time;

ix) delineating the authority to be retained by the Board and that to be delegated to the Committees and the CEO;

x) publishing a corporate governance statement annually, describing how each of the principles of good governance in NP 58-201 (or its successor) is put into practice;

xi) at least annually, assessing the management, development and effective performance of the Board, including reviewing and considering any amendments to be made to these terms of reference; and

xii) considering as a Board and not delegating to any Committee:

a) any submission to the shareholders of the Corporation of a question or matter requiring the approval of the shareholders;

b) the filling of a vacancy among the Directors or the Corporation's auditor or the appointment of additional Directors;

c) the issuance of securities, including shares of a series, except as authorized by the Board;

d) the declaration of dividends;

e) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;

f) the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Corporation from the Corporation or from any other person, or the procurement or agreement to procure purchasers for any shares of the Corporation;

g) the approval of a management proxy circular;

h) the approval of any take-over bid circular or directors' circular;

i) the approval of annual financial statements; or

j) the adoption, amendment or repeal of the By-laws.

B. Strategy and Plans

The Board has the responsibility to:

i) participate with management in developing and adopting the Corporation’s strategic planning process including:

a) providing input to management on emerging trends and issues;

b) reviewing and approving, on an annual basis, management’s strategic plans (long term business plans), which will take into account, among other things, the opportunities and risks of the business of the Corporation; and

c) reviewing and approving, on an annual basis, the Corporation’s financial objectives, plans and actions, including significant capital allocations and expenditures;

ii) approve annual capital and operating budgets which support the Corporation’s ability to meet the objectives established in the strategic plan; and

iii) monitor the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances.

C. Management and Human Resources

With the assistance of the CGCN Committee, the Board will be responsible for:

i) the appointment, termination and succession of the CEO;

ii) approving CEO compensation;

iii) approving terms of reference for the CEO;

iv) monitoring CEO performance and reviewing CEO performance at least annually, against agreed upon written objectives;

v) providing advice and counsel to the CEO in the execution of the CEO’s duties;

vi) approving compensation and benefits for directors;

vii) approving decisions relating to senior management, including the:

a) appointment and termination of executive officers; and

b) compensation and benefits for executive officers;

viii) satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation;

ix) ensuring succession planning programs are in place, including programs to train, develop and monitor senior management;

x) approving certain matters relating to all employees, including:

a) the annual compensation policy/program for employees;

b) new benefit programs or material changes to existing programs; and

c) material benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs;

xi) ensuring there are adequate procedures for the Board to be apprised on a timely basis of concerns relating to unethical behavior, fraudulent activities or violation of the Corporation's policies.

D. Business and Risk Management

The Board has the responsibility to:

i) with the assistance of the Audit Committee, monitor corporate financial performance against the operating and capital plans, including assessing operating results to evaluate whether the Corporation's business is being properly managed and meeting its objectives;

ii) ensure management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;

iii) receive, at least annually, reports from management and, where applicable, from the Committees, on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;

iv) understanding principal risks and determine whether the Corporation achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified; and

v) with the assistance of the Audit Committee, assess and monitor management control systems, including evaluating and assessing information provided by management and others (e.g., internal and external auditors) about the effectiveness of management control systems.

E. Financial and Corporate Issues

The Board has the responsibility to:

i) with the assistance of the Audit Committee, at least annually, provide oversight of a review to ensure the implementation and integrity of the Corporation's internal control and management information systems;

ii) meet at least annually with and receive reports from the Auditor;

iii) with the assistance of the Audit Committee, monitor operational and financial results;

iv) on the recommendation of the Audit Committee, approve annual and quarterly financial statements, and approve the release thereof by management;

v) declare dividends from time to time;

vi) approve debt financing, banking resolutions and significant changes in banking relationships;

vii) review coverage, deductibles and key issues regarding corporate insurance policies;

viii) approve commitments that may have a material impact on the Corporation;

ix) approve the commencement or settlement of litigation that may have a material impact on the Corporation; and

x) meet at least four times per year and, wherever feasible, receive meeting materials at least five (5) business days in advance of meetings and review meeting materials prior to attending each meeting.

F. Shareholder and Corporate Communications

The Board has the responsibility to take all reasonable steps to:

i) ensure the Corporation has in place effective communication processes with shareholders and major stakeholders;

ii) with the assistance of the Audit Committee, ensure that the financial performance of the Corporation is adequately reported to the shareholders, other security holders and regulators on a timely and regular basis;

iii) on the recommendation of the Audit Committee, ensure the financial results are reported fairly and in accordance with generally accepted accounting principles; and

iv) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.

G. Policies and Procedures

The Board has the responsibility to take all reasonable steps to:

i) with the assistance of the CGCN Committee (where applicable), approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;

ii) with the assistance of the CGCN Committee, direct management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;

iii) on the recommendation of the CGCN Committee, review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment);

iv) with the assistance of the CGCN Committee, develop and adopt corporate governance principles and guidelines for the Corporation and review such corporate governance guidelines annually; and

v) with the assistance of the CGCN Committee, adopt and monitor a written code of business conduct and ethics applicable to all directors, officers and employees of the Corporation addressing:

   a) conflicts of interest and the procedures to be established and monitored for identifying and dealing with conflicts of interest;

   b) protection and proper use of corporate assets and opportunities;

   c) confidentiality of corporate information;

   d) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees;

   e) compliance with applicable laws, rules and regulations; and

   f) reporting of any illegal or unethical behaviour.

IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

A. The Board is responsible for directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.

B. The Act includes the following as legal requirements for Directors:

i) to act honestly and in good faith with a view to the best interests of the Corporation;

ii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable situation; and

iii) to act in accordance with the obligations contained in the Act, and any other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws.

Appendix B

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 confidentially 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. <u>MEETINGS</u>

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.

Appendix C

Individual Director's Terms of Reference

I. INTRODUCTION

A. The terms of reference for an individual director (a "Director" or "Directors") of Capital Power Corporation (the "Corporation") outline the personal and professional characteristics required of all Directors. These terms of reference will be used as the basis for the evaluation of the performance of Directors and will also serve as model for establishing the general attributes and expectations in screening and selecting nominees to the Board of Directors (the "Board"), other than nominees of EPCOR Utilities Inc. ("EUI").

B. Broadly speaking, a Director has the following three fundamental obligations to perform:

(i) Honesty and Good Faith

Both the common law and the *Canada Business Corporations Act* (the "Act") require a Director to act honestly and in good faith with a view towards the best interests of the Corporation. The key elements of this standard of behaviour are as follows.

(A) A Director must act in the best interests of the Corporation and not in his or her self-interest. This also means a Director should not be acting in the best interests of some special interest group or constituency or in his or her own self-interest.

(B) A Director cannot take advantage personally of opportunities that come before him or her in the course of performing his or her corporate duties.

(C) A Director must disclose to the Board any personal interests that he or she holds that may conflict with the interests of the Corporation.

(D) A Director must respect the Corporation's confidentiality requirements.

(ii) Skillful Management

Both the common law and the Act require that a Director or officer will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. This means:

(A) The standard of behavior expected of a Director will depend upon the particular qualities or characteristics that the Director brings to the Corporation in relation to the particular matters under consideration.

(B) The Director must be proactive in the performance of his or her duties by:

1. preparing for and attending meetings;
2. participating in a meaningful way; and
3. being vigilant to ensure the Corporation is being properly managed and is complying with the law.

(iii) Disclosure of Interests

Subject to the Act, a Director or officer who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation must disclose in writing to the Corporation or request to have entered in the minutes of meetings of the Directors the nature and extent of the disclosed interest at the time provided in the Act. The Director should thereafter refrain from any discussion or vote on any matters in which he or she has a conflict.

II. STANDARDS OF BEHAVIOUR ESTABLISHED BY THE BOARD

To execute the responsibilities of the Board, a Director must possess certain characteristics and traits. The Board has established the following standards for the Directors.

A. Board of Directors Activity

As a member of the Board, each Director will:

(i) demonstrate high ethical standards and integrity in his or her personal and professional dealings, and be willing to act on – and remain accountable for – his or her boardroom decisions;

(ii) provide wise, thoughtful counsel on a broad range of issues and develop the depth of knowledge to understand and question the assumptions upon which the strategic and business plans are based, and to form an independent judgment as to the probability that such plans can be achieved;

(iii) demonstrate a high level of financial literacy (as defined in National Instrument 52-110 *Audit Committees*, as implemented by the Canadian Securities Administrators and as amended from time to time), know how to read financial statements, and understand the use of financial ratios and other indices for evaluating company performance;

(iv) respect confidentiality;

(v) be available as a resource to management and the Board;

(vi) advise the President and Chief Executive Officer (the "CEO"), Lead Director or Chair in advance of introducing significant and previously unknown information at a Board meeting;

(vii) as necessary and appropriate, communicate with the Chair, Lead Director and the CEO between Board and committee meetings;

(viii) demonstrate a willingness and availability for individual consultation with the Chair, Lead Director or CEO; and

(ix) be a positive force, using abilities and influence constructively.

B. Preparation and Attendance

To enhance the effectiveness of Board and committee meetings, each Director will:

(i) prepare for each Board and committee meeting by reading the reports and background materials provided for the meeting;

(ii) maintain an excellent Board and committee meeting attendance record[1]; and

(iii) request information necessary or desirable for decision making.

C. Communication

Directors who value Board and team performance over individual performance, and who possess respect for others, facilitate superior Board performance. Communication is fundamental to Board effectiveness and therefore each Director will:

[1] The target is 100% attendance. Anything less than 80%, without extenuating circumstances, would create considerable concern for the Board

(i) participate fully and frankly in the deliberations and discussions of the Board;

(ii) demonstrate an openness to others' opinions and the willingness to listen; and appreciate that this quality ranks as highly as the ability to communicate persuasively;

(iii) approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion;

(iv) establish an effective, independent and respected presence and a collegial relationship with other Directors;

(v) focus inquiries on issues related to strategy, policy, and results rather than issues relating to the day-to-day management of the Corporation; and

(vi) respect the fact that the CEO and in some instances the Chair, is the chief spokesperson for the Corporation and individual Directors are only involved in external communications at the request of and/or with the approval of, and in coordination with, the CEO or the Chair.

D. Independence

Each Director will:

(i) think, speak and act independently with confidence and courage;

(ii) give appropriate consideration to change and act with an open mind;

(iii) resist behaving independently merely for the sake of being a revolutionary character; being objective when considering tradeoffs and consequences; and

(iv) be willing to risk rapport with the Chair, the Lead Director, other Directors and/or the CEO in taking a reasoned, independent position.

E. Committee Work

In order to assist Board committees in being effective and productive, each Director will:

(i) participate on committees and become knowledgeable about the purpose and goals of each committee; and

(ii) understand the process of committee work and the role of management and staff supporting each committee on which the Director participates.

F. Industry and Corporate Knowledge

Recognizing that decisions can only be made by well-informed Directors, each Director will:

(i) become generally knowledgeable of the business of the Corporation and its industry;

(ii) participate in Director orientation and development programs developed by the Corporation from time to time;

(iii) maintain a current understanding of the regulatory, legislative, business, social and political environments within which the Corporation operates;

(iv) become acquainted with the senior managers of the Corporation; and

(v) visit the Corporation's facilities when appropriate.

Appendix D

Director Expertise Matrix

		Bellstedt	Bennett	Bentz	Bolton	Cruickshank	Lachambre	Lowry	MacNeill	McPherson	Phillips	Rennie	Vaasjo
Location	Edmonton				■	■	■	■		■		■	■
	Calgary	■						■	■				
	Ontario							■					■
	BC			■	■						■		■
	USA		■		■								
Background	Accountant			■	■				■			■	■
	CFO/Fin Expert		■	■	■		■		■				■
	Engineer										■		
	Lawyer	■				■					■		
	Investment Banker												
	Procurement/ Contracts						■						
Seniority	Public CEO								■		■		■
	Private CEO		■	■	■			■			■		
	Senior Functional	■		■			■			■		■	■
	Partner	■			■	■							
Experience	Reg/Gov/Public Affairs			■			■			■			
	HSE			■			■						
	Deal/M&A/IPO	■	■	■		■		■	■	■	■		■
	US-Based		■										
	Public Board	■	■	■	■		■	■	■	■	■	■	■
	HR/ Compensation						■				■	■	
	Operations/ Maintenance/ Construction						■						
	Regulatory/ Legal						■						
Industry	Power				■			■		■	■		■
	Oil and Gas	■		■			■		■		■		■
	Other Resources			■					■				
Government Relations	Alberta				■		■	■	■	■	■		
	BC				■			■			■		
	Ontario				■			■					
	Federal				■		■	■					

Shareholder Feedback

Capital Power maintains a comprehensive investor communications program. We welcome comments and feedback from shareholders. The Company's website, www.capitalpower.com, contains a variety of corporate and investor information, including:

- Annual Report
- Annual Information Form
- Quarterly Reports
- Management Proxy Circular
- Presentations and Webcasts
- Dividend History
- Ethics Policy
- Investment Overview
- Corporate Responsibility Report
- Community Investment
- Consultation Initiatives

The Company invites shareholder comments to:

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