Capital Power Corporation

Notice of Annual Meeting April 29, 2011

Capital Power Corporation Management Proxy Circular

Capital Power (CPX:TSX) is a growth-oriented North American independent power producer headquartered in Edmonton, Alberta, Canada. Capital Power and its subsidiaries develop, acquire, operate, and optimize power generation from a diverse range of energy sources. We aim to be one of North America's most respected, reliable, and competitive power generators.

As of December 31, 2010, Capital Power had interests in 32 facilities across North America, with approximately 3,800 megawatts (MWs) of owned or operated power generation capacity, 371 MWs of capacity owned through Power Purchase Arrangements (PPAs) in Alberta, and 495 MWs of owned capacity under construction. Capital Power employs approximately 1,100 people. For more information, please visit 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 (Capital Power or the Company) hereby advises our shareholders of the upcoming Annual Meeting:

Friday, April 29, 2011
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 year ended December 31, 2010 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 holder of Common Shares or Special Voting Shares at the close of business on March 21, 2011.

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 27, 2011. 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

K Chisholm

B. Kathryn Chisholm

Corporate Secretary
Edmonton, Alberta
March 21, 2011

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 29, 2011 at the Art Gallery of Alberta, 2 Sir Winston Churchill Square, Edmonton AB T5J 2C1. Both the Notice of Meeting and this Management Proxy Circular describe the business to be conducted at the Annual Meeting.

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 holder of Common Shares or Special Voting Shares, 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 transcript 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 21, 2011, unless otherwise indicated.

All dollar amounts included in this Circular are in Canadian dollars, unless otherwise expressly stated to be in US dollars.

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) or Special Voting Shares (Special Voting Shares) of the Company as of the close of business on March 21, 2011, 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 21, 2011, 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 S.W., 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.

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.

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:

> **Mail** - Complete the Proxy in full, sign it and return it by mail or delivery;
>
> **Telephone** - Call the toll free number on the Proxy and follow the instructions; or
>
> **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 27, 2011; 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 28, 2011; 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 39,156,483 Common Shares, 5,000,000 Cumulative Rate Reset Preference Shares, Series 1 (Series 1 Shares), 47,416,000 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 21, 2011, 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 21, 2011, being the record date for the Annual Meeting, EPCOR Utilities Inc. (together with its subsidiaries, EPCOR) indirectly held all of the Special Voting Shares and Exchangeable LP Units representing approximately 54.77% 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) (the Tax Act) do not deal at arm's length with an owner of Exchangeable LP Units, does not exceed 49% of the aggregate number of votes attached to all of the Common Shares and the Special Voting Shares outstanding at that time.

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 21, 2011, EPCOR held the Special Limited Voting Share.

Except as required by law or in the conditions attaching to the Preferred Shares of the Company as a class, the holders of Series 1 Shares are not entitled to receive notice of, attend at, or vote at any meeting of shareholders of the Company, unless and until the Company has failed to pay eight quarterly dividends and only for as long as any such dividends remain in arrears. At any meetings which the holders of Series 1 Shares are entitled to attend (except when the vote of holders of another class or series of shares is to be taken separately and as a class or series), the holders of Series 1 Shares are entitled to vote with all of the voting shares of the Company and each Series 1 Share shall entitle its holder to one vote. Holders of Series 1 Shares will not, in such capacity, be entitled to receive notice of, attend at, or vote at the Annual Meeting.

For additional information on the rights, privileges and restrictions of the Common Shares, Series 1 Shares, Special Voting Shares and Special Limited Voting Share, please see the Annual Information Form of the Company for the year ended December 31, 2010, 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 T2P 3S8** **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

Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2010 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.

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 CGC&N 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 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".

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 year ended December 31, 2010 in respect of the Company and the Company's subsidiaries were approximately $1.9M as detailed below. Fees do not include KPMG LLP billings for Capital Power Income L.P.

Year Ended December 31, 2010 ($ millions)	
Audit Fees	1.6
Audit Related Fees	0.1
Tax fees	-
All Other fees	0.2
Total	1.9

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 (IPO) 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.

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 three 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 four 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 CGC&N 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: 55

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.

Areas of Expertise: Location: Edmonton; Background: Accountant, CFO/ Finance Experience; Seniority: Public CEO, Senior Functional; Experience: Reg/Gov/Public Affairs, Deal/M&A/IPO, Public Board, Regulatory/Legal; Industry: Power, Oil & Gas; Government Relations: Alberta, Federal

Board and Committee Membership	**Attendance**[6]	
Board of Directors	13 of 13	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]
20,000	N/A	20,000	$499,800

Options Held: 615,251[10] See "Executive Compensation – Long-Term Incentive Plan".

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

Albrecht Bellstedt[5]
Canmore, AB
Independent[1]
Age: 61
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 and The Churchill Corporation. 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).

Areas of Expertise: Location: Calgary; Background: Lawyer; Seniority: Senior Functional; Experience: Deal/M&A/IPO, Public Board; Industry: Power

Board and Committee Membership	**Attendance**[6]	
Board of Directors	13 of 13	100%
Corporate Governance, Compensation and Nominating Committee (Chair)	4 of 4	100%
Environment, Health and Safety Committee	3 of 3	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, 9]
7,090	5,511	12,601	$314,899

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

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

William Bennett
Chicago, IL
Independent[1]
Age: 64
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, Sprague Memorial Institute and The Lincoln Academy of Illinois.

Areas of Expertise: Location: USA; Seniority: Private CEO; Experience: Deal/M&A/IPO, Public Board, Regulatory/Legal

Board and Committee Membership	**Attendance**[6]	
Board of Directors	13 of 13	100%
Audit Committee (Chair)	6 of 6	100%
Environment, Health and Safety Committee	3 of 3	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, 9]
1,000	7,061	8,061	$201,444

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

Other Public Board Directorships: TD Bank Financial Group, TD Bank U.S. Holding Co.

Brian Bentz
Vancouver, BC
Independent[1]
Age: 67
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, Seacliff Construction Corporation and B.C. Telecom Inc. Mr. Bentz currently acts as a director of MacDonald, Dettwiler and Associates Ltd., 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.

Areas of Expertise: Seniority: Private CEO, Senior Functional; Experience: HSE, Deal/M&A/IPO, Public Board, HR/Compensation

Board and Committee Membership	**Attendance**[6]	
Board of Directors	13 of 13	100%
Environment, Health and Safety Committee (Chair)	3 of 3	100%
Keephills 3 Project Oversight Committee	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, 9]
1,000	5,511	6,511	$162,710

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

Other Public Board Directorships: MacDonald, Dettwiler and Associates Ltd.

Richard Cruickshank
Edmonton, AB
Non-Independent[8]
Age: 60
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 35 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.

Areas of Expertise: Location: Edmonton; Background: Lawyer; Experience: Deal/M&A/IPO

Board and Committee Membership	**Attendance**[6]	
Board of Directors	12 of 13	92%
Corporate Governance, Compensation and Nominating Committee	4 of 4	100%
Keephills 3 Project Oversight Committee	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, 9]
1,000	7,922	8,922	$222,961

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

Other Public Board Directorships: None.

Philip Lachambre Edmonton, AB **Independent**[1] Age: 59 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-nine 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. Mr. Lachambre has served on the Audit Committee of Flint Energy Services Ltd. since 2008, and on the Audit Committee of GLM Industries LP since 2007.

Areas of Expertise: Location: Edmonton; Background: Procurement/Contracts; Seniority: Senior Functional; Experience: regulatory/legal, HR/Compensation, construction/maintenance, HSE, Public Board; Industry: Oil and Gas, Other Resources; Government Relations: Alberta

Board and Committee Membership	**Attendance**[6]	
Board of Directors	12 of 13	92%
Audit Committee	6 of 6	100%
Environment, Health and Safety Committee	3 of 3	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, 9]
1,028	5,546	6,560	$163,934

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: 71
Director since:
July 9, 2009

Brian MacNeill is currently a corporate director. Prior thereto Mr. MacNeill held the position of Acting Chief Executive Officer of Oilsands Quest Inc. from September 2010 to January 31, 2011, prior thereto 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.

Areas of Expertise: Location: Calgary; Seniority: Public CEO; Experience: Deal/M&A/IPO, US-Based, Public Board, HR/Compensation; Industry: Oil and Gas, Other Resources; Government Relations: Alberta, Federal

Board and Committee Membership	**Attendance**[6]	
Board of Directors	13 of 13	100%
Corporate Governance, Compensation and Nominating Committee	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, 9]
5,000	7,492	12,492	$312,175

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.; and Telus Corporation

Janice Rennie
Edmonton, AB
Independent[1]
Age: 53
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., Methanex Corp., West Fraser Timber Co. Ltd., Teck Resources Limited and Major Drilling International Inc. In addition, Ms. Rennie has served on the boards of the Alberta Stock Exchange, Canadian Hotel Income Properties REIT, EPCOR, EPCOR Preferred Equity Inc., NOVA Chemicals Inc., bcIMC Hotel Group, Weldwood of Canada Limited and Matrikon Inc. Ms. Rennie serves on the Audit Committee for West Fraser Timber Co. Ltd. (since 2004), the Audit Committee for Greystone Capital Management Inc. (since 2005), the Audit, Finance and Risk Committee of Methanex Corp. (since 2006), the Audit Committee of Teck Resources Ltd. (since 2007), and on the Audit Committee of Major Drilling Group International Inc. (since 2010).

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.

Areas of Expertise: Location: Edmonton; Background: Accountant; Seniority: Senior Functional; Experience: Public Board

Board and Committee Membership	**Attendance**[6]	
Board of Directors	12 of 13	92%
Audit Committee	6 of 6	100%
Corporate Governance, Compensation and Nominating Committee	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, 9]
1,000	7,922	8,922	$222,961

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

Other Public Board Directorships: Teck Resources Limited; Methanex Corp.; West Fraser Timber Co. Ltd.; and Major Drilling Group International Inc.

Director Nominees to be Elected by EPCOR

Donald Lowry
Edmonton, AB
Chairman,
EPCOR Nominee
Independent[1]
Age: 59
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, and serves as director on several other Boards, including the Conference Board of Canada, Alberta Economic Development Authority and the Canadian Electricity Association. Mr. Lowry also serves as a director of Telus Community Foundation and was recognized in 2010 as Alberta Venture's Business Person of the Year.

Areas of Expertise: Location: Edmonton, Calgary; Seniority: Private CEO; Experience: Reg/Gov/Public Affairs, Deal/M&A/IPO, Public Board; Operations/Maintenance/Construction; Industry: Power, Oil and Gas; Government Relations: Alberta, BC, Ontario

Board and Committee Membership	**Attendance**[6]	
Board of Directors (Chair)	13 of 13	100%
Audit Committee (ex-officio)	3 of 6	50%
Corporate Governance, Compensation and Nominating Committee (ex-officio)	4 of 4	100%
Environment, Health and Safety Committee (ex-officio)	0 of 3	0%
Keephills 3 Project Oversight Committee (ex-officio)	3 of 4	75%

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, 9]
2,000	N/A	2,000	$49,980

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: 72
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 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. In 2010 he received a "Lifetime Achievement Award" from the Alberta Institute of Chartered Accountants.

Areas of Expertise: Location: Edmonton, USA; Seniority: Private CEO; Experience: Public Board, HR/Compensation, Regulatory/Legal; Industry: Power; Government Relations: Alberta, BC

Board and Committee Membership	**Attendance**[6]	
Board of Directors	13 of 13	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, 9]
1,000	7,922	8,922	$222,961

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

Other Public Board Directorships: CN Rail Company Limited; Teck Resources Limited; WestJet Airlines Limited; EPCOR Utilities Inc. and TD Bank Financial Group

Allister McPherson
Edmonton, AB
EPCOR Nominee
Independent[1]
Age: 67
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.

Mr. McPherson has served on the Audit Committees of EPCOR Utilities Inc. since 2008 and The Churchill Corporation since 2009.

Areas of Expertise: Location: Edmonton; Background: CFO/Finance Experience; Seniority: Senior Functional; Experience: Reg/Gov/Public Affairs, Deal/M&A/IPO, Public Board, HR/Compensation, Regulatory/Legal; Industry: Power; Government Relations: Alberta

Board and Committee Membership	**Attendance**[6]	
Board of Directors	13 of 13	100%
Audit Committee	6 of 6	100%
Keephills 3 Project Oversight Committee	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, 9]
5,000	5,511	10,511	$262,670

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

Other Public Board Directorships: The Churchill Corporation and EPCOR Utilities Inc.

Robert Phillips Vancouver, BC EPCOR Nominee **Independent**[1] Age: 60 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.

Areas of Expertise: Background: Engineer, Lawyer; Seniority: Public CEO, Private CEO, Partner; Experience: Deal/M&A/IPO, Public Board; Regulatory/Legal; Industry: Power, Oil & Gas; Government Relations: Alberta, BC

Board and Committee Membership	**Attendance**[6]	
Board of Directors	13 of 13	100%
Corporate Governance, Compensation and Nominating Committee	4 of 4	100%
Keephills 3 Project Oversight Committee (Chair)	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, 9]
3,000	8,267	11,267	$281,562

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; Precision Drilling Corporation; West Fraser Timber Co. Ltd.; MacDonald Dettwiler and Associates Ltd.; and EPCOR Utilities Inc.

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 21, 2011.
3. DSUs refer to the number of Deferred Share Units held by the director as of March 21, 2011. The Company files issuer grant reports on The System for Electronic Disclosure by Insiders (SEDI) with respect to its quarterly grants of DSUs to its directors.
4. The Total Market Value of Common Shares was determined by multiplying the number of Common Shares held by the closing price of the Common Shares on March 21, 2011 of $24.99. The Total Market Value of DSUs is determined by multiplying the number of DSUs held by the relevant foregoing closing price of the Common Shares on the TSX. 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. Mr. Bellstedt ceased being a director of Sun Times Media Group, Inc. (formerly Hollinger International Inc.) in

June of 2008. Sun Time Media Group, Inc. went into Chapter 11 bankruptcy protection under the U.S. Bankruptcy Code in 2009.

6. Meeting attendance is determined from January 1, 2010, until December 31, 2010.
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. See "Compensation of the Board of Directors – Equity Ownership Guidelines". As of March 21, 2011, the directors of the Company who are not also executive officers of the Company, as a group, beneficially own, or control or direct, directly or indirectly, 96,769 Common Shares and DSU's ($24.99 per share as at the close of trading on March 21, 2011 for a value of $2,418,257).
10. Includes 206,591 stock options granted to Mr. Vaasjo in March 2011. Mr. Vaasjo also holds 20,995 performance share units granted to him in March 2011. See "Executive Compensation – Long-Term Incentive Plan".

Director Nominees' Service Together on Other Public Boards & Public Board Committees

Information regarding the other public boards and public board committees on which the Company's directors serve is presented below:

Canadian Western Bank

Mr. Bellstedt and Mr. Phillips both serve on the board of directors of Canadian Western Bank.

EPCOR Utilities Inc.

Mr. Bolton, Mr. McPherson and Mr. Phillips all serve on the board of directors of EPCOR Utilities Inc. As chairman of the EPCOR board, Mr. Bolton serves on all committees in an ex officio capacity. Mr. Phillips and Mr. McPherson serve together on the Governance and Nominating Committee. Mr. McPherson also serves on the Audit Committee. Mr. Phillips also serves on the Human Resources Committee.

MacDonald, Dettwiler & Associates Ltd.

Mr. Bentz and Mr. Phillips both serve on the board of directors of MacDonald, Dettwiler & Associates Ltd., and Mr. Phillips is chairman of the board. Both also serve on the Governance Committee and the Human Resources Committee.

TD Bank Financial Group

Mr. Bennett and Mr. Bolton both serve on the board of directors of TD Bank Financial Group.

Teck Resources Limited

Ms. Rennie and Mr. Bolton serve together on the board of directors of Teck Resources Limited. In addition, they both serve on the Governance & Nominating Committee and the Audit Committee.

The Churchill Corporation

Mr. Bellstedt and Mr. McPherson both serve on the board of directors of The Churchill Corporation. In addition, Mr. McPherson serves on both the Audit Committee and the Governance & Nominating Committee. As chairman of the board, Mr. Bellstedt is a non-voting member of all board committees of The Churchill Corporation, including the two committees on which Mr. McPherson serves.

West Fraser Timber Co. Ltd.

Mr. MacNeill, Ms. Rennie and Mr. Phillips all serve on the board of directors of West Fraser Timber Co. Ltd. Ms. Rennie, Mr. MacNeill and Mr. Phillips also serve together on the Governance & Nominating Committee.

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 by the CGC&N 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 classified in the Energy and Utilities industries. The directors' compensation comparator group is comprised of the following Canadian based companies**:**

ATCO Ltd.
Emera Inc.
Ensign Energy Services Inc.
Fortis Inc.
Nexen Inc.
Spectra Energy Corp.
Talisman Energy Inc.
TransAlta Corp.
TransCanada Corp.

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 share units (DSUs). This is intended to attract and retain qualified talent to serve on the Board.

For the financial year ended December 31, 2010, each non-employee director was eligible to receive the following compensation:

Type of Fee (1) (2)		Amount ($)
Board Chair Annual Retainer	$	150,000/year
Board Chair Annual Equity Retainer	$	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

Notes:

(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

(2) Brian Vaasjo is President and Chief Executive Officer, and therefore an employee, of the Company and does not receive any compensation from the Company in his role as a director of the Company.

All Board meetings attended via teleconference are paid on the same basis above. If a director needs to travel from their place of residence the day 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 a deferred share unit plan (DSU Plan) pursuant to which non-employee directors of the Company receive their annual equity retainer in the form of DSUs. Directors are also 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 is 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 is 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 CGC&N Committee and the Board, the DSU Plan further aligns the interests of directors with those of the Company's shareholders.

The following table sets forth information regarding DSUs outstanding as at December 31, 2010:

Name	Share-based Awards: Number of shares or units of shares that have not vested [(1)] (#)	Share-based Awards: Market or payment value of share-based awards that have not vested[(2)] ($)
Donald Lowry[(3)]	N/A	N/A
Albrecht Bellstedt	4,645	$109,854
William Bennett	5,951	$140,750
Brian Bentz	4,645	$109,854
Hugh Bolton	6,677	$157,915
Richard Cruickshank	6,677	$157,915
Philip Lachambre	4,674	$110,540
Robert Phillips	6,967	$164,781
Brian MacNeill	6,314	$149,333
Allister McPherson	4,645	$109,854
Janice Rennie	6,677	$157,914

Notes:

(1) Includes reinvested dividends. The Company files issuer grant reports on SEDI in respect of DSUs granted to the Company's directors.
(2) Based on the market value of the DSUs as of December 31, 2010 of $23.65.
(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.

The CGC&N Committee has implemented share ownership guidelines for directors 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, 2010

Name[(3)]	Year	Total Common Shares and DSUs[(1)]	Value[(2)]	Ownership Requirement Met
Donald Lowry	2010	2,000	$47,300	N/A[(4)]
Albrecht Bellstedt	2010	11,735	$277,532	In Progress
William Bennett	2010	6,951	$164,400	In Progress
Brian Bentz	2010	5,645	$133,504	In Progress
Hugh Bolton	2010	7,677	$181,565	In Progress
Richard Cruickshank	2010	7,677	$181,565	In Progress
Philip Lachambre	2010	5,688	$134,522	In Progress
Robert Phillips	2010	9,967	$235,731	In Progress
Brian MacNeill	2010	11,314	$267,583	In Progress
Allister McPherson	2010	9,645	$228,104	In Progress
Janice Rennie	2010	7,677	$181,564	In Progress

Notes:

(1) Includes reinvested dividends. The Company files issuer grant reports on SEDI in respect of DSUs granted to the Company's directors.

(2) Based on the market value of the shares or DSUs as of December 31, 2010 of $23.65.

(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 2010

Name[(1)]	Fees earned ($)	Share-based awards ($)[(14)]	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	$72,500[(3)]	$80,000	N/A	N/A	N/A	$4,500	$157,000
William Bennett[(4)]	$78,000[(5)]	$80,000	N/A	N/A	N/A	$3,500	$161,500
Brian Bentz	$70,000[(6)]	$80,000	N/A	N/A	N/A	$2,500	$152,500
Hugh Bolton	$54,500[(7)]	$80,000	N/A	N/A	N/A	$4,000	$138,500
Richard Cruickshank	$66,500[(8)]	$80,000	N/A	N/A	N/A	$500	$147,000
Philip Lachambre	$66,500[(9)]	$80,000	N/A	N/A	N/A	$500	$147,000
Robert Phillips	$73,000[(10)]	$80,000	N/A	N/A	N/A	$4,250	$157,250
Brian MacNeill	$70,500[(11)]	$100,000	N/A	N/A	N/A	$2,500	$173,000
Allister McPherson	$69,500[(12)]	$80,000	N/A	N/A	N/A	$0	$149,500
Janice Rennie	$68,000[(13)]	$80,000	N/A	N/A	N/A	$500	$148,500

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 $35,000 director retainer, $7,500 CGC&N Committee Chair retainer, $19,500 in board meeting attendance fees and $10,500 in committee 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 $35,000 director retainer, $10,000 Audit Committee Chair retainer, $19,500 in board meeting attendance fees and $13,500 in committee 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 $35,000 director retainer, $5,000 Environment, Health & Safety Committee Chair retainer, $19,500 in board meeting attendance fees and $10,500 in committee meeting attendance fees. Mr. Bentz elects to receive all amounts payable in cash as permitted by the terms of the DSU Plan.

(7) Includes $35,000 director retainer and $19,500 in board 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 $35,000 director retainer, $18,000 in board meeting attendance fees and $13,500 in committee meeting attendance fees (includes compensation for attendance at one Audit Committee meeting in 2010 for the purpose of IFRS training). 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 $35,000 director retainer, $18,000 in board meeting attendance fees and $13,500 in committee 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 $35,000 director retainer, $5,000 Keephills 3 Oversight Committee Chair retainer, $19,500 in board meeting attendance fees and $13,500 in committee meeting attendance fees (includes compensation for attendance at one Audit Committee meeting in 2010 for the purpose of IFRS training). 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 $45,000 lead director retainer, $19,500 in board meeting attendance fees and $6,000 in committee 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 $35,000 director retainer, $19,500 in board meeting attendance fees and $15,000 in committee 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 $35,000 director retainer, $18,000 in board meeting attendance fees and $15,000 in committee 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. In respect of Mr. Bellstedt, includes $1,500 for his role as guest speaker at the Capital Power leadership summit retreat.

COMPENSATION DISCUSSION AND ANALYSIS

This section discusses the Company's executive compensation programs for the fiscal year ended December 31, 2010 for the following Named Executive Officers (NEOs):

- Brian Vaasjo, President and Chief Executive Officer;
- Stuart Anthony Lee, Senior Vice President, Finance and Chief Financial Officer;
- James Nicolas Oosterbaan, Senior Vice President, Commercial Services;
- Darcy Trufyn, Senior Vice President, Construction Engineering and Project Management; and
- Graham Lloyd Brown, Senior Vice President, Operations.

Corporate Governance, Compensation and Nominating Committee (CGC&N Committee)

Composition

The CGC&N 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 CGC&N Committee are: Albrecht Bellstedt (Chair), Richard Cruickshank, Brian MacNeill, Robert Phillips and Janice Rennie. As Chair of the Board, Donald Lowry also attends CGC&N Committee meetings in an ex-officio, non-voting capacity. See "Corporate Governance Summary – Corporate Governance, Compensation and Nominating Committee".

Mandate

With respect to executive compensation, the CGC&N 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 CGC&N 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 CGC&N Committee has written terms of reference that establish its purpose, responsibilities, and membership.

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

In November of 2010, the CGC&N Committee engaged Hugessen Consulting to provide them with independent advice in respect of directors' and executives’ compensation and to advise the CGC&N Committee, on a go forward basis, on levels of compensation in the competitive market in which the Company operates and on other compensation matters. In its role as independent compensation consultant to the CGC&N Committee, Hugessen Consulting will:

- Keep the Committee members abreast of issues arising in the area of executive compensation;

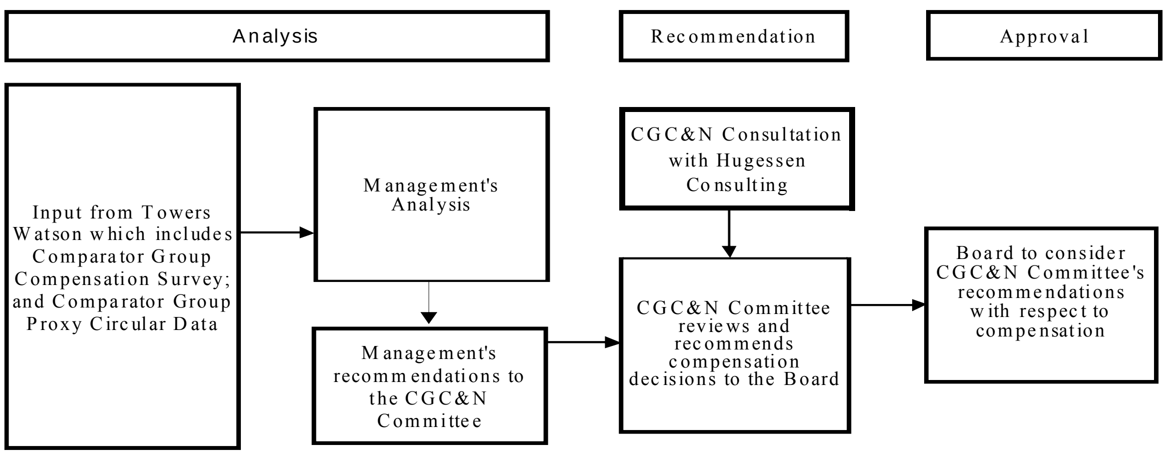
- Provide comment on compensation policy & strategy (including peer group utilized, pay mix, and positioning); and

- Support the Board/CGC&N Committee in interactions with major institutional shareholders regarding executive compensation issues and advise the Board/CGC&N Committee on institutional shareholder issues, their associations and proxy advisors.

In 2010, fees of approximately $7,000 were paid to Hugessen Consulting for their review and comment on a preliminary version of the Management Proxy Circular. Hugessen provides no other services to the Company.

Prior to that, Towers Watson acted as advisor to both management and the CGC&N Committee. Fees of approximately $190,000 were paid to Towers Watson regarding services in respect of compensation for the Canadian executives. Towers Watson continues to act as management's consultant and will provide consulting advice and administrative support to the Company on compensation, pension and benefits matters.

Compensation Approval Process



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

- Annually reviews the compensation strategy and design to ensure the continued alignment with business needs;
- Annually reviews the total compensation of the CEO and the other NEOs against market compensation data and recommends the approval of any changes to compensation levels to the Board;
- Approves the overall salary budget for the year, and the short-term incentive plan design;
- Reviews the individual performance of the CEO and is presented for informational purposes with the CEO's evaluation of the individual performance of the other executives;
- Reviews and recommends to the Board for approval the payout amounts for executives (including the NEOs) under the corporate short-term incentive plan and reviews and

approves the aggregate payout amount of the corporate short-term incentive plan to all employees; and

- Reviews and approves the long-term incentive plan measures in place to ensure that they reinforce the key priorities of the business.

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 shareholders.

These objectives have guided the development of a compensation model that includes base salary, short-term and long-term incentives, perquisites, benefits and pensions. For executives, the primary focus is on performance related compensation (short and long-term incentives). In setting the Company's executive compensation strategy, the CGC&N Committee supports the achievement of the Company's business priorities in the following ways:

- Short-term goals are supported through the 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 plans 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. 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.

In March 2011, the CGC&N Committee approved a revised compensation philosophy for executive positions where base salaries and short-term and long-term incentive opportunities will be targeted at the median of the market. The aggregate of base salary, short-term and long-term incentives will produce median compensation in the event of target performance of the Company and/or the individual, above median compensation in the event of superior performance of the Company and/or the individual, and below median compensation if performance falls short of expectations. This approach will better align Capital Power Corporation's executive compensation practices with those of its comparative companies.

Prior to this, the Company was targeting base salaries at below the median and short-term and long-term incentive opportunities at above the median of this market in order to encourage an entrepreneurial spirit on start-up.

Comparator Group

For 2010, the Company's executive compensation comparator group consisted of companies that met the following criteria:

- Autonomous, publicly-traded Canadian companies;
- Primarily Alberta-based companies;
- Classified in the Energy and Utilities industries; and
- Revenue between $1 billion and $30 billion.

As the 2010 comparative group was comprised of companies within a wide revenue range and included significantly larger organizations, the data used to assess the competitiveness of the Company's executive compensation was size adjusted to the Company's revenue using single-regression analysis.

In 2010, the executive compensation comparator group comprised the following companies:

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.

For 2011, the comparator group selection criteria will be refined by narrowing the revenue scope to companies with revenues between $750 million and $10 billion. Raw percentile statistics for compensation data will be used, as opposed to regressed market data. Similar compensation levels are observed when market data from the 2010 comparator group is regressed to the market median revenue of the 2011 comparator group.

For 2011, the executive compensation comparator group will comprise the following companies, with which the Company competes for talent and which the CGC&N Committee believes to be an appropriate comparator group:

ATCO Ltd.
ARC Resources Ltd.
Emera Inc.
Fortis Inc.
Nexen Inc.
Pembina Pipeline Corp.
Pengrowth Energy Corp.
Penn West Energy Corp.
ShawCor Ltd.
Talisman Energy Inc.
TransAlta Corp.
TransCanada Corp.

The CGC&N Committee will review the ongoing appropriateness of the comparator group in 2012.

Third party compensation surveys are used to compare base salary, short-term incentive and long-term incentive levels of the Company's executives to positions of equivalent scope and responsibility in the comparator organizations. A broader comparator group is used to benchmark senior management and professional positions.

Total Compensation Elements and Objectives

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, scope and market data.	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 Company's 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.	Tenure.

Overview of Compensation Mix for Executives in 2010

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, their 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	45%	23%	32%
James Nicolas Oosterbaan	47%	24%	29%
Darcy Trufyn	47%	24%	29%
Graham Lloyd Brown	47%	24%	29%

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 2010, the CGC&N Committee approved a new STIP. Performance measures and targets were chosen to better reflect the Company’s business objectives and to improve the line of sight for all employees through better alignment to the financial reporting documentation and other activities considered critical for success.

2010 STIP Targets

The following table outlines the target incentive opportunity for each NEO for the fiscal year ended December 31, 2010:

Name	Minimum	Target	Maximum
Brian Tellef Vaasjo	0%	75%	150%
Stuart Anthony Lee	0%	50%	100%
James Nicolas Oosterbaan	0%	50%	100%

Name	Minimum	Target	Maximum
Darcy Trufyn	0%	50%	100%
Graham Lloyd Brown	0%	50%	100%

2010 STIP Payout Formula

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.

Payouts are based on the weighted-average of the combined corporate performance measures adjusted for individual performance results. The following formula is used to determine the final STIP award:

Base Salary	**X**	**Annual Incentive Target Payout**	**X**	**Corporate Performance Result / Individual Performance Modifier**	**=**	**Annual STIP Award**
(e.g. $300,000)		**(e.g. 50% of salary = $150,000)**		**(e.g. 150%)**		**(e.g. $225,000)**

The individual performance modifier is determined based on the following matrix and will be calculated using linear interpolation when corporate performance results fall between the threshold and target or target and stretch. The illustration above is based on "stretch" corporate performance results and an individual performance rating of "3".

Corporate Performance Result	**Individual Performance Rating**				
	1	**2**	**3**	**4**	**5**
Stretch	0%	75%	150%	175%	200%
Target	0%	50%	100%	125%	150%
Threshold	0%	0%	50%	75%	100%
Below Threshold	0%	0%	0%	0%	0%

CGC&N Committee Oversight

After considering and evaluating the performance results for the year, the CGC&N 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.

Corporate Performance Measures

The CGC&N committee approves the corporate performance measures that are based on the annual budgeting process. At the end of the year, actual performance is measured against these pre-determined performance measures and the STIP pays out on the basis of achievement, within an expected range of performance: a minimum performance expectation (threshold), an expected result (target) and a plan maximum (stretch). The maximum payout under the plan will not exceed 2.0 times target.

The following table shows the performance measures applied for the period from January 1, 2010 to December 31, 2010 for the purposes of the STIP awards thereunder for the executive group.

Performance Measure	Weight	Target	Actual Result	Performance Assessment
Financial				
- Funds from Operations(1)	70%	$250.0 million	$259.0 million	Above Target
Aggregated Safety				
- Total Recordable Injury Frequency Rate (TRIF)(2)	15%	1.20	1.48	Below Target
People Measure				
- Organizational Design(3)	5%	Complete the final two phases of the organizational design project. Incorporate accountabilities and deliverables into the individual performance measures for the CEO and SVPs.	Completed the final two phases of the organizational design project. Incorporated accountabilities and deliverables into the individual performance measures for the CEO, SVPs, Directors and Senior Managers.	Above Target
- Succession Planning(4)	5%	Complete executive level succession plans. Create a developmental plan for each high potential employee.	Completed executive and director level succession plans. Created a developmental plan for each high potential employee.	Above Target
- Turnover(5)	5%	6.0%	6.0%	At Target

Notes:

(1) The performance measure "Funds from Operations" is a non-GAAP measure that represents cash from operations (which is a GAAP measure) less changes in operating working capital. “Funds from Operations” includes approximately 30.0% of Capital Power Income L.P.’s funds from operations.

(2) The performance measure “Total Recordable Injury Frequency Rate” represents the total number of employee fatalities and injuries resulting in lost time, restricted work duties or medical treatment per 200,000 work hours.

(3) The performance measure “Organizational Design” represents the completion of an organizational design project which includes the final two phases, determining cross-functional accountabilities and authorities; and, aligning business deliverables to each stratum.

(4) The performance measure “Succession Planning” represents the process for identifying and developing employees with the potential to fill Senior Vice President and Director positions.

(5) The performance measure “Turnover” represents the number of permanent full-time employees who voluntarily leave the Company in 2010 divided by the actual number of active permanent full-time employees on December 31, 2010.

Individual Performance Measures

Individual performance measures for the executive group 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. If the goals are met, this would be considered target performance for purposes of the plan. Individual performance is rated on a scale from 1 to 5, with 1 being Unacceptable and 5 being Outstanding.

Mr. Oosterbaan received an Outstanding rating (5) as a result of the excellent results in the commodity trading and committed capital measures, both of which reached stretch goals. Mr. Vaasjo, Mr. Lee and Mr. Trufyn received an Exceeded Expectations (4) rating. Mr. Lee’s rating was based on investor relations activities, progress on the strategic review of CPILP and three successful Company financings. Mr. Trufyn successfully restructured the engineering and construction functions in the Company which materially impacted on the Company’s bid competitiveness and capital cost of construction projects. Mr. Vaasjo's performance considerations included growth, investor relations and post spin-off internal and stakeholder development objectives. In Mr. Brown's case, the internal practice in the year of retirement is a deemed Met Expectations (3) rating.

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).

2009 Plan

The 2009 Plan is structured as a stock option plan providing for one-time only grants of options that replaced the value of outstanding 2006, 2007, 2008 and 2009 EPCOR phantom option grants held by individuals who became employees and executives of the Company. An aggregate of 2,183,100 stock options were granted to eligible participants of the Company under the 2009 Plan on July 8, 2009. The grant date fair value was $2.57 per stock option. The number of stock options granted was determined using the binomial pricing model with the following assumptions:

Variable	Value
Expected Life	4.5 years (based on a 7 year term)
Volatility	20% (estimated as 3 years trading history is unavailable)
Dividend Yield	5.478% (based on annual dividend of $1.26 as a percentage of IPO price of $23.00)
Risk Free Interest Rate	3.75%

No further grants will be made under the 2009 Plan.

Options granted under the 2009 Plan may be exercised, once vested, up to the expiry date of July 8, 2016. 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 options 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, except to a spouse, minor child or grandchild or a trust or corporation controlled by the participant of which any combination of the participant and the foregoing are shareholders or beneficiaries. Upon any such permitted transfer, the transferred options shall be deemed for the purposes of the 2009 Plan to continue to be held by the participant. Upon death, the participant’s legal personal representative shall receive the benefit of the option.

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

LTI Plan

Under the LTI Plan, the Board 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 1,246,046 stock options and 152,801 PSUs were granted to eligible participants of the Company under the LTI Plan on March 9, 2010. The grant date fair value was $2.37 per stock option. The number of stock options granted was determined using the binomial pricing model with the following assumptions:

Variable	**Value**
Expected Life	4.5 years (based on a 7 year term)
Volatility	20% (estimated as 3 years trading history is unavailable)
Dividend Yield	5.478% (based on annual dividend of $1.26 as a percentage of IPO price of $23.00)
Risk Free Interest Rate	3.75%

An aggregate of 1,451,503 stock options and 147,509 PSUs were granted to eligible participants of the Company under the LTI Plan on March 21, 2011. The grant date fair value was $2.17 per stock option. The number of stock options granted was determined using the binomial pricing model with the following assumptions:

Variable	**Value**
Expected Life	4.5 years (based on a 7 year term)
Volatility	18% (estimated as 3 years trading history is unavailable)
Dividend Yield	5.46% (1-year historical dividend yield)
Risk Free Interest Rate	2.45%

See also "Compensation Discussion and Analysis - Equity Compensation Plans".

Eligibility to receive grants of stock options, PSUs, RSUs and SARs and grant guidelines are 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 CGC&N 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 CGC&N Committee recommends to the Board, the CGC&N 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 CGC&N 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.

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 CGC&N 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. The options granted on March 9, 2010 under the LTI Plan were unvested at grant, with one third vesting on March 9 of each of 2011, 2012 and 2013. The options granted on March 21, 2011 under the LTI Plan were unvested at grant, with one third vesting on March 21 of each of 2012, 2013 and 2014.

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. The PSUs granted on March 9, 2010 under the LTI Plan vest on January 1, 2013. The PSUs granted on March 21, 2011 under the LTI Plan vest on January 1, 2014. Payout is based on relative total shareholder return over a three-year performance period.

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. An option may be transferred to a spouse or personal holding corporation or family trust controlled by the participant, the shareholders or beneficiaries of which are persons permitted under the terms of the LTI Plan. Upon any such permitted transfer, the transferred options shall be deemed for the purposes of the 2009 Plan to continue to be held by the participant. Upon death, the participant's legal personal representative shall receive the benefit of the option.

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 are 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 semi-monthly 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.

Capital Accumulation Plan

Under the voluntary Capital Accumulation 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.

Pension Program

Canadian based employees participate in one of two registered pension plans: the Local Authorities Pension Plan (LAPP) and the Capital Power Corporation Pension Plan. The Capital Power Corporation Pension Plan includes a defined contribution component and, for certain employees who work in Capital Power Income L.P. plants, a defined benefit component. There are no NEOs who participate in the defined benefit 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 participate in the Capital Power 401(k) plan.

LAPP Plan

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 140,000 active members as at December 31, 2010 who are employed by Alberta municipalities, hospitals and other public entities. Mr. Vaasjo and Mr. Lee participate in the LAPP.

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 years' 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 2010, members were required to contribute 8.06% up to the YMPE plus 11.53% of pensionable earnings in excess of the YMPE, and employers contributed 9.06% up to the YMPE and 12.53% 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 Defined Contribution (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 the Company contributes either 5%, 6.5%, or 8% of pensionable earnings depending on the member's length of service. Mr. Oosterbaan, Mr. Trufyn and Mr. Brown participate in the Company DC Plan.

In late 2010, the Company DC Plan was amended to allow executive members the option to suspend their membership. Executive members who elect to suspend their membership will not receive any Company contributions and cannot make any employee contributions to the Company DC Plan for the duration of the suspension. Executive members have the right to lift the suspension and thereby resume making employee contributions, at which point the Company contributions will resume, for future service only from the date that the suspension is lifted. In addition, executive members have the option to elect to irrevocably transfer their account balance in the Company DC Plan to a locked-in retirement savings vehicle.

Should an executive member choose to suspend their membership in the Company DC Plan, the Company will provide a payment to the executive member equivalent to the amount that would have been paid into the executive member's plan had he or she not chosen to suspend their membership in the pension plan. Any such payment does not become part of the executive's base salary and is subject to all applicable taxes and payroll withholding requirements.

Mr. Oosterbaan elected to suspend his membership in the Company DC Pension Plan and transferred his DC Pension Plan account balance to a locked-in retirement account effective December 19, 2010.

Supplemental Pension Plan (SPP)

Capital Power has established a non-registered, unfunded and non-contributory SPP that provides benefits that cannot be provided under the Capital Power registered pension plan or, if applicable, the LAPP due to the Tax Act maximum pension or contribution limits. All NEOs participate in the SPP.

The pensionable earnings defined under the SPP includes base salary and target bonus. For employees who transferred from EPCOR in July of 2009, the Company SPP has the same provisions as the EPCOR Utilities Inc. Supplemental Pension Plan. Specifically, the SPP provides 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. All NEOs, with the exception of Mr. Trufyn, participate in the defined benefit SPP. For new hires after July 2009 the Company SPP provides benefits on a defined contribution basis that are in excess of the Tax Act maximum contribution limits. Mr. Trufyn participates in the defined contribution SPP. For employees who transferred from EPCOR, the Company assumed all obligations from EPCOR relating to the entitlements accrued under the EPCOR Utilities Inc. Supplemental Pension Plan.

Executives who elect to withdraw from the Company DC Pension Plan are still eligible to participate in the SPP for earnings above the Tax Act maximum pension or contribution limits.

Company 401(k) Plan

Mr. Brown participated in the 401(k) from January 1, 2006 to December 31, 2009 and commenced participation in the Company DC Plan on January 1, 2010.

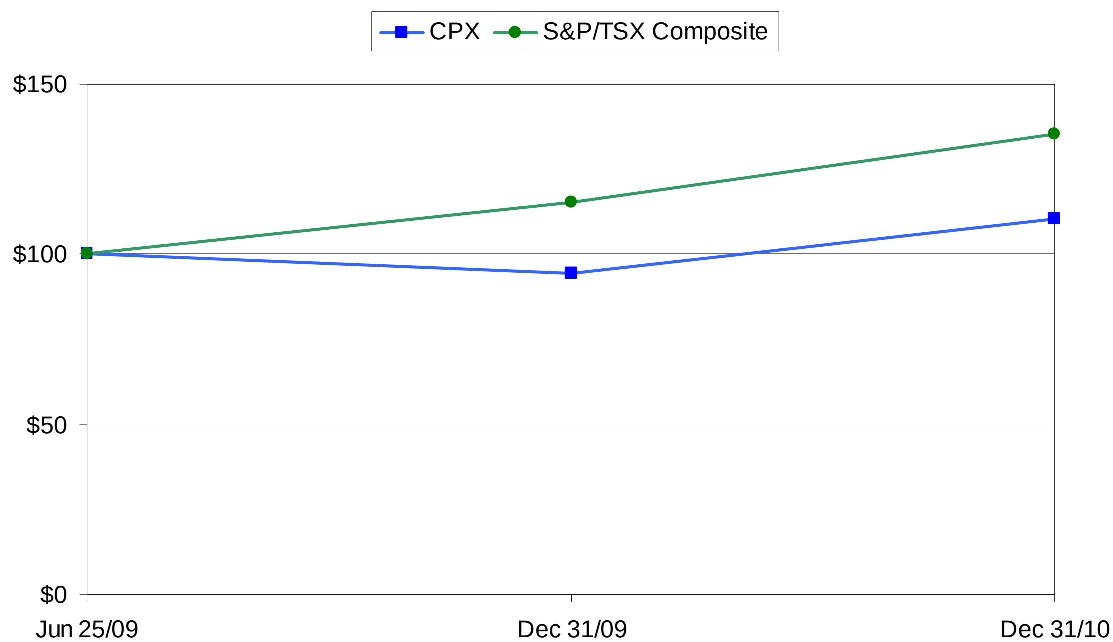
Members are permitted to make pre-tax elective contributions of up to 100% (less applicable tax withholdings) of eligible compensation (maximum of US$22,000 in 2009, including up to $5,500 in catch-up contributions for employees at least age 50). After tax contributions are not permitted. Eligible compensation 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 US$245,000, as adjusted for cost of living increases, is not included.

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

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

Share Performance Graph

The following performance graph compares the annual change in the cumulative total shareholder return on the Common Shares of Capital Power Corporation with the cumulative total return on the S&P/TSX Composite Index. The performance assumes a $100 investment in Capital Power Corporation Common Shares (CPX) at the $23.00 Initial Public Offering price and reinvestment of dividends, and a $100 investment in the S&P/TSX Composite Index at market close on June 25, 2009, which is the last close prior to the initial trading day of CPX shares.



	Jun 25, 2009	Dec 31, 2009	Dec 31, 2010
CPX	$100	$94	$110
S&P/TSX Composite Index	$100	$115	$135

Capital Power has been a public issuer for 18 months. As the majority of the first option award has not yet vested, and none of the PSUs have vested, the link between total shareholder return and pay has not yet been established.

Compensation programs for executives have a large portion of total direct compensation tied to performance. As discussed throughout the section, performance is measured on a number of different factors. For example, the corporate short-term incentive plan performance measures for executives are based on targets for financial, aggregated safety and people measure components tied to goals and objectives within the long-term business plan. As the business plan is executed, a general link between performance and pay should develop.

In the longer-term, executive compensation will be impacted by the Company's share price performance as a portion of total direct compensation is equity based. While the expected value of the stock option and PSU grants do not vary with corporate or share price performance, payouts are directly tied to the Company's share price performance. In the case of stock options, a direct correlation exists between the Company's share price performance and the actual gains realized by executives. In the case of PSUs, a correlation exists between the Company's share price performance relative to that of a selected group of companies. The emphasis on longer-term performance, the value of which is directly tied to the Company's share price, is intended to align executive interests with those of our shareholders over a longer time horizon.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth all compensation for services in all capacities to the Company and its subsidiaries for the fiscal years ended December 31, 2010 and 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] [23] ($)**	**Share Based Awards[2] [24] ($)**	**Option Based Awards[3] [24] ($)**	**Annual Incentive Plans[4][25] ($)**	**Long-Term Incentive Plans ($)**	**Pension Value[5] [26] ($)**	**All Other Compen-sation ($)**	**Total Compen-sation ($)**
Brian Tellef Vaasjo President & CEO[27]	2010	679,231	406,250	406,250	679,000	0	246,466[16]	56,042[6]	2,473,240
	2009	316,423	--	610,632	843,000	0	6,886[17]	91,004[7]	1,867,945
Stuart Anthony Lee SVP, Finance & CFO	2010	338,269	112,000	112,000	226,474	0	90,672[16]	43,309[8]	922,725
	2009	156,885	--	152,144	290,000	0	8,733[18]	76,759[9]	684,521
James Nicolas Oosterbaan SVP, Commercial Services	2010	335,961	97,499	97,499	265,692	0	66,711[18]	43,666[10]	907,029
	2009	162,500	--	303,517	232,000	0	3,855[19]	154,175[11]	856,047
Darcy Trufyn SVP, Construction Engineering & Project Management[28]	2010	255,115	74,999	74,999	168,707	0	11,225[20]	47,291[12]	632,337
	2009	47,115	--	0	29,682	0	2,356	120,085[13]	199,238
Graham Lloyd Brown SVP, Operations[29]	2010	259,615	74,999	74,999	137,500[22]	0	47,728[21]	39,398[14]	634,240
	2009	146,207	--	156,770	204,414	0	5,976	71,121[15]	584,488

Notes:

(1) 2010 salary represents actual earnings for January 1, 2010 to December 31, 2010. Base salaries for the NEOs as per their respective employment agreements in 2010 are as follows: Mr. Vaasjo $690,000; Mr. Lee $345,000; Mr. Oosterbaan $340,000; Mr. Trufyn $257,000; Mr. Brown $275,000. 2009 salary represents actual earnings for July 1, 2009 to December 31, 2009. Base salaries for the NEOs as per their respective employment agreements in 2009 are as follows: Mr. Vaasjo $650,000; Mr. Lee $320,000; Mr. Oosterbaan $325,000; Mr. Trufyn $250,000; Mr. Brown $250,000. In March 2011, the CGC&N Committee approved the following base salary adjustments for 2011: Mr. Vaasjo $725,000; Mr. Lee $360,000; Mr. Oosterbaan $355,000; Mr. Trufyn $267,000.

(2) 2010 share based awards represent the grant date expected value of the PSU grant for 2010 under the LTI Plan. Payout is based on how the Company's total shareholder return performs relative to the total shareholder return of the companies in the performance peer group.

(3) 2010 option based awards represent the expected value of the stock option grant for 2010 under the LTI Plan. 2009 option based awards represent the expected value of the stock option grant for 2009 as well as the replacement for the outstanding 2006, 2007 and 2008 EPCOR grants under the 2009 Plan.

(4) 2010 annual incentive plans represent actual STIP award earned for 2010 and payable in March 2011. 2009 annual incentive plans represent actual STIP award earned for 2009 and payable in April 2010. In 2009, a portion of the STIP payment relates to the NEOs' service with EPCOR from January 2009 to July 2009.

(5) 2010 pension value represents compensatory changes from January 1, 2010 to December 31, 2010 and assumes a 4% increase in pensionable earnings per annum. 2009 pension value represents compensatory changes 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 were reflected in the July 1, 2009 accrued obligation.

(6) Includes an executive benefit allowance of $15,474, an executive business allowance of $15,000 and employer contributions to the capital accumulation plan of $20,377.

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

(8) Includes an executive benefit allowance of $14,000 and an executive business allowance of $15,000.

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

(10) Includes an executive benefit allowance of $14,000 and an executive business allowance of $15,000.

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

(12) Includes an executive benefit allowance of $16,692 and an executive business allowance of $17,885.

(13) Includes a signing bonus of $120,000.

(14) Includes an executive benefit allowance of $13,462 and an executive business allowance of $14,423.

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

(16) Reflects service cost in respect of the SPP and the annual 2010 employer contribution (current service cost and unfunded liability) to the LAPP.

(17) 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 2009 LAPP employer contributions had been attained for these NEOs prior to July 1, 2009.

(18) Reflects service cost in respect of the SPP and the DC employer contribution of $12,689.

(19) Reflects service cost in respect of the SPP and the DC employer contribution of $3,649.

(20) Reflects DC employer contributions in respect of the RPP only. DC employer contributions of $7,781 were accrued prior to December 31, 2010 in respect of the SPP and will be paid subsequent to December 31, 2010.

(21) Reflects service cost in respect of the SPP and the DC employer contribution of $11,479.

(22) Mr. Brown's STIP award was paid out at target in following his retirement.

(23) See "Compensation Discussion and Analysis – Base Salary".

(24) See "Compensation Discussion and Analysis – Long-Term Incentive Compensation".

(25) See "Compensation Discussion and Analysis – Short-Term Incentive Compensation".

(26) See "Compensation Discussion and Analysis – Benefit and Pension Plans".

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

(28) Mr. Trufyn commenced employment with the Company in October 2009.

(29) Mr. Brown retired from the Company in January 2011.

Long-Term Incentive Plan

The 2010 and 2011 grant under the LTI Plan consisted of Stock Options and Performance Share Units with 50% of the target value coming from each vehicle.

Options granted in 2010 vest in equal amounts on March 9 in each of 2011, 2012 and 2013. Options granted in 2011 vest in equal amounts on March 21 in each of 2012, 2013 and 2014. Options granted in 2010 and 2011 have a seven year term.

PSUs granted in 2010 vest on January 1, 2013. PSUs granted in 2011 vest on January 1, 2014. Vesting is based on Capital Power's total shareholder return (share price plus dividend equivalents) relative to the total shareholder return of the companies in a performance peer group. Relative TSR was selected as the performance measure as it complements the absolute performance focus of stock options and is a holistic measure that encompasses share price performance plus dividends. Upon vesting, the PSUs will be settled in cash.

The performance peer group consists of organizations with similar business characteristics (e.g., power generation/transmission/utility companies, high dividend yield), reflects companies that compete directly for capital with Capital Power and are consistent with the executive compensation comparator group. The composition of the Company's performance peer group will be reviewed annually by third party consultants and the CGC&N Committee for continued relevance. In 2010, the performance peer group comprised the following companies:

Algonquin Power & Utilities Corp.	Enbridge Inc.
Atlantic Power Corp.	Fortis Inc.
Brookfield Renewable Power Inc.	Northland Power Inc.
Canadian Utilities Ltd.	TransAlta Corp.
Emera Inc.	TransCanada Corp.

The performance peer group will remain the same in 2011.

A vesting range with a floor of 50% of target for minimum performance and a cap of 150% of target for maximum performance was established as Capital Power does not have a lengthy trading history and it was determined that a conservative approach was appropriate. Accordingly:

- 50% of PSUs granted will vest if Capital Power's TSR is at or below the 25^{th} percentile of its performance peer group;
- 100% of PSUs granted will vest if Capital Power's TSR is at the median of its performance peer group; and
- 150% of PSUs granted will vest if Capital Power's TSR is at or above the 75^{th} percentile of its performance peer group.

Vesting is interpolated on a straight-line basis between threshold and target and between target and maximum.

The performance criteria and vesting range will be reviewed in 2013 for continued relevance.

The following table sets forth the information regarding the options and PSUs that were granted to the NEOs under the LTI Plan during the fiscal year ended December 31, 2010:

	Option-based Awards				Share-based Awards	
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date[1]	Value of unexercised in-the-money options[2] ($)	Number of shares or units of shares that have not vested[3] (#)	Market or payment value of share-based awards that have not vested[4] ($)
Brian Tellef Vaasjo	171,060	$22.50	March 9, 2017	$196,719	21,850	$516,746
Stuart Anthony Lee	47,160	$22.50	March 9, 2017	$54,234	6,024	$142,465
James Nicolas Oosterbaan	41,054	$22.50	March 9, 2017	$47,212	5,244	$124,013
Darcy Trufyn	31,580	$22.50	March 9, 2017	$36,317	4,034	$95,412
Graham Lloyd Brown	31,580	$22.50	March 9, 2017	$36,317	4,034	$95,412

Notes:

(1) The date of grant of the options and the PSUs was March 9, 2010.

(2) The difference between the closing share price of Capital Power Corporation Common Shares on the TSX on December 31, 2010 of $23.65 per share and the option exercise price, times the number of outstanding vested and unvested stock options.

(3) Includes reinvested dividends.

(4) The closing share price of Capital Power Corporation Common Shares on the TSX on December 31, 2010 of $23.65 per share multiplied by 100% of the number of PSUs that have not vested. The values noted in this column represent the target payout value.

Outstanding Share Based Awards and Option based Awards

The following table sets forth the aggregate value of all option based awards, share based awards and non-equity incentive plan compensation previously made to the NEOs that vested during the fiscal year ended December 31, 2010:

Name	Option-based awards – Value vested during the year[1] ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value vested during the year ($)
Brian Tellef Vaasjo	$51,480	$0	N/A
Stuart Anthony Lee	$12,826	$0	N/A
James Nicolas Oosterbaan	$25,589	$0	N/A
Darcy Trufyn	$0	$0	N/A
Graham Lloyd Brown	$13,216	$0	N/A

Note:

(1) The difference between the closing share price of Capital Power Corporation Common Shares on the TSX on December 31, 2010 of $23.65 per share and the weighted average option exercise price, times the number of stock options that vested during the year.

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, 2010

Name	Year	Total Shares	Change Year Over Year	Value[(1)]	Ownership Requirement Met
Brian Tellef Vaasjo	2010	20,000	0	$473,000	In progress
Stuart Anthony Lee	2010	7,597	909	$179,669	In progress
James Nicolas Oosterbaan	2010	13,524	0	$359,480	In progress
Darcy Trufyn	2010	466	466	$11,021	In progress
Graham Lloyd Brown	2010	3,510	1,310	$83,012	N/A[(2)]

Notes:

(1) Based on the closing share price of Capital Power Corporation Common Shares on the TSX on December 31, 2010 of $23.65.
(2) Mr. Brown retired from the Company in January 2011.

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 Plan 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 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 ($) At year end[5] (c1)	Annual Benefits Payable ($) At age 65[6] (c2)	Accrued Obligation at December 31, 2009[7][8] ($) (d)	2010 Compensatory Changes[7] ($) (e)	2010 Non-Compensatory Changes[8] ($) (f)	Accrued Obligation at December 31, 2010[7][8] ($) (g)
Brian Tellef Vaasjo	12.5833[1][2]	177,589	330,424	1,813,996	246,466	440,3177	2,485,015
Stuart Anthony Lee	7.4452[3]	49,256	171,649	340,601	90,672	117,018	532,527
James Nicolas Oosterbaan	10.1530[4]	48,813	116,922	515,562	54,022	45,639[9]	615,223
Graham Lloyd Brown	2.3041[4]	3,203	13,051	34,720	36,249	16,012	86,981

Notes:

(1) Credited service in respect of LAPP as at December 31, 2010.

(2) Credited service under SPP is 11 years.

(3) Credited service under LAPP and SPP.

(4) Credited service under SPP.

(5) Accrued Defined Benefit pension under the SPP and, if applicable, the LAPP as at December 31, 2010 and payable at normal retirement age of 65. Reflects highest average earnings and credited service as at December 31, 2010.

(6) Benefits payable on retirement at age 65, assuming continued service accrual to age 65 and highest average earnings as at December 31, 2010 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. Brown and Mr. Oosterbaan who do not participate in the LAPP. As a result, where applicable, columns (d), (e) and (f) do not sum up to column (g).

(9) The accrued obligation for Mr. Oosterbaan as at December 31, 2009 reflects a change in the earnings threshold in the DC component. However, during 2010, Capital Power management decided that the DC plan component would remain unchanged. As such, the accrued obligation for Mr. Oosterbaan as at December 31, 2009 decreased. This change of $73,879 has been included in column (f) non-compensatory changes.

Defined Contribution Plan Table

Name	Accumulated Value at December 31, 2009 ($)	2010 Compensatory Changes ($)	2010 Non-Compensatory Changes ($)	Accumulated Value at December 31, 2010 ($)
James Nicolas Oosterbaan	162,662	12,689	(175,351)[1]	--
Graham Lloyd Brown	19,796	11,479	13,942	45,217
Darcy Trufyn	4,713	11,225	13,347	29,285

Note:

(1) Mr. Oosterbaan opted-out of the DC Plan during December 2010 and transferred the remaining account balance of $207,347 to a personal locked-in retirement account.

401(k) Pension Plan Table

Name	Accumulated Value at December 31, 2009 (US$)	2010 Compensatory Changes (US$)	2010 Non-Compensatory Changes (US$)	Accumulated Value at December 31, 2010 (US$)
Graham Lloyd Brown	104,774	--	7,848	112,622

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 2009 Plan and the LTI Plan are forfeited. Vested options granted under the 2009 Plan expire on the earlier of the original expiry date and the date 90 days after termination of employment. Vested options granted under the LTI Plan expire on the earlier of the original expiry date and the date 30 days after termination of employment. • All PSUs are forfeited. • 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 expire on the earlier of the original expiry date and the date 12 months after termination of employment. • All unvested PSUs vest immediately and are paid out within 90 days of the date of termination. • Vested pension paid as a monthly benefit.

Death	• 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 expire on the earlier of the original expiry date and the date 12 months after termination of employment. • All unvested PSUs vest immediately and are paid out within 90 days of the date of termination. • 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 and vested options under the 2009 Plan are forfeited. All unvested options under the 2010 LTI Plan are forfeited. Vested options granted under the LTI Plan expire on the earlier of the original expiry date and the date 30 days after termination of employment. • All PSUs are forfeited. • 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 under the 2009 Plan and the LTI vest. Vested options granted under the 2009 Plan expire on the earlier of the original expiry date and the date 90 days after termination of employment. Vested options granted under the LTI Plan expire on the earlier of the original expiry date and the date 30 days after termination of employment. • All PSUs are forfeited. • 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 and benefit programs cease. • All unvested options under the 2009 Plan and the LTI Plan vest. Vested options granted under the 2009 Plan expire on the earlier of the original expiry date and the date 90 days after termination of employment. Vested options granted under the LTI Plan expire on the earlier of the original expiry date and the date 30 days after termination of employment.

- All unvested PSUs vest immediately and are paid out within 90 days of the date of termination.
- 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.

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 2009 Plan and the LTI are forfeited. Vested options granted under the 2009 Plan expire on the earlier of the original expiry date and the date 90 days after termination of employment. Vested options granted under the LTI Plan expire on the earlier of the original expiry date and the date 30 days after termination of employment. • All PSUs are forfeited. • 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 2009 Plan are forfeited. All unvested options under the LTI Plan continue to vest and are exercisable for 12 months following termination of employment before expiring. Vested options under the 2009 Plan and the LTI Plan expire on the earlier of the original expiry date and the date 12 months after termination of employment. • All unvested PSUs vest immediately and are paid out within 90 days of the date of termination. • Vested pension paid as a monthly benefit.
Death	• 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 2009 Plan are forfeited. All unvested options under the LTI Plan continue to vest and are exercisable 12 months following termination of employment before expiring. Vested options under the 2009 Plan and the LTI Plan expire on the earlier of the original expiry date and the date 12 months after termination of employment. • All unvested PSUs vest immediately and are paid out within 90

days of the date of termination.

- 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 2009 Plan and the LTI Plan are forfeited. Vested options granted under the 2009 Plan expire on the earlier of the original expiry date and the date 90 days after termination of employment. Vested options granted under the LTI Plan expire on the earlier of the original expiry date and the date 30 days after termination of employment. • All PSUs are forfeited. • 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 under the 2009 Plan and the LTI Plan vest. Vested options granted under the 2009 Plan expire on the earlier of the original expiry date and the date 90 days after termination of employment. Vested options granted under the LTI Plan expire on the earlier of the original expiry date and the date 30 days after termination of employment. • All PSUs are forfeited. • 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 under the 2009 Plan and the LTI Plan vest. Vested options granted under the 2009 Plan expire on the earlier of the original expiry date and the date 90 days after termination of employment. Vested options granted under the LTI Plan expire on the earlier of the original expiry date and the date 30 days after termination of employment. • All unvested PSUs vest immediately and are paid out within 90 days of the date of termination. • 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[(2)]	Estimated value of PSUs(3)
Brian Tellef Vaasjo	24 months	$2,475,947	$351,159	$516,746
Stuart Anthony Lee	16 months	$728,667	$92,714	$142,465
James Nicolas Oosterbaan	18 months	$808,500	$123,977	$124,013
Darcy Trufyn	13 months	$455,083	$36,317	$95,412
Graham Lloyd Brown	15 months	$550,481	$75,967	$95,412

Notes:

(1) Assumes a December 31, 2010 date of termination.

(2) The difference between the closing share price of Capital Power Corporation Common Shares on the TSX on December 31, 2010 of $23.65 per share and the weighted average option exercise price, times the number of outstanding vested and unvested stock options.

(3) The estimated value of all outstanding vested and unvested options and PSUs. The closing share price of Capital Power Corporation Common Shares on the TSX on December 31, 2010 of $23.65 per share multiplied by 100% of the number of outstanding vested and unvested PSUs. The values noted in this column represent the target payout value.

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 2009 Plan during the year ended December 31, 2010. An aggregate of 1,246,046 options were issued under the LTI Plan during the year ended December 31, 2010. For additional information regarding the 2009 Plan and the LTI Plan see “Compensation Discussion and Analysis – Long-Term Incentive Compensation".

The following table sets forth information regarding the equity compensation plans as at December 31, 2010.

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 security holders	N/A	N/A	N/A
Equity compensation plans not approved by security holders[(1)]	3,429,146[(2)]	$22.82	1,570,854
Total	3,429,146	$22.82	1,570,854

Notes:

(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.

(2) An aggregate of 2,183,100 options were issued under the 2009 Plan and an aggregate of 1,246,046 options were issued under the LTI Plan. An aggregate of 1,451,503 options, which were not reflected in the above table, were issued under the LTI Plan on March 21, 2011.

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. From January 1, 2010 until December 31, 2010 there were 13 Board and 11 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

The Company's Articles and the Board 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 CGC&N Committee, has passed a resolution proposing eight additional nominees for election to the Board by the holders of Common Shares at the Annual Meeting.

This year, the CGC&N 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". In addition, an expertise matrix providing additional information on the directors, including their background, experience and expertise is set forth in Appendix D to this Circular.

Board Independence

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.

Evaluating the Composition of the Board

The CGC&N Committee is responsible for identifying and establishing the competencies and skills necessary for the Board overall, and for any new candidates being considered for nomination to the Board.

A skills matrix for the Board has been developed to assist with this process, identifying areas considered important to the Company's business, and outlining each Directors' experience in these key areas. The skills matrix is assessed at least annually, including an assessment of the size of the Board and its composition, to ensure that it is always current and reflects the Company's needs as it embarks on its ambitious vision and growth plan.

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)**

Board Committees

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

- Audit Committee
- Corporate Governance, Compensation and Nominating Committee (CGC&N 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 CGC&N 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)	**CGC&N 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 that indicates an understanding of the accounting principles the Company uses to prepare its financial statements and that is 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 Company, the investment community and others in relation to the integrity of the Company'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 Company. 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 Company, including the external, internal or special audits thereof.

Management is responsible for preparing the interim and annual financial statements of the Company 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 Company's control environment, as they relate to the production of financial statements and other publicly disclosed financial information;
- overseeing and monitoring the Company's financial reporting;
- evaluating the Company’s internal control systems for financial reporting;
- overseeing the audit of the Company's financial statements;
- overseeing and monitoring the qualifications, independence and performance of the Company's external auditors;
- maintaining direct lines of communication between the Company'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 Company'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 non-audit services. Any such decisions regarding pre-approvals by the Chair of the Audit Committee will be reported and ratified by the Audit Committee at its next meeting. In 2010, only one pre-approval of non-audit services for an amount of up to $25,000 was required, and it was ratified by the Audit Committee at the meeting subsequent to the pre-approval.

Corporate Governance, Compensation and Nominating Committee

Composition

The composition of the CGC&N Committee is discussed and described elsewhere in this Circular. See “Compensation Discussion and Analysis – Corporate Governance, Compensation and Nominating Committee – Composition”.

Overview and Purpose

The purpose of the CGC&N 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 Company 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 Company, so that such policies provide total compensation which is competitive in the market.

The CGC&N 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

The CGC&N Committee's mandate is discussed and described elsewhere in this Circular. See "Compensation Discussion and Analysis – Corporate Governance, Compensation and Nominating Committee – Mandate".

Performance Evaluation

The CGC&N 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. In 2010, the CGC&N Committee approved a process whereby: i) annually, each Committee would conduct a self-assessment, and report the results to the Board during an in-camera meeting; ii) in year one, the Chairman of the Board conducted one-on-one interviews of each Board member and a minimum of two executive officers about Board and Committee performance generally and each such interview will include questions about the individual performance of directors (with reference to the Individual Director's Terms of Reference, as well as the competencies and skills each individual director is expected to bring to the Board); iii) in year two, the CGC&N Committee will administer a questionnaire about Board and Committee performance generally and each such questionnaire will include questions about the individual performance of Directors, (with reference to the Individual Director's Terms of Reference, as well as the competencies and skills each individual director is expected to bring to the Board) via an anonymous survey, to all Board members and a minimum of two executive officers, administered and summarized by the Corporate Secretary or another party; and iv) in year three, the CGC&N Committee will consider retaining an independent third party to conduct a formal evaluation of Board governance which would include Board and Committee performance and directors' individual contributions.

Executive and Board Compensation

The CGC&N Committee is responsible for recommending to the Board for approval the salary, incentive plan and annual incentive payment for the executive officers. See "Compensation Discussion and Analysis" and "Executive Compensation".

The CGC&N 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. See "Compensation of the Board of Directors". The CGC&N 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 Discussion and Analysis".

Succession Planning

Capital Power undergoes an extensive succession planning process for the Executive and CEO positions. Annually it is initiated by the incumbent completing a Depth Chart identifying Primary Candidates, Secondary Candidates and those in a position to assume the incumbents' accountabilities in a crisis situation. The Executive and CEO as a group review and modify the Depth Charts for the Executive positions, and the CEO and Senior Vice President Human Resources review and modify the CEO Depth Chart. Each of the Primary and Secondary Candidates identified in that process then has a development plan generated by their supervisor identifying development focus and development milestones. The Depth Charts are reviewed by the CGC&N Committee of the Board as well as with the Board of Directors on an annual basis.

Further particulars of the process by which compensation for the Company's directors and officers is determined can be found under "Compensation Discussion and Analysis", "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 is an ex-officio, non-voting member of this Committee.

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 Company'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.

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 CGC&N 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 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 CGC&N 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 CGC&N 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 CGC&N Committee's terms of reference require that the CGC&N 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.

There were no changes to the directors in 2010. 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 have also been 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 to familiarize directors with the Company.

On March 9, 2010, the Board, on the recommendation of the CGC&N 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. Details of the policy are as follows:

- *Director Orientation:* A new director is provided with an orientation in advance of the first Board meeting at which he or she is expected to appear. The orientation will provide the new director with a basic understanding of the Company and its business and will include written information about the duties and obligations of directors, the business and operations of the Company, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. The foregoing represents a minimum of the information that will be provided to new directors; additional information may be provided to each new director that is tailored to his or her individual needs and areas of interest, as well as the activities of the Company at the relevant period in time. The new director is welcome to request specific information and is responsible for reviewing materials provided in advance of the orientation and preparing for and attending the orientation session.

- *Corporate Governance Reference Manual*: Management prepares and provides each director with a Corporate Governance Reference Manual containing the Company's various constating documents and other materials relevant to governance of the Company, updated as appropriate. Directors are responsible for reviewing and becoming familiar with the materials contained within the Corporate Governance Reference Manual.

- *Provision of Materials and Seminars:* Management periodically provides directors with articles, papers and other materials and in-house seminars relating to or addressing issues relevant to the Company, its business, and the various regulatory and legal regimes within which it operates. 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.

- *Attendance of Conferences, Symposia and Other Seminars*: The Company reimburses directors for fifty percent of the cost of attending pre-approved educational conferences, industry symposia, and other seminars (including direct out-of-pocket expenses related to travel thereto) when (i) in the opinion of the Chief Executive Officer or Chair of the CGC&N Committee, the Company will benefit from the director's attendance at the seminar, and (ii) the claim for reimbursement is accompanied by original receipts.

- *Tours of Facilities*: Directors are provided with periodic tours of sites that are illustrative of each of the various types of facilities and plants owned by the Company. Directors are responsible for attending site tours whenever practicable.

Directors of the Company attended the following facility tours and educational sessions in 2010:

Date of Tour or Educational Event	**Directors Who Attended**	**Description of Tour or Educational Event**
March 8, 2010	Albrecht Bellstedt William Bennett Brian Bentz Richard Cruickshank Philip Lachambre Donald Lowry Allister McPherson Robert Phillips Brian Vaasjo	Tour of the Keephills 3 power project
May 14, 2010	Albrecht Bellstedt Brian Bentz Hugh Bolton Allister McPherson Robert Phillips Janice Rennie	Tour of the Clover Bar Energy Centre

July 29, 2010	William Bennett Hugh Bolton Richard Cruickshank Philip Lachambre Allister McPherson Janice Rennie Brian Vaasjo	Derivatives Workshop
July 30, 2010	All directors of the Company	Enterprise Risk Management presentation by the Company’s Director, Risk Management & Internal Audit
November 10, 2010	William Bennett Richard Cruickshank Philip Lachambre Allister McPherson Janice Rennie Robert Phillips	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

2010 Governance Initiatives

In 2010, the Board and its Committees undertook the following governance initiatives:

The Capital Power Board:

- Reviewed the Board and Committees Terms of Reference;
- Reviewed and approved a new Board and Committee evaluation process;
- Reviewed and approved the Company’s annual report, annual information form (AIF), proxy circular and form of proxy;
- Authorized the entry by a subsidiary into an Energy Purchase Agreement with BC Hydro in respect of the Quality Wind project;
- Reviewed and approved executive short term incentive payments;
- Reviewed and approved the long term incentive payments;
- Reviewed and approved executive base pay recommendations;
- Reviewed and approved appointments for Committee membership;
- Reviewed and approved a director majority voting policy;
- Reviewed and approved amendments to the long term incentive plan;
- Received quarterly updates on litigation and ethics, investor relations, environment, health and safety, commodity risk, insurance coverage, etc.;
- Reviewed and approved the 2011 corporate strategy and 2011-2020 long term plan;
- Reviewed the Company’s financing plan;
- Approved quarterly dividends;
- Reviewed and approved a base shelf prospectus;

- Approved the text of the Company's Corporate Responsibility Report;
- Approved a revised Respectful Workplace Policy;
- Re-appointed the Board Chair and Lead Director;
- Approved the 2011 operating budget plan and capital budget;
- Approved the 2011 CEO annual objectives;
- Participated in a two day strategic planning session;
- Approved a $221M secondary offering by EPCOR Utilities Inc. of Common Shares and over-allotment option;
- Reviewed and approved the quarterly and annual financial statements and Management Discussion and Analysis (MD&A);
- Reviewed and approved $125M of cumulative rate reset preferred shares; and
- Implemented an electronic board portal for the transmission of board material.

Audit Committee

- Reviewed and recommended to the Board for approval interim and annual financial statements, MD&A, earnings press releases and AIF;
- Reviewed the litigation and ethics report quarterly;
- Reviewed management compliance certificates quarterly;
- Reviewed and confirmed the internal audit department's mandate and approved the 2010 internal audit plan;
- Reviewed and approved the external auditors' audit plan and audit fees, and the external auditor's engagement letter;
- Received regular updates on commodity risk, insurance coverage, credit and liquidity risk, and potential impairments for long lived assets;
- Reviewed the internal audit status report quarterly;
- Reviewed and approved the hiring policy for employees of external auditor;
- Reviewed significant accounting policies;
- Approved amendments to the Financial Exposure Management Policy;
- Reviewed certification of interim and annual filings required by NI 52-109;
- Reviewed quarterly and annually the external auditor's audit findings report;
- Reviewed the CEO's expenses;
- Reviewed the Committee's Terms of Reference; and
- Received updates and education on the implementation of International Financial Reporting Standards (IFRS) and made certain accounting policy decisions regarding the adoption of IFRS.

CGC&N Committee

- Reviewed the Board and Committees' Terms of Reference;
- Recommended to the Board for approval a new Board and Committee evaluation process;
- Approved a Director Orientation and Education Policy;
- Recommended approval to the Board the directors to be nominated for re-election at the Company's annual meeting;
- Reviewed and recommended the annual governance disclosure and compensation discussion and analysis to the Board for approval;
- Reviewed and recommended the Company's proxy circular and form of proxy to the Board for approval;
- Approved non-executive short term incentive plan payments; and reviewed and recommended for approval to the Board executive short term incentive payments;
- Reviewed and recommended approval to the Board long term incentive payments;
- Reviewed a report on the competitive review of executive compensation;
- Reviewed and recommended for approval to the Board executive base pay recommendations;
- Reviewed and approved non-union base salary adjustments;
- Reviewed and approved collective bargaining mandates;
- Reviewed the CEO's performance appraisal for 2009 and recommended CEO compensation;
- Reviewed the Company's executive succession plan;
- Reviewed and recommended to the Board for approval appointment for Committee membership;
- Reviewed the CEO's 2011 annual objectives;
- Reviewed and approved the 2011 management and non-union compensation budget;
- Reviewed and approved amendments to the short term incentive plan;
- Reviewed and approved the short term incentive plan performance measures for 2011;
- Reviewed a share utilization analysis report;
- Reviewed the Company's compensation principles;
- Reviewed and approved the Company's performance share unit (PSU) measurement terms, a peer group for Capital Power to measure total shareholder return and executive ownership guidelines;
- Reviewed and recommended to the Board for approval a director majority voting policy;

- Reviewed and recommended to the Board for approval amendments to the long term incentive plan;
- Reviewed the governance of the Company's pension and benefit plans;
- Approved the retention of Hugessen as independent compensation consultant to the CGC&N Committee; and
- Reviewed the Board's skill matrix.

EH&S Committee

- Reviewed and recommended to the Board for approval portions of the annual AIF and MD&A for environmental disclosure;
- Reviewed greenhouse gas policy updates;
- Reviewed the EH&S policy rollout;
- Approved the applicable text of the Corporate Responsibility Report;
- Reviewed regular health and safety and environment reports;
- Reviewed regular internal audit status reports on EH&S;
- Reviewed proposed safety targets for the Company;
- Reviewed proposed environment performance targets for the Company;
- Reviewed the Committee's Terms of Reference;
- Reviewed the EH&S policy; and
- Reviewed the 2011 safety targets for the purposes of calculating the 2011 short term incentive plan payments.

The Capital Power L.P Board:

- Approved annual and quarterly financial statements of Capital Power L.P.;
- Approved portions of the Company's 2009 annual financial statements, MD&A and AIF relating to the business of Capital Power L.P.;
- Approved quarterly distributions to the partners of Capital Power L.P.;
- Reviewed and approved a $300M debt offering of Medium Term Notes;
- Reviewed and approved the acquisition of Island Generation;
- Reviewed and approved a base shelf prospectus;
- Approved the entry by Capital Power L.P. into a Feed-in-Tariff Contract with the Ontario Power Authority in respect of the Port Dover & Nanticoke Wind project;
- Reviewed and approved the acquisition of the Tiverton Power Generating Station and the Rumford Power Generating Station;
- Reviewed and approved the Halkirk I Wind Project;
- Authorized the review by Capital Power L.P. and Capital Power Income L.P. of strategic alternatives for Capital Power Income L.P.; and

- Reviewed and approved the bid to BC Hydro in respect of the Houston Biomass Project (the bid was unsuccessful).

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. It 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 include reports 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 2012 Shareholder Proposals

The *Canada Business Corporations Act*, the general corporate statute that governs the Company, provides that the Company must receive shareholder proposals by December 21, 2011 to consider including them in the Management Proxy Circular and the Proxy for the Company's 2012 annual meeting of shareholders, which is expected to be held on or about April 27, 2012.

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 4, 2011. Unless otherwise stated, the information we provide here is as of March 21, 2011.

To obtain copies of this Management Proxy Circular, the Company's Annual Information Form for the year ended December 31, 2010, or the Company's Annual Report (which includes the Company's Consolidated Financial Statements and Management's Discussion and Analysis) for the year ended December 31, 2010:

- go to the Company's website at www.capitalpower.com to make copies, or
- 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 year ended December 31, 2010.

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) approval of the annual audited financial statements, quarterly financial statements and quarterly reports, management proxy circulars, takeover bid circulars, directors' circulars, prospectuses, annual information forms and other disclosure documents required to be approved by the directors of a corporation under securities laws, regulations or rules of any applicable stock exchange; or

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

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

iv) declare dividends from time to time;

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

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

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

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

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.

V. MEETINGS

A. 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.

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:

    a) 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;

    b) overseeing and monitoring the Corporation's financial reporting;

    c) evaluating the Corporation's internal control systems for financial reporting;

    d) overseeing the audit of the Corporation's financial statements;

    e) overseeing and monitoring the qualifications, independence and performance of the Corporation's external auditors;

f) maintaining direct lines of communication between the Corporation's external auditors, its internal auditing department, management and the Board;

g) evaluating the internal and external, and any special, audit processes; and

h) 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. <u>STRUCTURE AND MEMBERSHIP</u>

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.

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:

    a) approving the auditors' engagement letters;

    b) approving the scope of the audit, including materiality, audit reports required, area of audit risk, timetable and deadlines;

    c) 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;

    d) reviewing the post-audit management letter together with management's responses;

e) reviewing any other matters the external auditors bring to the attention of the Committee;

f) resolving disagreements with management regarding financial reporting;

g) reviewing accruals, reserves and estimates which could have a significant effect on financial results;

h) reviewing the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles ("GAAP"); and

i) 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. The Committee will meet at least quarterly and may call other meetings as required.

2. 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.

3. 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.

4. 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.

5. Meetings are chaired by the Committee Chair or in the Committee Chair's absence, by a member chosen by the Committee amongst themselves.

6. 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.

7. Except as provided in these terms of reference, the Chair of the meeting may establish rules of procedure to be followed at meetings.

8. 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.

9. 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.

10. 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.

11. Attendance at all or a portion of Committee meetings by staff, other directors, the auditors and others, will be determined by the Committee.

12. 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.

13. 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 the 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.

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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:

(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;

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

(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.

(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

Directors' Skills Matrix

		Bellstedt	Bennett	Bentz	Bolton	Cruickshank	Lachambre	Lowry	MacNeil	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:

Investor Inquiries

Telephone: 780-392-5305
866-896-4636 (toll-free)
Fax: 780-392-5124
Email:
investor@capitalpower.com

General Inquiries

Capital Power Corporation
5th Floor, TD Tower
10088, 102 Avenue
Edmonton, Alberta, Canada
T5J 2Z1

Telephone: 780-392-5100
Fax: 780-392-5124
Website: www.capitalpower.com