2012

Management Proxy Circular

Notice of Annual Meeting
April 27, 2012

Capital Power

Established in July 2009 and headquartered in Edmonton, Alberta, **Capital Power** (TSX:CPX) is a growth-oriented North American power producer that develops, acquires, operates and optimizes power generation. As of December 31, 2011, Capital Power owned more than **3,300 megawatts** of power generation capacity at **16 facilities** across North America. An additional 487 megawatts of owned wind generation capacity is under construction or in advanced development in British Columbia, Alberta, and Ontario.

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 (the **Board**) of Capital Power Corporation (**Capital Power** or the **Company**) hereby invites our shareholders to the upcoming Annual Meeting to be held:

Friday, April 27, 2012
1:00 p.m. Mountain Daylight Time
Art Gallery of Alberta
2 Sir Winston Churchill Square
Edmonton, Alberta T5J 2C1

At the Annual Meeting, you will:

- elect members of the Board of the Company to hold office until the close of the next Annual Meeting, or until successors are duly elected or appointed;
- receive the consolidated financial statements of the Company for the year ended December 31, 2011 and the auditors' report on those statements;
- appoint auditors of the Company to hold office until the close of the next Annual Meeting at remuneration to be fixed by the Board on the recommendation of the Audit Committee;
- vote, in an advisory and non-binding vote, on the Company's approach to executive compensation;
- vote regarding whether or not to amend the Company's security compensation plans; 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 23, 2012.

Shareholders who cannot attend the Annual Meeting in person, or are attending but prefer the convenience of voting in advance, may vote by proxy. Please refer to the Circular for information regarding voting by proxy.

By order of the Board

B. KATHRYN CHISHOLM, Q.C. CORPORATE SECRETARY

EDMONTON, ALBERTA
MARCH 13, 2012

Invitation to Shareholders of Capital Power Corporation

March 13, 2012

Dear Shareholder:

Invitation

The Company's Board and management invite you to attend the Annual Meeting. It will be held at 1:00 p.m. (Mountain Daylight Time) on Friday, April 27, 2012 at the **Art Gallery of Alberta, 2 Sir Winston Churchill Square, Edmonton AB T5J 2C1**. Both the Notice of Meeting and this 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, will review the Company's highlights and developments from the past year. You will also have an opportunity to ask questions and meet members of management and the Board.

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, we appreciate 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 CHAIRMAN OF THE BOARD

BRIAN VAASJO PRESIDENT AND CHIEF EXECUTIVE OFFICER

Management Proxy Circular

All of the information in this Circular is as of March 13, 2012, unless otherwise indicated.

All dollar amounts included in this Circular are in Canadian dollars, unless otherwise expressly stated to be in US dollars. All times given refer to Mountain Daylight Time.

Capital Power is providing this Circular in connection with the Annual Meeting and the solicitation of proxies for the Annual Meeting.

A. 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 you:

1. plan to attend but prefer the convenience of voting in advance; or
2. cannot attend the Annual Meeting.

The questions and answers below give general guidance for voting your shares of the Company.

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 23, 2012, 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 on:

- the election of eight nominees to the Board to hold office until the close of the next Annual Meeting, or until successors are duly elected or appointed;
- the appointment of auditors;
- an advisory and non-binding resolution on our approach to executive compensation; and
- proposed amendments to our security compensation plans.

Holders of Special Voting Shares are voting on:

- the election of four nominees to the Board of Capital Power to hold office until the close of the next Annual Meeting, or until their successors are duly elected or appointed;
- the appointment of auditors;
- an advisory and non-binding vote on the Company's approach to executive compensation; and
- proposed amendments to the Company's security compensation plans.

VOTING INFORMATION FOR REGISTERED SHAREHOLDERS

You are a **registered shareholder** if you hold any shares in your own name and you have a share certificate.

If you are uncertain, you can inspect the Company's list of registered shareholders on request after March 23, 2012, during regular business hours, at the office of the Company's Registrar and Transfer Agent, Computershare, at Suite 600, 530 – 8th Avenue SW, Calgary, Alberta T2P 3S8. This list will also be available at the Annual Meeting.

How do I vote if I am a Registered Shareholder?

VOTING IN PERSON

If you attend the Annual Meeting and wish to vote in person, do not 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.

VOTING BY PROXY

If you do not plan to attend the Annual Meeting, 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 (www.investorvote.com) 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. **Alternatively, 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 other than the management representatives to vote your shares, cross out the printed names and insert the name of the person you wish to act as your proxyholder 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 FOR the election of each of the persons nominated by management as Directors, FOR the appointment of the auditors, FOR the advisory resolution on our approach to executive compensation and FOR the proposed amendments to our security compensation plans.

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, 135 West Beaver Creek PO Box 300, Richmond Hill, Ontario L4B 4R5.

To be voted at the Annual Meeting, the Proxy must be received not later than 1:00 p.m. on April 25, 2012 or not less than 48 hours prior to the time fixed for 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 (8683) (English and French) and follow the instructions set out in the Proxy.

Internet
To vote by Internet, you must access www.investorvote.com and follow the instructions set out in the Proxy.

REVOKING YOUR PROXY

If you 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 25, 2012; or
    b. if the Annual Meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time to which the meeting is adjourned; or

2. delivering a written statement revoking the original Proxy, signed by you or your authorized representative, to:
    a. the Corporate Secretary of Capital Power Corporation, 12th Floor, EPCOR Tower, 10423 – 101 Street, Edmonton, Alberta, Canada T5H 0E9 before:
        i. the close of business on April 26, 2012; or
        ii. if the Annual Meeting is adjourned, up to the close of business on the last business day before the day to which the meeting is adjourned; 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.

WHAT IF I HAVEN'T RECEIVED MY CIRCULAR?

If you are a registered shareholder, please contact Computershare (please see the particulars shown on the last page of this section – before "Business of the Meeting").

VOTING INFORMATION FOR BENEFICIAL SHAREHOLDERS

BENEFICIAL SHAREHOLDERS

You are a non-registered or **beneficial shareholder** if your shares are held in an account in the name of a nominee. Generally speaking, this is the case if your certificate was deposited with a bank, trust company, securities broker, trustee or other institution. Most individuals are beneficial shareholders.

How do I vote if I am a Beneficial Shareholder?

VOTING IN PERSON

To vote your shares through your nominee you should follow the instructions on the voting instruction form provided by your nominee.

If you plan to attend the Annual Meeting and wish to vote in person, write your name in the space provided on the enclosed voting instruction form. Then complete the rest of the form, sign and return it following the instructions provided by your nominee. If you do this, your vote will only be counted if you attend the meeting and vote in person. **Your vote will be counted at the meeting so do not complete the voting instructions on the form. When you arrive at the meeting, please register with the transfer agent, Computershare.**

VOTING INSTRUCTIONS

Whether or not you attend the meeting, you can appoint someone else to attend and vote as your proxyholder. The persons already named in the enclosed voting instruction form are Directors. You can choose another person as your proxyholder by printing that person's name in the space provided. Then complete the rest of the form, sign and return it. Your votes can only be counted if the person you appoint attends the meeting and votes on your behalf. **If you have sent in your voting instructions, you may not vote again or change your vote at the meeting unless you carefully follow the procedure to revoke your instructions.**

Return your completed voting instruction form in the envelope provided or fax it to one of the numbers set out in the form so that it arrives by 1:00 p.m. on April 25, 2012 or, if the meeting is adjourned, at least 48 hours (excluding weekends and holidays) before the meeting resumes. **We do not typically accept late votes, so please vote on time.**

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 (8683) (English and French) and follow the instructions set out the voting instructions form.

Internet
To vote by Internet, you must access www.investorvote.com and follow the instructions set out in the voting instruction form.

REVOKING YOUR VOTING INSTRUCTIONS

To revoke your voting instructions, follow the procedures provided by your nominee. Your nominee must receive your request before 1:00 p.m. on April 25, 2012. This gives your nominee time to submit the revocation to us.

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 later than 1:00 p.m. on April 26, 2012 or not less than 24 hours prior to the time fixed for any adjournment of the Annual Meeting.

WHAT IF I HAVEN'T RECEIVED MY CIRCULAR?

As a beneficial owner, your nominee will receive this Circular, and is required to forward it to you. However, when you set up your account with your nominee, you may have indicated that you did not wish to receive this type of information. If you believe you should receive our Circular and it has not arrived, please call your bank, trust company, securities broker, trustee or other nominee as soon as possible.

GENERAL VOTING INFORMATION

Who is soliciting my Proxy?

The management of Capital Power is soliciting your proxy.

We solicit proxies primarily by mail. Our employees or agents may also use telephone or other forms of communication to contact you, at nominal cost. We bear 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 Circular;
- **FOR** the appointment of KPMG LLP as the external auditors of the Company;
- **FOR** the Company's approach to executive compensation; and
- **FOR** the proposed amendments to the Company's security compensation plans.

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 following the procedure set out above under the heading "Revoking Your Proxy" if you are a registered shareholder, or under "Revoking Your Voting Instructions" if you are a beneficial shareholder.

Is my vote confidential?

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

How many shares are entitled to vote?

Our 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 59,255,617 Common Shares; 5,000,000 Cumulative Rate Reset Preference Shares, Series 1 (**Series 1 Shares**); 38,216,000 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 23, 2012.

Provided that, as at March 23, 2012, 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 23, 2012, EPCOR Utilities Inc. (together with its subsidiaries, **EPCOR**) indirectly held all of the Special Voting Shares and Exchangeable LP Units representing approximately 39% 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 "Election of Directors – Director Nominees to be Elected by EPCOR".

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 23, 2012, 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, 2011, 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 and management 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
Attention: Kyle Gould
Suite 600, 530 – 8th Avenue SW, Calgary, Alberta T2P 3S8
Telephone: 1-800-564-6253
Website: www.computershare.com

The Company

Capital Power Corporation
12th Floor, EPCOR Tower, 10423 – 101 Street
Edmonton, Alberta, Canada T5H 0E9
Telephone: 780-392-5105
Toll-free: 1-866-896-4636
Fax: 780-392-5124
Email: investor@capitalpower.com
Website: www.capitalpower.com

B. BUSINESS OF THE MEETING

Election of Directors

NOMINEES

At the Annual Meeting the holders of Common Shares will be asked to elect eight Directors (**Directors**). EPCOR, as the holder of all of the outstanding Special Voting Shares, has the right to elect four Directors. See "Questions and Answers on Voting – How many shares are entitled to vote?".

Capital Power Nominees: 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 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	**William Bennett**
Brian Bentz	**Philip Lachambre**
Richard Cruickshank	**Doyle Beneby**
Brian Vaasjo	**Peggy Mulligan**

Mr. Brian MacNeill and Mrs. Janice Rennie will not be standing for re-election as Directors at this Annual Meeting. The Board and management thank Mr. MacNeill and Mrs. Rennie for their dedication and contributions to the Company.

EPCOR Nominees: 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 who 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 be elected 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 "Election of Directors".

Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2011 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.

Appointment of Auditors

The Audit Committee and the Board propose that KPMG LLP be appointed as Capital Power'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, 2011 in respect of the Company and the Company's subsidiaries were approximately $2.1 million as detailed below.

Year Ended	**December 31, 2011 ($ millions)**	**December 31, 2010 ($ millions)**
Audit Fees	2.0	1.6
Audit Related Fees	0.1	0.1
Tax fees	-	-
All Other fees	-	0.2
Total	2.1	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, and providing comfort letters associated with securities documents.

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.

Advisory Vote on Executive Compensation

At the Annual Meeting, shareholders will be asked to consider and approve, on an advisory basis, a resolution accepting the Company's approach to executive compensation as disclosed in this Circular. The full text of the resolution is reproduced under the heading "Advisory Vote on Executive Compensation – Form of Resolution".

Amendment to Security Compensation Plans

At the Annual Meeting, shareholders will be asked to approve a resolution to increase the maximum number of Common Shares that may be issued to holders of stock options under the Company's security compensation plans. The Company proposes to increase the current reserve of Common Shares from a maximum of 5 million to a maximum of 7,094,506. This would represent approximately 7.3% of the total number of issued and outstanding Common Shares and Common Shares issuable on the exchange of outstanding Exchangeable LP Units as at the date of this Circular. See "Executive Compensation – Compensation Discussion and Analysis – Amendment to the Plans" for more information with respect to this request.

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 judgement of such nominees. Management is not currently aware of any such matters.

C. ELECTION OF DIRECTORS

The election of Directors takes place at each annual meeting of shareholders. Each Director holds office until the close of the first annual meeting of shareholders following the Director's election and is eligible for re-election. The Company's articles require the Board to have a minimum of three and a maximum of 12 Directors. Resolutions of the Board 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 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.

None of the Directors are indebted to the Company or its subsidiaries.

Independence of Directors

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 material 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.

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.

Majority Voting Policy

On February 22, 2010, the Board adopted a Majority Voting Policy for Directors by which:

- Non-EPCOR Directors are to be listed individually on the form of proxy, not as a slate of Directors;
- a Non-EPCOR Director who does not receive an affirmative majority of the votes cast in their election represented at the Annual Meeting (i.e., votes "FOR"), is required to immediately tender his or her resignation;
- once that resignation is submitted, the CGC&N Committee will review any extraordinary circumstances surrounding the voting results and make a recommendation to the Board whether to accept the resignation or take some other action;
- any Director who tenders his or her resignation cannot participate in any CGC&N Committee or Board deliberations on the matter; and
- the Board's decision and the rationale underlying it must be made public via press release within 90 days of certification of the election results.

This Policy does not apply to contested Director elections, or to those Directors nominated by EPCOR as only EPCOR as the holder of the Special Voting Shares is able to vote for those Directors.

Capital Power Nominees

BRIAN VAASJO
President & CEO
Edmonton, AB

Non-Independent [1,7]

Age: 56

Director since: May 1, 2009

DIRECTOR SKILLS MATRIX

Location: Edmonton

Background:
Accountant, CFO/Financial Expert

Seniority:
Public CEO, Senior Functional

Experience:
Reg/Gov/Public Affairs, Deal/M&A/IPO, Public Board, Regulatory/Legal

Industry:
Power, Oil & Gas Infrastructure

Government Relations:
Alberta, Federal

Brian Vaasjo is the President and CEO of Capital Power and has been since July, 2009. Prior thereto, he was Executive Vice President of EPCOR, and was President of EPCOR's Energy Division. At EPCOR, he was responsible for regional power generation (including clean coal initiatives), water operations and the growth of EPCOR's competitive power and water businesses across North America as well as development and acquisition. He was President of Capital Power Income L.P. (**CPILP**) from September 2005 until July 2009 and Chairman of the Board of its general partner from July 2009 to November 5, 2011.

Mr. Vaasjo spent 19 years with the Enbridge Group of Companies and played a substantial role in several important acquisitions, developments and public offerings. He has a Master of Business Administration, is a Fellow of the Society of Management Accountants, and has been on the boards of several non-profit organizations.

Board and Committee Membership	Attendance[6]	
Board	11 of 11	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]
32,000	N/A	32,000	$797,120

Options and PSUs Held

615,251 stock options and 45,288 performance share units (**PSUs**).[10]
(See "Executive Compensation –LTI Plan")

Other Public Directorships

None

Voting Results 2011

Votes in Favour	% in Favour	Votes Withheld	% Withheld
15,078,004	99.37%	96,078	0.63%

ALBRECHT BELLSTEDT [5]
Canmore, AB

Independent[1]

Age: 62

Director since: July 9, 2009

DIRECTOR SKILLS MATRIX

Location: Calgary

Background:
Lawyer

Seniority:
Senior Functional, Partner

Experience:
Deal/M&A/IPO, Public Board, Regulatory/Legal

Industry:
Power, Oil & Gas Infrastructure

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. Prior to that, he was a transactional lawyer in private practice for 27 years.

Mr. Bellstedt currently serves on a number of corporate boards and has served on a number of not-for-profit boards (including the Alberta University Hospital Foundation, the Edmonton Symphony Orchestra and the Banff Centre).

Board and Committee Membership	Attendance[6]	
Board	9 of 11	82%
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	8,259	15,349	$382,343.59

Options Held

Non-employee Directors are not entitled to receive stock options.

Other Public Directorships

The Churchill Corporation and Canadian Western Bank

Voting Results 2011

Votes in Favour	% in Favour	Votes Withheld	% Withheld
14,987,309	98.77%	186,773	1.23%

WILLIAM BENNETT
Chicago, IL, USA

Independent[1]

Age: 65

Director since: July 9, 2009

DIRECTOR SKILLS MATRIX

Location: USA

Background:
CFO/Financial Expert

Seniority:
Private CEO

Experience:
Deal/M&A/IPO, Public Board, Regulatory/Legal

William Bennett is presently semi-retired but remains a director of a number of boards, including The Toronto-Dominion Bank. Mr. Bennett has held numerous positions as a director and 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. 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, where he served as Chair of the Audit Committee, and currently serves on several non-profits in the U.S., including DePaul University, YMCA of Metropolitan Chicago, Lincoln Park Zoo, Sprague Memorial Institute and The Lincoln Academy of Illinois.

Board and Committee Membership	Attendance[6]	
Board	11 of 11	100%
Audit Committee (Chair)	7 of 7	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	10,582	11,582	$288,507.62

Options Held

Non-employee Directors are not entitled to receive stock options.

Other Public Directorships

The Toronto-Dominion Bank, TD Bank U.S. Holding Co.

Voting Results 2011

Votes in Favour	% in Favour	Votes Withheld	% Withheld
15,167,948	99.96%	6,134	0.04%

BRIAN BENTZ
Vancouver, BC

Independent[1]

Age: 68

Director since: July 9, 2009

DIRECTOR SKILLS MATRIX

Location: BC

Background:
Accountant, CFO/Financial Expert

Seniority:
Private CEO, Senior Functional

Experience:
Reg/Gov/Public Affairs, HSE, Deal/M&A/IPO, Public Board, HR/Compensation, Operations/Maintenance/Construction

Industry:
Oil & Gas Infrastructure, Other Resources/Industries

Brian Bentz is a business consultant and proprietor of Brian Bentz Consulting. He is a director of AMEC plc and provides advisory management services. 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 for AMEC Project Investments Limited; President, Special Projects Group, Agra Inc.; and President and CEO of Simons International Corporation. Mr. Bentz has served as a director of several corporations and currently acts as a director of the Vancouver Airport Authority. Mr. Bentz has been a Chartered Accountant since 1969 and holds a Bachelor of Science degree from the University of British Columbia.

Board and Committee Membership	Attendance[6]	
Board	10 of 11	91%
Environment, Health and Safety Committee (Chair)	3 of 3	100%
Keephills 3 Project Oversight Committee[11]	4 of 5	80%

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	8,259	9,259	$230,641.69

Options Held

Non-employee Directors are not entitled to receive stock options.

Other Public Directorships

MacDonald, Dettwiler and Associates Ltd., Trinidad Drilling Ltd., Vancouver Airport Authority

Voting Results 2011

Votes in Favour	% in Favour	Votes Withheld	% Withheld
15,166,679	99.95%	7,403	0.05%

RICHARD CRUICKSHANK
Edmonton, AB

Non-Independent[8]

Age: 61

Director since: July 9, 2009

DIRECTOR SKILLS MATRIX

Location: Edmonton

Background:
Lawyer

Seniority:
Partner

Experience:
Deal/M&A/IPO, HR/Compensation, Regulatory/Legal

Richard Cruickshank is 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 served as managing partner and a member of the executive committee for most of its 20 year history.

Mr. Cruickshank has practiced law for 36 years primarily in the corporate and tax areas and has extensive experience in structuring executive compensation, retirement and security based compensation plans and advising pension plan trustees on governance and compliance matters. He has been recommended in Best Lawyers in Canada for the years 2009 through 2012 as a leading lawyer in Mergers and Acquisitions and Tax Law (Corporate).

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

Board and Committee Membership	Attendance[6]	
Board	11 of 11	100%
Corporate Governance, Compensation and Nominating Committee	4 of 4	100%
Keephills 3 Project Oversight Committee[11]	5 of 5	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	11,873	12,873	$320,666.43

Options Held	Other Public Directorships
Non-employee Directors are not entitled to receive stock options.	None

Voting Results 2011

Votes in Favour	% in Favour	Votes Withheld	% Withheld
12,859,899	84.75%	2,314,183	15.25%

PHILIP LACHAMBRE
Edmonton, AB

Independent[1]

Age: 60

Director since: July 9, 2009

DIRECTOR SKILLS MATRIX

Location: Edmonton

Background:
CFO/ Financial Expert, Procurement/Contracts

Seniority:
Senior Functional

Experience:
Reg/Gov/Public Affairs, HR/Compensation, Operations/Maintenance/Construction, HSE, Public Board, Regulatory/Legal

Industry:
Oil & Gas Infrastructure, Other Resources/Industries

Government Relations:
Alberta, Federal

Philip Lachambre is currently President of PCML Consulting Inc., a position he has held since February, 2007. Mr. Lachambre held many positions in the oil and gas, mining and construction sectors during his 39 year career, 31 of which were at Syncrude Canada Inc. where he was Executive Vice President and Chief Financial Officer from 1997 until his retirement in 2007. Mr. Lachambre's had many areas of responsibility across numerous departments including corporate strategy, controllers, treasury, legal, government and regulatory affairs, EH&S, business development, stakeholder relations, human resources, procurement and contracts, and aboriginal affairs.

Mr. Lachambre holds a Bachelor of Commerce degree from the University of Alberta, is a Supply Chain Management Professional (SCMP), 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.

Board and Committee Membership	Attendance[6]	
Board	11 of 11	100%
Audit Committee	7 of 7	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	8,311	9,339	$232,634.49

Options Held	Other Public Directorships
Non-employee Directors are not entitled to receive stock options.	Flint Energy Services Ltd.

Voting Results 2011

Votes in Favour	% in Favour	Votes Withheld	% Withheld
15,169,879	99.97%	4,203	0.03%

DOYLE BENEBY
San Antonio, TX, USA

Independent[1]

Age: 52

Nominee for Election in 2012

DIRECTOR SKILLS MATRIX

Location: USA

Background:
Engineer

Seniority:
Public CEO, Private CEO

Experience:
Reg/Gov/Public Affairs, Deal/M&A/IPO, Public Board, HR/Compensation, Operations/Maintenance/Construction

Industry:
Power, Other Resources/Industries

Doyle Beneby is the President and Chief Executive Officer of CPS Energy, the largest municipally-owned gas and electric utility in the U.S., a position he has held since August 2010. Mr. Beneby has over 20 years' experience in various aspects of the electrical power industry.

Prior to joining CPS Energy, he served at Exelon Corporation from 2003 to 2010 in various roles, most recently, as Senior Vice President and Acting President from 2009 to 2010. From 2008 to 2009, Mr. Beneby served as Vice President, Generation Operations for Exelon Power, and prior to that and from 2005 to 2008, Mr. Beneby served as Vice President, Electric Operations for PECO, a subsidiary of Exelon Corporation.

Mr. Beneby holds a Master of Business Administration from the University of Miami, and a Bachelor of Science from Montana Technical College.

Board and Committee Membership	Attendance[6]	
N/A	N/A	N/A

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]
Nil	N/A	Nil	N/A

Options Held	Other Public Directorships
None	None

Voting Results 2011

Votes in Favour	% in Favour	Votes Withheld	% Withheld
N/A	N/A	N/A	N/A

PEGGY MULLIGAN
Mississauga, ON

Independent[1]

Age: 53

Nominee for Election in 2012

DIRECTOR SKILLS MATRIX

Location: Ontario

Background:
Accountant, CFO/Financial Expert, Procurement/Contracts

Seniority:
Senior Funtional, Partner

Experience:
Reg/Gov/Public Affairs, HSE, Deal/M&A/IPO, Public Board, HR/Compensation, Regulatory/Legal, Financial/Commodity Trading

Industry:
Power, Other Resources/Industries

Government Relations:
Ontario

Peggy Mulligan has been a member of the board of Ontario Power Generation Inc., an Ontario Crown corporation with over 19,000 MW of nuclear, thermal and hydroelectric generating capacity, since 2005. Ms. Mulligan serves or has served on OPG's Human Resources & Compensation, Governance and Audit Committees.

Ms. Mulligan previously served as Executive Vice President and CFO of Valeant Pharmaceuticals International, Inc. (formerly Biovail Corporation) from 2008 until December 2010, where she led the implementation of Biovail's new strategic focus, and co-led the merger of Valeant and Biovail. From 2005 until 2007, she served as Executive Vice President, CFO and Treasurer of Linamar Corporation, with accountability for financial reporting and compliance, enterprise risk management, treasury, taxation, M&A and internal audit.

Ms. Mulligan holds a B.Math (Honours) from University of Waterloo, and was named a Fellow of the Institute of Chartered Accountants of Ontario in 2003.

Board and Committee Membership	Attendance[6]	
N/A	N/A	N/A

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]
Nil	N/A	Nil	N/A

Options Held	Other Public Directorships
None	None

Voting Results 2011

Votes in Favour	% in Favour	Votes Withheld	% Withheld
N/A	N/A	N/A	N/A

Director Nominees to be Elected by EPCOR

DONALD LOWRY
Edmonton, AB

Chairman, EPCOR Nominee

Independent[1]

Age: 60

Director since: July 9, 2009

DIRECTOR SKILLS MATRIX

Location: Edmonton, Calgary, Ontario

Seniority:
Private CEO

Experience:
Reg/Gov/Public Affairs, Deal/M&A/IPO, Public Board, Operations/Maintenance/Construction

Industry:
Power, Oil & Gas Infrastructure

Government Relations:
Alberta, BC, Ontario, Federal

Donald Lowry is the President and CEO of EPCOR, 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 a director on several other boards, including the Conference Board of Canada, the Canadian Electricity Association and the TELUS Community Foundation. He was recognized in 2010 as Alberta Venture's Business Person of the Year.

Board and Committee Membership	Attendance[6]	
Board (Chair)	11 of 11	100%
Audit Committee (ex-officio)	5 of 7	71%
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)[11]	4 of 5	80%

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]
4,000	N/A	4,000	$99,640

Options Held	Other Public Directorships
Non-employee Directors are not entitled to receive stock options.	Canadian Oil Sands Limited

HUGH BOLTON
Edmonton, AB

EPCOR Nominee

Independent[1]

Age: 73

Director since: July 9, 2009

DIRECTOR SKILLS MATRIX

Location: Edmonton, BC, USA

Background:
Accountant, CFO/Financial Expert

Seniority:
Private CEO, Partner

Experience:
Public Board, HR/Compensation, Regulatory/Legal

Industry:
Power

Government Relations:
Alberta, BC

Hugh Bolton is the non-executive chair of the board of EPCOR. Prior to his appointment as chair of the EPCOR board 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 Canadian National Railway Company, Teck Resources Limited, WestJet Airlines Ltd., and The Toronto-Dominion Bank.

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.

Board and Committee Membership	Attendance[6]	
Board	10 of 11	91%

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	11,873	12,873	$320,666.43

Options Held	Other Public Directorships
Non-employee Directors are not entitled to receive stock options.	Canadian National Railway Company; Teck Resources Limited; WestJet Airlines Ltd.; EPCOR and The Toronto-Dominion Bank

ALLISTER MCPHERSON
Edmonton, AB

EPCOR Nominee

Independent[1]

Age: 68

Director since: June 25, 2009

DIRECTOR SKILLS MATRIX

Location: Edmonton

Background:
CFO/Financial Expert

Seniority:
Senior Functional

Experience:
Reg/Gov/Public Affairs, Deal/M&A/IPO, Public Board, HR/Compensation, Regulatory/Legal

Industry:
Power

Government Relations:
Alberta

Allister McPherson joined Canadian Western Bank in March, 1997 and retired in November, 2005, having served as Executive Vice President from 2000. He was Deputy Provincial Treasurer (Finance and Revenue) for the Province of Alberta from 1984 to 1996 and holds a Master of Science degree from the University of British Columbia.

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

Board and Committee Membership	Attendance[6]	
Board	11 of 11	100%
Keephills 3 Project Oversight Committee[11]	5 of 5	100%
Audit Committee	7 of 7	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	8,259	13,259	$330,281.69

Options Held

Non-employee Directors are not entitled to receive stock options.

Other Public Directorships

The Churchill Corporation and EPCOR

ROBERT PHILLIPS
Vancouver, BC

EPCOR Nominee

Independent[1]

Age: 61

Director since: June 25, 2009

DIRECTOR SKILLS MATRIX

Location: BC

Background:
Engineer, Lawyer

Seniority:
Public CEO, Private CEO, Partner

Experience:
Deal/M&A/IPO, Public Board, Regulatory/Legal

Industry:
Power, Oil & Gas Infrastructure

Government Relations:
Alberta, BC

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.

Board and Committee Membership	Attendance[6]	
Board	11 of 11	100%
Corporate Governance, Compensation and Nominating Committee	4 of 4	100%
Keephills 3 Project Oversight Committee (Chair)[11]	5 of 5	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]
4,000	12,389	16,389	$408,249.99

Options Held

Non-employee Directors are not entitled to receive stock options.

Other Public 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

1 Independent refers to the standards of independence established under Section 1.2 of Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (**NI 58-101**).

2 Common Shares refers to the number of Common Shares beneficially owned, controlled or directed, directly or indirectly, by the Director or nominee, as of March 13, 2012.

3 DSUs refer to the number of Deferred Share Units held by the Director or nominee as of March 13, 2012. These numbers do not include the number of DSUs to be awarded to each Director in respect of Q4 of 2011, as those numbers were not available as of the date of this Circular.

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 13, 2012 of $24.91. 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 Times 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, 2011, until December 31, 2011. Ms. Rennie and Mr. MacNeill attended all meetings of the Board and all meetings of the committees of which they were a member.

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 "Director Compensation – Equity Ownership Guidelines". As of March 13, 2012, the Directors of the Company who are not also executive officers of the Company (including Mr. MacNeill and Mrs. Rennie, who are not standing for re-election as Directors), as a group, beneficially own, or control or direct, directly or indirectly, 134,023 Common Shares and DSU's ($24.91 per share as at the close of trading on March 13, 2012 for a value of $3,338,513). As of March 13, 2012, management's and EPCOR's nominees for election as Directors of the Company who are not also executive officers of the Company (including Mr. Beneby and Ms. Mulligan, but not including Mr. MacNeill and Mrs. Rennie, who are not standing for re-election as Directors), as a group, beneficially own, or control or direct, directly or indirectly, 104,923 Common Shares and DSU's ($24.91 per share as at the close of trading on March 13, 2012 for a value of $2,613,631.93).

10 The 615,251 stock options held includes the 2009, 2010 and 2011 stock option grants. As of March 13, 2012, Mr. Vaasjo has accumulated 45,288 PSUs (which includes the original grants in 2010 and 2011 and reinvested dividends). These numbers do not include the number of options or PSUs to be awarded to Mr. Vaasjo in 2012. On March 13, 2012, the Board approved a grant of options and PSUs subject to contingencies and the approval of the Company's shareholders. See "Executive Compensation – Long-Term Incentive Plan".

11. The Keephills 3 Project Oversight Committee was a Committee of Capital Power L.P., a subsidiary of the Company that owns or controls all of Capital Power's generation assets, developments and construction projects. The Committee ceased to exist as a committee on November 23, 2011.

SUMMARY OF DIRECTORS' AND DIRECTOR NOMINEES' SERVICE TOGETHER ON OTHER PUBLIC BOARDS AND PUBLIC BOARD COMMITTEES

Name	Canadian Western Bank[1]	EPCOR[2]	MacDonald, Dettwiler and Associates Ltd.[3]	The Toronto-Dominion Bank[4]	The Churchill Corp.[5]	West Fraser Timber Co. Ltd.[6]	Teck Resources Limited[7]	WestJet Airlines Ltd.[8]
Brian Vaasjo								
Donald Lowry								
Albrecht Bellstedt	✔				✔			
Doyle Beneby								
William Bennett				✔				
Brian Bentz			✔					
Hugh Bolton		✔		✔			✔	✔
Richard Cruickshank								
Philip Lachambre								
Robert Phillips	✔	✔	✔			✔		
Allister McPherson		✔			✔			
Peggy Mulligan								
Janice Rennie						✔	✔	✔
Brian MacNeill						✔		

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

2 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.

3 Mr. Phillips is Chairman of the Board. Both Mr. Phillips and Mr. Bentz also serve on the Governance Committee and the Human Resources Committee.

4 Mr. Bennett and Mr. Bolton both serve on the Audit Committee, of which Mr. Bennett is the Chair.

5 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 Audit Committee and the Governance & Nominating Committee.

6. Mr. Phillips, Ms. Rennie and Mr. MacNeill serve on the Governance and Nominating Committee, which Mr. Phillips chairs. Mr. Phillips and Ms. Rennie serve on the Safety & Environment Committee.

7. Ms. Rennie and Mr. Bolton serve together on the Audit Committee (of which Mr. Bolton is the Chair) and on the Corporate Governance and Nominating Committee

8. Mr. Bolton and Ms. Rennie both serve on the Audit Committee, of which Mr. Bolton is the Chair.

SUMMARY OF DIRECTORS' AND DIRECTOR NOMINEES' INDEPENDENCE

Name	Independent[1]	Not Independent
Brian Vaasjo[2]		✔
Donald Lowry	✔	
Albrecht Bellstedt	✔	
Doyle Beneby	✔	
William Bennett	✔	
Brian Bentz	✔	
Hugh Bolton	✔	
Richard Cruickshank[3]		✔
Philip Lachambre	✔	
Robert Phillips	✔	
Allister McPherson	✔	
Peggy Mulligan	✔	
Brian MacNeill	✔	
Janice Rennie	✔	

(1) Independent refers to the standards of independence established under Section 1.2 of NI 58-101.

(2) Mr. Vaasjo is not considered to be independent as he is the President and Chief Executive Officer of the Company.

(3) 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.

REPORT OF VOTING RESULTS FOR 2011

Director	Votes in Favour	% in Favour	Votes Withheld	% Withheld
Albrecht Bellstedt	14,987,309	98.77%	186,773	1.23%
Brian Bentz	15,166,679	99.95%	7,403	0.05%
Richard Cruickshank	12,859,899	84.75%	2,314,183	15.25%
Brian MacNeill	14,987,850	98.77%	186,232	1.23%
Brian Vaasjo	15,078,004	99.37%	96,078	0.63%
William Bennett	15,167,948	99.96%	6,134	0.04%
Philip Lachambre	15,169,879	99.97%	4,203	0.03%
Janice Rennie	13,827,504	91.13%	1,346,578	8.87%

Each of the four Director nominees put forward by EPCOR, being Donald Lowry, Robert Phillips, Hugh Bolton and Allister McPherson, were elected by acclamation. Pursuant to the Company's Articles of Incorporation, EPCOR, as the sole holder of the Special Voting Shares, has the right to elect four Directors, and EPCOR nominated only Donald Lowry, Robert Phillips, Hugh Bolton and Allister McPherson for election. A proxy representing 47,416,000 (100%) votes for the election of Donald Lowry, Robert Phillips, Hugh Bolton and Allister McPherson, and nil votes withheld, was received from EPCOR.

SUMMARY OF COMMITTEE MEMBERSHIP (FROM 2011)

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[3,6] (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

1. All members are "independent" and "financially literate" within the meaning of Canadian Securities Administrators' National Instrument 52-110 – *Audit Committees* (**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 "Board and Committee Reports – Audit Committee".
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.
6. KH3 Project Oversight Committee is a Committee of Capital Power L.P., a subsidiary of the Company that owns and controls all of the generation assets, developments and construction. This Committee ceased to exist as a committee on November 23, 2011 as it had completed its mandate.

DIRECTOR EDUCATION

Directors of the Company attended the following facility tours and educational sessions in 2011:

Date of Tour or Educational Event	Directors Who Attended	Description of Tour or Educational Event
March 7, 2011	Don Lowry, Al Bellstedt, Bill Bennett, Brian Bentz, Rick Cruickshank, Phil Lachambre, Allister McPherson, Robert Phillips, Janice Rennie, Brian Vaasjo.	California market review provided by a representative from ICF International
May 19, 2011	Don Lowry, Al Bellstedt, Bill Bennett, Brian Bentz, Hugh Bolton, Rick Cruickshank, Phil Lachambre, Allister McPherson, Robert Phillips, Janice Rennie, Brian Vaasjo.	Island Generation facilities tour
May 19, 2011	Don Lowry, Al Bellstedt, Bill Bennett, Brian Bentz, Hugh Bolton, Rick Cruickshank, Phil Lachambre, Brian MacNeill, Allister McPherson, Robert Phillips, Janice Rennie, Brian Vaasjo.	Capital markets overview provided by representatives from RBC
June 9, 2011	Allister McPherson	Institute of Corporate Directors National Conference
July 26, 2011	Al Bellstedt, Bill Bennett, Brian Bentz, Hugh Bolton, Rick Cruickshank, Phil Lachambre, Allister McPherson, Robert Phillips, Janice Rennie, Brian Vaasjo.	Safety workshop regarding the World Class Safety Program

DIRECTORS' SKILLS MATRIX

	Bellstedt	Bennett	Bentz	Bolton	Cruickshank	Lachambre	Lowry	McPherson	Phillips	Vaasjo	Beneby	Mulligan
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	✔	✔	✔		✔		✔	✔	✔	✔	✔	✔
Public Board	✔	✔	✔	✔		✔	✔	✔	✔	✔	✔	✔
HR/ Compensation			✔	✔	✔	✔		✔			✔	✔
Operations/ Maintenance/ Construction			✔			✔	✔				✔	
Regulatory/ Legal	✔	✔		✔	✔	✔		✔	✔	✔		✔
Financial/ Commodity Trading												✔
Industry												
Power	✔			✔		✔	✔	✔	✔	✔	✔	✔
Oil and Gas Infrastructure	✔		✔			✔	✔		✔	✔		
Other Resources/ Industries			✔			✔					✔	✔
Government Relations												
Alberta				✔		✔	✔	✔	✔	✔		
BC				✔			✔		✔			
Ontario							✔					✔
Federal						✔	✔			✔		
USA												

D. BOARD AND COMMITTEE REPORTS

The Board

The Board is responsible for the stewardship of Capital Power providing independent, effective leadership to supervise the management of Capital Power's business and affairs and to grow value responsibly, in a profitable and sustainable manner.

The Board has the power to manage, or supervise the management of, the business and affairs of the Company, and has adopted terms of reference setting out the specific responsibilities to be discharged by the Board. The Terms of Reference for the Board are attached as Appendix "A" to this Circular.

The structure of the Board includes separate CEO and non-executive Board Chairman positions, with the Board Chair being independent. Both the Board Chair and CEO have position descriptions or "terms of reference", which can be located on the Company's website, as well as the Board's Terms of Reference, at www.capitalpower.com.

The Board approves all matters expressly required under the *Canada Business Corporations Act* and other applicable legislation and the Company's Articles and By-laws.

The Board is able to delegate to Board committees the prior review or approval of any issues for which it is responsible, although most committee recommendations are subject to final Board approval. The Board has also delegated the approval of certain matters to management pursuant to various policies, including, but not limited to, the Contract Execution and Spending Authority Policy, the Financial Exposure Management Policy, and the Investment Policy, all of which are available on our website at www.capitalpower.com.

Meetings of the Board are held at least five times per year and as necessary. The Board met 11 times during 2011, and the Directors met without management present at every in-person meeting.

OVERSIGHT OF STRATEGIC PLANNING

The Board has ultimate oversight of the strategic planning at Capital Power. Capital Power has a comprehensive strategic and corporate planning process to maximize shareholder value consistent with Capital Power's values. The process takes into account, among other things, the opportunities and risks of Capital Power's business. The process begins in the first quarter each year with management assessing trends in the industry, preparing detailed commodity and economic forecasts, and reviewing its success executing its strategy. Management confirms the continued appropriateness of the strategy or identifies required refinements. Concurrently, management updates and adjusts its objectives and planned activities to execute the strategy, and prepares a long-range financial projection based on expected results. Objectives, activities, projections and an assessment of risks comprise Capital Power's corporate plan. Management submits a draft strategy and corporate plan to the Board in May.

Management meets with the Board during a two-day, offsite planning session in May to review the strategy and corporate plan. Management highlights risks associated with the strategy and solicits feedback on material changes to strategy or tactics. Following the session, management addresses questions from the Board and makes any required modifications to the strategy and corporate plan, which are then submitted to the Board for approval typically at its July meeting.

In November, the financial projections contained in the corporate plan are updated as part of the budget process to reflect any significant subsequent events, updated commodity forecasts and the budget.

ENTERPRISE RISK MANAGEMENT

The Board recognizes that risk is present in all business activities and that the successful management of risk is a critical factor in maximizing shareholder value. As such, Capital Power has implemented an Enterprise Risk Management (**ERM**) Program that uses a systematic approach to identify, evaluate, treat, report and monitor key risks. Capital Power has designed its ERM methodology and process around the ISO 31000 International Standard for Risk Management.

We have also taken steps to embed our ERM risk assessment methodology and framework into our key core corporate processes. This includes Strategic and Long Term Planning; Business Development; Commodity Portfolio Management (trading); and Operational Planning and Budgeting. By aligning risk assessment with core corporate processes we can effectively maintain a process to identify and mitigate uncertainties that can impact the achievement of our strategic and related business objectives. In addition, throughout each year various ad-hoc and/or targeted risk assessment initiatives are also undertaken. This includes unpredictable or rare (black swan) and emerging risk assessments.

A risk profile report is presented to the Board twice a year. The profile is also reviewed quarterly by the senior management team and any material updates are reported to the Board on a quarterly basis.

SHAREHOLDER ENGAGEMENT

The Board and management believe in the importance of regular and constructive dialogue with our shareholders, and although we have not been approached by shareholder organizations to discuss our governance and compensation practices, we are prepared and more than willing to do so.

Some of our usual shareholder engagement practices include:

- holding an annual meeting for shareholders which is held in Edmonton, Alberta with a live audio webcast available for shareholders to listen to the meeting. Shareholders present at the annual meeting are invited to ask questions of the Board or the executive team;
- maintaining a toll-free investor line and investor e-mail address and a confidential ethics hotline to encourage shareholders and the public to contact us with questions or concerns;
- holding quarterly earnings conference calls with analysts and institutional investors that feature open question-and-answer sessions;
- hosting an annual investor day event for analysts and institutional investors involving numerous executive presentations that provide an overview of the Company, corporate updates and outlook;
- providing executive presentations at institutional investor/industry conferences and conducting quarterly investor roadshows in Canada and the United States;
- inviting analysts and institutional shareholders to participate in the Company's first perception study administered by an independent third party; and
- adopting an advisory vote on executive compensation ("say on pay") policy to allow shareholders the opportunity to provide their input on the Company's approach to executive compensation.

For the various investor relations events (i.e., annual meeting, quarterly earnings conference calls, investor day event), the audio webcast, presentation slides, transcripts and audio replays are made available under the Investor Relations section of the Company's website, at www.capitalpower.com.

Audit Committee

The Audit Committee's responsibility is to assist the Board in fulfilling its oversight responsibility to our shareholders, the investment community and others in relation to:

- the integrity of the Company's annual and quarterly financial statements, financial reporting processes, and compliance with accounting and finance-based legal and regulatory requirements;
- the system of internal accounting and financial reporting controls established by management;
- the risk identification assessment conducted by management and the programs established by management and the Board in response to such assessment (with respect to the Company's control environment and how it relates to the production of financial statements and other publicly disclosed financial information);
- the internal audit function and processes; and
- the external auditors' qualifications, independence, performance and reports.

The Audit Committee is responsible for recommending to the Board the appointment of the external auditor of the Company, evaluating and remunerating them, and monitoring their qualifications, performance and independence. The external auditor is accountable to and reports directly to the Committee.

The Audit Committee met seven times during 2011, and the members met in-camera without management present at every in-person meeting.

For additional information on the Audit Committee, we also refer you to our Annual Information Form available on SEDAR at www.sedar.com and on our website at www.capitalpower.com.

MEMBERS OF THE AUDIT COMMITTEE

In 2011, the Audit Committee was comprised of the following four independent Directors: William Bennett, Chair, Phil Lachambre, Allister McPherson and Janice Rennie. Don Lowry is an independent, non-voting, ex-officio member of the Audit Committee.

AUDIT COMMITTEE MANDATE

The Audit Committee operates under the Audit Committee's Terms of Reference, which can be found on the Company's website at www.capitalpower.com.

INDEPENDENCE AND RELEVANT EXPERIENCE OF THE AUDIT COMMITTEE MEMBERS

All Audit Committee members were and are considered independent. In determining whether a Director is independent, the standards developed by the Canadian securities regulatory authorities are used, as set out in our Corporate Governance Policy which is available on our website at www.capitalpower.com.

Each Audit Committee member was a member since the inception of Capital Power in July 2009. All members are considered financially literate as defined under Canadian securities laws and regulations, based upon the education and experience of each Audit Committee member.

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as an Audit Committee member.

WILLIAM BENNETT, CHAIR

Mr. Bennett is presently semi-retired, and 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, and a member of the board of The Toronto-Dominion Bank since 2005, where he currently serves on its Risk Committee and as its Audit Committee Chair.

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, where he served as Chair of the Audit Committee.

PHILIP LACHAMBRE

Mr. Lachambre has held many positions in the oil and gas, mining and construction sectors during his 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, controllers, treasury, legal, government and regulatory affairs, EH&S, business development, stakeholder relations, human resources, procurement and contracts, and aboriginal affairs.

Mr. Lachambre holds a Bachelor of Commerce degree from the University of Alberta and is a graduate of the Executive Management Program of the University of Western Ontario. Mr. Lachambre is also the Chair of the Audit Committee of Flint Energy Services Ltd. since 2008, and of the Audit Committee of GLM Industries LP since 2007.

ALLISTER MCPHERSON

Allister McPherson joined Canadian Western Bank in March, 1997 and retired in November, 2005, having served as Executive Vice President from 2000. He was deputy provincial treasurer (Finance and Revenue) for the Province of Alberta from 1984 to 1996 and holds a Master of Science degree from the University of British Columbia.

Mr. McPherson has served on the Audit Committee of EPCOR Utilities Inc. since 2008, as chair of The Churchill Corporation's Audit Committee since 2009, and is currently an external member of the University of Alberta's Investment Committee. He was past chair of the board of the Alberta Credit Union Deposit Guarantee Corporation, past director, vice chair and Audit Committee chair of the Edmonton Regional Airports Authority, and a past chair of the Endowment Fund Policy Committee of Alberta Finance.

JANICE RENNIE

Janice Rennie is an independent director and business advisor. She has held senior management positions with a number of companies including, most recently, Senior Vice President of Human Resources and Organizational Effectiveness at EPCOR 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 serves on the Audit Committee of West Fraser Timber Co. Ltd. (since 2004), the Audit Committee of 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), which she Chairs, the Audit Committee of Major Drilling Group International Inc. (since 2010), and the Audit Committee of WestJet Airlines Ltd. (since 2012).

MEMBERSHIP CHANGES IN 2011

There were no membership changes in the Audit Committee in 2011.

KEY ACTIVITIES FOR 2011

During 2011, the Audit Committee:

Overseeing Financing Reporting

- reviewed Capital Power's Annual Report, Annual Information Form (**AIF**), audited financial statements for the year-ended December 31, 2010, Management's Discussion and Analysis (**MD&A**) for the year-ended December 31, 2010, and Management Proxy Circular in respect of the Company's annual meeting on April 29, 2011, and recommended same to the Board for approval;
- approved Capital Power's quarterly interim financial statements and MD&A for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011, and recommended same to the Board for approval;

Monitoring External Auditors

- recommended to the Board the appointment of the external auditor, approved the external audit plan, scope and budget, and approved the external auditor engagement letter;
- reviewed Capital Power's interim and year-end external audit reports, and recommended same for approval to the Board;
- reviewed Capital Power's policy regarding the hiring of professional staff from the external auditor;

Monitoring Internal Auditors

- reviewed and approved the 2012 internal audit plan, and reviewed Capital Power's quarterly and annual internal audit status reports;
- received quarterly commodity risk reports;

Monitoring Risk Management and Internal Controls

- reviewed with management quarterly litigation and ethics reports and management compliance certificates;
- reviewed interim and annual certification of filings under Canadian Securities Administrators' National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* (**CSox**) and received quarterly CSox updates;
- received reports on goodwill and long-lived assets for potential impairment, fraud risk, credit and liquidity, and trading controls;
- received updates on Capital Power's progress to International Financial Reporting Standards (**IFRS**) conversion;
- received quarterly reports on new accounting standards and projects and securities law changes which could impact financial reporting;
- reviewed the Company's procedures for accounting and auditing complaints;
- received a report on Capital Power's Enterprise Trading Risk Management (**ETRM**) project;
- received updates on the Company's insurance program;
- received a report on Capital Power's tax compliance and exposures;

Other

- reviewed the Audit Committee's Terms of Reference;
- reviewed and recommended for approval to the Board amendments to Capital Power's Disclosure and Insider Trading Policy;
- reviewed and recommended for approval to the Board a Dividend Reinvestment Plan (**DRIP**); and
- self-assessed the Audit Committee's performance.

CERTIFICATION

Capital Power is in compliance with CSox. In 2011, Management assessed our disclosure controls and procedures and our internal control over financial reporting and concluded that they were effective as of December 31, 2011.

COMMITTEE APPROVAL

Based on the Audit Committee's discussion with management and KPMG, and their representations, the Audit Committee has recommended to the Board that KPMG be appointed auditors of the Company to hold office until the close of the next Annual Meeting at remuneration to be fixed by the Board on the recommendation of the Audit Committee.

PRE-APPROVAL POLICIES AND PROCEDURES

Before Capital Power or any subsidiary engages KPMG for additional audit or non-audit services, the Audit Committee must pre-approve the engagement. If, for reasons of timing, pre-approval is not possible and it is not possible to wait until the next scheduled Audit Committee meeting, the Chair has the delegated authority to pre-approve additional audit or non-audit services as long as the individual engagement fees are projected to be less than $100,000, subject to an annual maximum approval limit of $250,000, and must be reported to the Audit Committee for ratification at its next meeting.

In 2011, audit-related services by KPMG to execute the annual effectiveness testing of internal controls over financial reporting for 2011 were pre-approved by the Audit Committee, and $7,500 of services for the review of the Company's Oracle ERP system was approved by the Chair and ratified by the Audit Committee.

CGC&N Committee

The CGC&N Committee assists the Board by:

- reviewing and determining matters affecting personnel and compensation and key compensation and human resources policies for the Company;
- taking responsibility and providing direction on the Company's approach to governance issues to enhance corporate performance through development of a set of corporate governance principles and monitoring compliance therewith; and
- making recommendations regarding the Board's effectiveness, and identifying and recommending individuals to the Board for nomination as Board members (other than Directors nominated by EPCOR).

The CGC&N Committee met four times in 2011, and the committee members met without management present at every meeting.

CGC&N 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 candidates 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 named executive officers;
- 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 operates under the CGC&N Committee's Terms of Reference which can be located at the Company's website at www.capitalpower.com.

MEMBERS OF THE CGC&N COMMITTEE

In 2011, the CGC&N Committee was composed of four independent Directors, namely, Al Bellstedt, Chair, Robert Phillips, Brian MacNeill and Janice Rennie, and one non-independent member, Rick Cruickshank. Don Lowry is an independent, non-voting, ex-officio member of the committee.

INDEPENDENCE AND RELEVANT EXPERIENCE OF THE CGC&N COMMITTEE MEMBERS

All committee members are independent except for Rick Cruickshank, who is not considered independent as he is a partner of a law firm that provides legal advice and services to the Company.

Each CGC&N Committee member was a member since the inception of Capital Power (July 2009) and involved with the development of the Company's current compensation programs, which included deliberations of the programs' long-term implications and risks. All members are skilled or expert in compensation and human resource management, expertise most relevant to the Committee's mandate, as outlined below:

Albrecht Bellstedt, Chair of the CGC&N Committee:

- prior to 2011, served as Lead Director, Chair of the Governance and Nominating Committee and a member of the Human Resources and Compensation Committee of the Forzani Group Ltd.;
- served as Executive Vice-President and General Counsel of TransCanada Corporation and a predecessor corporation from 1999 to 2007;
- served as Chair of the Governance and Nominating Committee and serves as a member on the Human Resources Committee of the Canadian Western Bank;
- has served as Chairman of the Board of The Churchill Corporation since 2008; and
- serves as a member of the Environment, Health and Safety Committee of the Company.

Robert L. Phillips:

- served as President and CEO of the BCR Group of Companies prior to 2004;
- served as Executive Vice President, Business Development and Strategy, for MacMillan Bloedel Limited;
- served as Vice President of Husky Oil Limited;
- held the position of President and Chief Executive Officer of the PTI Group Inc. and Dreco Energy Services Ltd.;
- serves as Lead Director, Chair of the Governance & Nominating Committee, and a member of the Safety & Environment Committee of West Fraser Timber Co. Ltd.;
- serves as a member of the Human Resources Committee of the Canadian Western Bank;
- serves as Chair of the Board and a member of the Compensation Committee and of the Corporate Governance and Nomination Committee of MacDonald, Dettwiler and Associates Ltd.;
- serves as Chair of the Board and a member of the Compensation Committee, the Corporate Governance and Nominating Committee and the Audit Committee of Precision Drilling Corporation; and
- serves as a member of the CGC&N Committee of the Company.

Rick Cruickshank:

- served as a member of the executive committee of a law firm for 20 years, and periodically, as the managing partner;
- serves as a member of the CGC&N Committee of the Company;
- has provided strategic counsel to numerous corporations and institutions and their respective boards and executives for over 30 years;
- has extensive experience in structuring executive compensation, and retirement and security based compensation plans and advising pension plan trustees on governance and compliance matters; and
- has been recommended in Best Lawyers in Canada for the years 2009 through 2012 as a leading lawyer in Mergers and Acquisitions and Tax Law (Corporate).

Brian MacNeill:

- served as President and CEO of Enbridge Inc. from 1990-2001;
- served as non-executive Chair of PetroCanada from 2000-2009;
- held the position of Chair of the Audit Committee of Telus Corporation;
- served as a member of the Compensation Committee and the Governance and Nominating Committee of West Fraser Timber Co. Ltd.;

- served as Chair of the Governance Committee and member of the Audit Committee of Suncor Energy Inc.;
- was a member of the Corporate Governance Committee of The Toronto-Dominion Bank; and
- served as Chair of the Board of Dofasco Inc.

Janice Rennie:
- has held senior management positions with a number of companies, most recently, Senior Vice-President, Human Resources and Organizational Effectiveness of EPCOR;
- was the Principal of Rennie Associates until 2004, which provided investment and related advice to small and mid-sized companies;
- is a member of the Audit Committee, Safety & Environment Committee and of the Governance & Nominating Committee of West Fraser Timber Co. Inc.;
- is a member of the Audit and Risk Committee of Greystone Capital Management Inc.;
- is Chair of the Audit Committee and member of the Compensation Committee and Corporate Governance and Nominating Committee of Teck Resources Limited;
- is a member of the Human Resources Committee and Audit, Finance and Risk Committee of Methanex Corporation;
- is a member of the Board and of the Audit Committee and Corporate Governance Committee of Major Drilling Group International Inc.;
- is a member of the Board and of the People and Compensation Committee and the Audit Committee of WestJet Airlines Ltd.; and
- is a member of the Audit Committee of the Company.

MEMBERSHIP CHANGES IN 2011

There were no membership changes in the CGC&N Committee in 2011.

KEY ACTIVITIES FOR 2011

During 2011, the CGC&N Committee:

Board Composition, Development and Compensation
- formed a Director Search Committee comprised of Albrecht Bellstedt (Chair of the CGC&N Committee), Don Lowry (Chair of the Board), Brian Vaasjo (President and CEO) and Rick Cruickshank;
- reviewed, monitored and made recommendations regarding new Director orientation;
- reviewed Capital Power's Director Skills Matrix;
- recommended for approval to the Board the non-EPCOR elect director nominees to stand for election as Directors;
- reviewed and recommended to the Board of Directors reappointment of Board Committee members;
- reviewed and recommended the Committee structure and membership to the Board;

Corporate Governance
- reviewed the governance components of Capital Power's annual governance disclosure, compensation discussion and analysis (**CD&A**) and proxy circular and recommended the same for approval to the Board;
- reviewed all terms of reference;
- conducted an assessment of Board and Committee performance by Board evaluation;
- reviewed and recommended to the Board an Incentive Claw Back Policy, a Say on Pay Policy, an Independent Board Consultant Policy, a Board Records Management Policy and an Anti-Hedging Policy;
- reviewed Capital Power's compensation principles;
- reviewed management's proposed key messages for compensation disclosure, including a risk discussion, of: a) the extent and nature of the Board's and Committee's role in risk oversight; b) any practices the Company uses to identify and mitigate compensation policies and practices that could encourage inappropriate or excessive risk taking; and c) any identified risks arising from Capital Power's compensation policies and practices that are reasonably likely to have a material adverse effect on Capital Power;
- performed a risk review on the Company's compensation policies and practices, whereby the Committee was comfortable that Capital Power's compensation policies and practices would result in appropriate behavior and mitigate any residual risks of such practices;

- recommended updates to governance documents including mandates for the Board, individual Directors and all committees and the Corporate Governance Policy;
- received information as to the change in methodology to value long-term incentives as a result of the adoption of International Financial Reporting Standards;
- received a report on the utilization review of the Company's LTIP;
- received from management a Directors' and Officers' liability insurance update;

COMPENSATION AND BENEFITS

- reviewed the CEO's 2012 annual objectives and recommended the same to the Board;
- reviewed and approved management's recommendations for various collective bargaining mandates;
- reviewed the overall governance of the Company's pension and other benefits plans;
- received updates from management with respect to the approved human resources policies of the Company and all major human resources issues;
- reviewed management's recommendations respecting matters affecting personnel and compensation within the Company, including, amendments to the Capital Power employee savings plan;
- reviewed and recommended to the Board for approval the base salary, incentive plan and annual incentive payments for the CEO and executive officers;
- reviewed and recommended to the Board for approval stock option and performance share unit (**PSU**) grants for executives under the Omnibus Long Term Incentive Plan (the **LTIP**);
- reviewed and approved PSU grants to non-executives and non-executive short-term incentive plan (**STIP**) payments; and
- reviewed and approved the Company's annual performance targets/measures for the 2012 STIP.

EXTERNAL RECOGNITION

We received the following recognition for our human resources practices during 2011, including:

Capital Power's onboarding practices were included in a Conference Board of Canada report entitled "Bringing New Hires Up to Speed: How Structured Onboarding Can Help" in August, 2011.

In addition, these onboarding practices were also the subject of an article in the January 30, 2012 issue of *Canadian HR Reporter (The National Journal of Human Resource Management)*.

SUCCESSION PLAN AND LEADERSHIP DEVELOPMENT

The CGC&N Committee reviews and reports to the Board annually on the succession plan for Capital Power's CEO and senior management, and oversees the Company's performance management and talent development programs.

OUTSIDE COMPENSATION CONSULTANT

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 July of 2011, the Board approved an Independent Compensation Consultant Policy on the recommendation of the CGC&N Committee to set out broad guidelines to govern the relationship between the CGC&N Committee, management and the independent consultant, as follows:

> The Corporate Governance, Compensation and Nominating Committee (the "Committee") of the Board of Directors of Capital Power Corporation (the "Corporation") may retain an independent executive compensation consultant (the "Independent Consultant") from time to time to provide independent advice to the Committee regarding executive compensation matters as defined below (the "Covered Services").

The following sets out the broader guidelines to govern relationships among the Corporation's management ("Management"), the Committee and the Independent Consultant. The Independent Consultant must acknowledge and agree to comply with this Policy in connection with its engagement by the Committee, and shall affirm its compliance in writing to the Committee at least annually.

GOVERNANCE

- The Committee shall have the direct responsibility and authority to select, retain and dismiss the Independent Consultant.
- The Independent Consultant's professional obligations shall be owed solely to the Committee and not to Management. In discharging its engagement, the Independent Consultant must fulfill a duty of care, loyalty and due diligence and advise the Committee's Chair of any potential conflict of interest that could cause the Independent Consultant's duty of loyalty to be questioned.
- Management may not engage the Independent Consultant to perform any service without the approval of the Committee's Chair. The Committee must approve any compensation payable to the Independent Consultant for any such services performed for Management. In no event shall such other services be material relative to the scope of services provided to the Committee.
- The Independent Consultant shall have a direct and confidential relationship with the Committee. The Committee acknowledges that communications between the Independent Consultant and Management will be necessary to facilitate fulfillment of the Independent Consultant's obligations to the Committee, but all such communications shall remain subject to the Committee's oversight.
- Management may or may not participate in meetings between the Committee and the Independent Consultant, at the discretion of the Chair of the Committee.
- Management may retain a compensation consultant to assist with the formation of its recommendations. As requested by the Committee Chair, the Independent Consultant will review Management's recommendations and provide comments that may include alternatives to Management's recommendations.

ADMINISTRATION

- The Committee Chair shall have responsibility for approving all invoices issued by the Independent Consultant.
- With the consent of the Committee Chair, the Independent Consultant will respond directly to information provided by, or requested from, Management.
- When preparing material for Committee's review:
  - Management will allow sufficient time for discussion between the Independent Consultant and the Committee Chair or Committee; and,
  - The Independent Consultant will allow sufficient time for discussion with Management (with consent of the Committee Chair) and for Management to revise its recommendations.

DEFINITION OF COVERED SERVICES

- As required, the Committee shall determine the Covered Services to be provided by the Independent Consultant.
- Covered Services may be incorporated into a pre-approved work plan or described in an engagement letter.

The following table outlines the fees paid to Hugessen Consulting for the fiscal years ended December 31, 2011 and December 31, 2010.

Type of Fees	**Year Ended December 31, 2011 ($)**	**Year Ended December 31, 2010 ($)**
Executive Compensation – Related Fees	$65,527	$6,625
All Other Fees	$0	$0
Total	**$65,527**	**$6,625**

CORPORATE GOVERNANCE PRACTICES

Our governance practices are reported in Appendix B which sets out our compliance with NI 58-101.

THE BOARD AND COMMITTEES

The CGC&N Committee reviews Board and committee memberships annually, considering Director independence, qualifications, skills and preferences. Each year, the results of the skills matrix evaluation is compiled and reviewed by the committee. This matrix sets out areas of expertise determined to be essential to ensure appropriate strategic direction and oversight by the Board. It also assists with Board recruitment. In 2011, the CGC&N Committee approved slight changes to the skills matrix to support further development of the Company's strategic goals.

NOMINATING A NEW DIRECTOR FOR ELECTION

As required by the Company's Articles, the Board consists of between three and twelve Directors at all times. Directors are elected by the shareholders each year at the Annual Meeting. The Board may from time to time appoint additional Directors between Annual Meetings to fill vacancies until the next Annual Meeting.

In order to support its board succession planning, the Board maintains a skills matrix that identifies: (a) all background skills and experience required or desirable to be on the Board to guide and oversee Capital Power's business; and (b) the identity of current Directors and the required or desired skills and experience each of them respectively brings to the Board. The CGC&N Committee also maintains an evergreen list of potential Directors comprised of people whom the committee feels would be appropriate to be asked to stand for nomination to the Board. Individuals are selected to fill gaps in, or complement, the current skills matrix and comply with the independence requirements of the Board and its committees when a vacancy arises or the Board determines to add a new Director. From time to time, the committee also engages a search firm to identify other new candidates for recommendation to the Board.

All candidates for election or appointment to the Board are initially reviewed and recommended by the CGC&N Committee..

ADVISORY VOTE ON EXECUTIVE COMPENSATION ("SAY ON PAY")

In 2011, the CGC&N Committee and the Board unanimously adopted an advisory vote on executive compensation ("say on pay") policy to allow our shareholders the opportunity to provide their input on our executive compensation practices.

For more details on our overall shareholder engagement practices, please see the discussion under the heading "Shareholder Engagement".

RETIREMENT POLICY FOR THE BOARD OF DIRECTORS

Capital Power has not adopted a mandatory retirement age or term limits for Directors because the Board is only three years old, two Directors are being replaced this year, and more Board turnover is expected as EPCOR's equity interest decreases. In addition, the Board believes that age is not a good indicator of effectiveness and that any decision with respect to the retirement of a Director should be dealt with on a case by case basis. In addition, the CGC&N Committee and the Board rely upon the annual assessment of the Board's effectiveness which explores the performance of the Board as a whole, all Board Committees, and the performance, skills and contributions of individual Directors.

EVALUATION OF DIRECTORS AND THE BOARD

The CGC&N Committee annually determines the format of the Board evaluation to be used, in consultation with the Board, and generally rotates between the use of a questionnaire and a series of one-on-one formal interviews between the Board Chair and individual Directors.

This rotational process is used because the Board believes that each evaluation method provides different potential benefits. You can read more about our annual evaluation process in our Corporate Governance Policy found at www.capitalpower.com.

ANTI-HEDGING POLICY

In November 2011, the CGC&N Committee adopted an Anti-Hedging Policy. The policy provides that the Company's reporting insiders are prohibited from engaging in any transaction in which they could benefit, directly or indirectly, if the value of any Capital Power security falls. In addition, any employee or Director that has a minimum share ownership requirement is prohibited from encumbering those share interests.

INCENTIVE CLAW BACK POLICY

In November 2011, the CGC&N Committee recommended to the Board the adoption of an Incentive Claw Back Policy. The Policy provides that short-term and long-term incentive compensation should be reimbursed to the Company by all of its executives, regardless of malfeasance, and any employees who engaged in misconduct that caused or partially caused a need for a material restatement or correction, if, in the Board's view:

- such incentive compensation was awarded on the basis of financial or other results that were subsequently materially restated or corrected;
- a lower payment would have been made to the executive or employee based on the restated or corrected results.

The reimbursement would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

COMMITTEE APPROVAL

The CGC&N Committee has reviewed and discussed with management and the Board the governance and compensation disclosure in this document, including the information in the Board of Directors section, the Compensation Discussion and Analysis section, and the Corporate Governance Disclosure Form 58-101F1, and has recommended to the Board that the disclosure be included in the Circular, and, as appropriate, the Annual Information Form.

Environment, Health and Safety Committee

The Environment, Health and Safety Committee (**EH&S Committee**) assists the Board in overseeing matters relating to the impact of the operations of the Company on the environment and on the workplace health and safety of the employees and contractors, including:

- establishment, maintenance and review of the Company's strategies, goals and policies relating to the environment, health and safety (**EH&S**);
- conduct of due diligence in matters of EH&S; and
- achievement of excellent corporate performance in EH&S.

The EH&S Committee met three times in 2011, and the Committee members met without management present at each meeting.

EH&S COMMITTEE MANDATE

The EH&S Committee operates under the EH&S Committee's Terms of Reference, which can be found at the Company's website at www.capitalpower.com.

MEMBERS OF THE EH&S COMMITTEE

The EH&S Committee is composed of four independent Directors, namely, Brian Bentz (Chair), Al Bellstedt, William Bennett, and Phil Lachambre. Don Lowry is an independent, non-voting, ex-officio member.

INDEPENDENCE AND QUALIFICATIONS

All EH&S Committee members are independent. All members are knowledgeable on our EH&S programs and policies and have skilled or expert application in sustainable business practices, including health, safety, environment and social responsibility, and other expertise most relevant to the Committee's mandate. See the Director biographies and the skills matrix chart for additional information.

MEMBERSHIP CHANGES IN 2011

There were no membership changes in the EH&S Committee during 2011.

KEY ACTIVITIES FOR 2011

In 2011, the EH&S Committee:

- met regularly with management to review overall EH&S performance (including training, compliance, trends) and to confirm that the Company has in place and maintains comprehensive and appropriate systems to effectively manage environmental and health and safety matters;
- regularly reviewed EH&S related risk management and audit activities, including security reviews;
- reviewed progress toward Capital Power's World Class Safety Program implementation;
- reviewed the Company's Crisis Management Plan;
- monitored and reported to the Board on current, pending or threatened material legal or regulatory actions relating to environment, health and safety matters by or against the Company or any of its Directors, officers, subsidiaries or affiliates;
- reviewed and recommended to the Board the annual environmental, health and safety disclosure (including environmental disclosure for the Corporate Responsibility Report);
- received reports from management with respect to Capital Power's primary EH&S risks;
- received reports on international, federal and provincial environmental and safety laws, regulations or voluntary programs substantially impacting the Company's business, and reported to the Board where appropriate;
- reviewed the EH&S Committee terms of reference but did not recommend any changes; and
- self-assessed the EH&S Committee's performance.

SPECIAL PRESENTATIONS AND MANAGING FOR WORLD CLASS SAFETY

On July 26, 2011, the EH&S Committee members heard from the Plant Manager of Genesee, who provided a report of a specific safety incident which occurred earlier in 2011 at the Genesee plant and the steps taken to prevent future incidents.

Also on July 26, 2011, the EH&S Committee members and other Directors attended a Safety Workshop outlining the Company's *Managing for World Class Safety Program*, a program implemented as a key foundational tool to expand the Company's safety culture, both in operations and across the entire organization. (See "Director Education" for attendees).

CORPORATE RESPONSIBILITY REPORT

In 2011, the EH&S Committee reviewed and recommended for approval to the Board the text of the Company's 2010 Corporate Responsibility Report (**CRR**). The CRR follows guidelines defined by the Global Reporting Initiative (**GRI**), which produces an internationally-recognized standard for corporate responsibility reporting. The guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental and social performance. On August 8, 2011, PricewaterhouseCoopers LLP provided a letter of assurance in the report affirming the Company's rating of A+. For more information on the Company's 2010 CRR, please see the Company's website at www.capitalpower.com.

CLIMATE CHANGE

The EH&S Committee receives reports on legislative developments and other climate change initiatives and the potential impact such initiatives could have on Capital Power's operations in Canada and the United States at each meeting.

EXTERNAL RECOGNITION

With an employee safety record that ranked in the top quartile for utilities across Canada in 2010, the Company received a Canadian Electricity Association President's Award of Excellence for Employee Safety on October 4, 2011. The EH&S Committee is pleased to report that the Company's employee safety record for 2011 has surpassed that of 2010.

Also in 2011, *Corporate Knights* magazine included the Company in its annual ranking of Canada's 50 Best Corporate Citizens. The *Corporate Knights* rankings are compiled through a third-party, independent process, based solely on publicly available disclosures (through both traditional reporting and corporate responsibility reporting). The ranking compared performance in areas such as carbon productivity, taxes, board representation and the ratio of highest to lowest-paid employees.

E. DIRECTOR COMPENSATION

The Company's Directors' compensation comparator group consists of companies that meet the following criteria:

- publicly-traded Canadian companies;
- primarily Alberta-based companies;
- classified in the energy and utilities industries; and
- revenue between $1 billion and $10 billion.

Directors' compensation is 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 complexity in Canada. The Directors' compensation comparator group is comprised of the following Canadian based companies:

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

The Directors' compensation comparator group is designed to reflect the relevant labour market for Directors and may differ from the executive compensation comparator group to the extent that the Company recruits from or loses talent to different types of organizations. The Directors' compensation comparator group was created in 2009 prior to the Company's Initial Public Offering, and will be reviewed in the future for continued relevance.

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, 2011, each non-employee Director was eligible to receive the following compensation:

Type of Fee[1,2]	Amount
Chair Annual Retainer	$150,000/year
Chair Annual Equity Retainer	$135,000/year
Non-EPCOR Elect Chair Annual Retainer[3]	$45,000/year
Non-EPCOR Elect Chair 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
Meeting Attendance Fee	$1,500/meeting
Committee Attendance Fee	$1,500/meeting

(1) Donald Lowry, the Chair of the Board, is the President and Chief Executive Officer of EPCOR 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.

(3) The Non-EPCOR Elect Chair is the Chair of the non-EPCOR elect Directors and has its own Terms of Reference.

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 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, but not in satisfaction of meeting attendance fees or reimbursement of expenses, such as travel expenses, associated with meeting attendance. 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 principal stock exchange on which the Common Shares have traded on each of the five trading days immediately preceding the date of grant (the value of a DSU). The use of the five day average is fairly common among companies in general industry and may be a better measure of share prices at the relevant time. 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. This meets the requirements of the Tax Act. 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 because DSUs provide the same downside risk and upside opportunity as regular shares as opposed to other equity instruments such as stock options. In addition, DSUs do not impact overall dilution levels.

The following table sets forth information regarding DSUs outstanding as at December 31, 2011:

Name	Share-Based Awards: Number of Shares or Units of Shares that have not Vested[1] (#)	Market or Payout Value of Share-Based Awards that have not Vested ($)	Number of Shares or Units of Shares that have Vested[1,2] (#)	Market Value or Payout Value of Vested Share-Based Awards not Paid Out or Distributed[3] ($)
Donald Lowry[4]	N/A	N/A	N/A	N/A
Albrecht Bellstedt	0	0	8,157	204,904
William Bennett	0	0	10,451	262,529
Brian Bentz	0	0	8,157	204,904
Hugh Bolton	0	0	11,726	294,557
Richard Cruickshank	0	0	11,726	294,557
Philip Lachambre	0	0	8,208	206,185
Robert Phillips	0	0	12,236	307,368
Brian MacNeill	0	0	11,088	278,531
Allister McPherson	0	0	8,157	204,904
Janice Rennie	0	0	11,726	294,557

1 DSUs are fully vested upon being credited to Directors.

2 Includes reinvested dividends. These numbers do not include the number of DSUs to be awarded to each Director in respect of Q4 of 2011, as those numbers were not available as of the date of this Circular. The Company files issuer grant reports on SEDI in respect of DSUs granted to the Company's Directors.

3 Based on the closing share price of Capital Power's Common Shares on the TSX on December 30, 2011 of $25.12.

4 Mr. Lowry does not receive DSUs for his service as a Director and Chair of the Board. Mr. Lowry is the President and Chief Executive Officer of EPCOR.

Equity Ownership Guidelines

The Board believes that Directors' compensation should align with shareholders' interests. As a result, each Director's annual equity retainer must be paid in DSUs, described above. The Directors can elect the percentage of their other retainers that they wish to be paid in DSUs.

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, 2011

Name[3]	Total Common Shares and DSUs[1] (#)	Value[2] ($)	Total Common Shares and DSUs as a Percentage of Ownership Requirement (%)	Ownership Requirement Met	Deadline to Meet Ownership Requirement
Donald Lowry	4,000	100,480	N/A[4]	N/A[4]	N/A[4]
Albrecht Bellstedt	15,247	383,005	104%	Requirement Met	July 9, 2014
William Bennett	11,457	287,649	77%	In Progress	July 9, 2014
Brian Bentz	9,157	230,024	64%	In Progress	July 9, 2014
Hugh Bolton	12,726	319,677	93%	In Progress	July 9, 2014
Richard Cruickshank	12,726	319,677	93%	In Progress	July 9, 2014
Philip Lachambre	9,236	232,008	67%	In Progress	July 9, 2014
Robert Phillips	16,236	407,848	113%	Requirement Met	June 25, 2014
Brian MacNeill	16,088	404,131	93%	In Progress	July 9, 2014
Allister McPherson	13,157	330,504	96%	In Progress	June 25, 2014
Janice Rennie	12,726	319,677	93%	In Progress	July 9, 2014

1 Includes reinvested dividends. These numbers do not include the number of DSUs to be awarded to each Director in respect of Q4 of 2011, as those numbers were not available as of the date of this Circular. The Company files issuer grant reports on SEDI in respect of DSUs granted to the Company's Directors.

2 Based on the closing share price of Capital Power Common Shares on the TSX on December 30, 2011 of $25.12.

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. Mr. Lowry is the President and Chief Executive Officer of EPCOR.

Summary of Directors' Compensation for the Fiscal Year 2011

Name[1]	Fees Earned ($)[6]	Share-Based Awards[4] ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation[5] ($)	Total Compensation ($)
Donald Lowry[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Albrecht Bellstedt	68,000	80,000	N/A	N/A	N/A	3,000	151,000
William Bennett[3]	73,500	80,000	N/A	N/A	N/A	3,000	156,500
Brian Bentz	65,500	80,000	N/A	N/A	N/A	2,500	148,000
Hugh Bolton	53,000	80,000	N/A	N/A	N/A	1,500	134.500
Richard Cruickshank	68,000	80,000	N/A	N/A	N/A	2,000	150,000
Philip Lachambre	63,500	80,000	N/A	N/A	N/A	500	144,000
Robert Phillips	71,250	80,000	N/A	N/A	N/A	2,000	153,250
Brian MacNeill	69,000	100,000	N/A	N/A	N/A	2,000	171,000
Allister McPherson	66,500	80,000	N/A	N/A	N/A	500	147,000
Janice Rennie	66,500	80,000	N/A	N/A	N/A	500	147,000

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 Circular.

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

3 Canadian equivalent paid in US$ when paid.

4 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.

5 Represents travel allowance paid to Directors. In respect of Mr. Bellstedt and Mr. Cruickshank, includes $1,500 for a special meeting in regards to Director interviews.

6 See table below for a breakdown of the total fees earned.

Breakdown of Director Fees Earned

Of the Directors in the table above who receive Director retainers, committee chair retainers and meeting or committee attendance fees, the breakdown is as follows:

Name	Total Fees Earned ($)	Annual Director Retainer ($)	Annual Committee Chair Retainer ($)	% of Annual Retainer Earned paid in cash[6]	% of Annual Retainer Earned paid in DSUs[6]	Meeting Attendance Fees[8] ($)	Committee Meeting Attendance Fees[8] ($)
Albrecht Bellstedt	68,000	35,000	7,500[1]	100%	0%	13,500	12,000
William Bennett[7]	73,500	35,000	10,000[2]	50%	50%	16,500	12,000
Brian Bentz	65,500	35,000	5,000[3]	100%	0%	15,000	10,500
Hugh Bolton	53,000	35,000	N/A	0%	100%	15,000	3,000
Richard Cruickshank	68,000	35,000	N/A	0%	100%	16,500	16,500
Philip Lachambre	63,500	35,000	N/A	30%	70%	16,500	12,000
Robert Phillips	71,250	35,000	5,000[4]	0%	100%	16,500	15,000
Brian MacNeill	69,000	N/A	45,000[5]	25%	75%	16,500	7,500
Allister McPherson	66,500	35,000	N/A	100%	0%	16,500	15,000
Janice Rennie	66,500	35,000	N/A	0%	100%	16,500	15,000

1 CGC&N Committee Chair retainer.

2 Audit Committee Chair retainer.

3 EH&S Committee Chair retainer.

4 Keephills 3 Project Oversight Committee Chair retainer.

5 Non-EPCOR Elect Chair retainer.

6 Election regarding the annual base retainer fee for serving as a Director, the annual retainer fee for serving as a member of a Board committee, and the annual retainer fee for chairing a Board committee as permitted by the terms of the DSU Plan.

7 Canadian equivalent paid in US$ when paid.

8 Meeting and committee attendance fees cannot be received in the form of DSUs.

F. EXECUTIVE COMPENSATION

Letter to Shareholders

To our Fellow Shareholders:

The purpose behind the following Compensation Discussion and Analysis is to provide you with the information you need to understand what we pay our executives, how we pay them and, most importantly, why we pay them the way we do.

Principles of our Compensation Strategy for Executives

How we compensate our executives (as well as other employees) is influenced by a number of factors. Overall, the Company's compensation philosophy aims to: a) attract and retain high performing employees (including our executives); b) link their compensation with the Company's business strategy and objectives; and c) ensure alignment of their total compensation with the interests of our shareholders. We also ensure that our programs are aligned with effective risk management.

Executive Compensation and 2011 Corporate Performance

The Share Performance Graph on the following pages shows that over the 2010 to 2011 timeframe the cumulative total shareholder return (**TSR**) for the Company increased by 12% while the cumulative TSR for the S&P/TSX Composite Index decreased by 8%. The Company's strong performance relative to that of the S&P/TSX Composite Index is reflected in the 2011 annual short-term incentive payments (paid in 2012 for 2011 performance) to the executives. The performance measures for the Company achieved stretch results and resulted in higher short-term incentive payouts, depending upon individual performance.

Based upon management's review of the competitive compensation market, an executive's salary will increase approximately 3.5% in 2012. Stock option and PSU grants exist to reward long term performance, although they are made on an annual basis using an approval process that considers an individual's level of responsibility, performance and market competitiveness, among other variables.

New in 2011

2011 was a busy year for the CGC&N Committee. In addition to its usual duties, the committee formed a Director Search Committee due to notice received of two retirements from the Board, and has been successful with sourcing two new nominees for our Company's Board.

Also, upon recommendation from management, the committee reviewed and recommended to the Board a number of policies, including: a) an Incentive Claw Back Policy to ensure the Company will be reimbursed long or short-term incentive compensation on the basis of financial or other results that were subsequently materially restated or corrected from all executives and any other employees who engaged in misconduct that caused or partially caused the need for a material restatement or correction; b) an Anti-Hedging Policy to ensure that Capital Power's Directors, executives and reporting insiders are prohibited from engaging in any transaction in which they could profit if the value of any Capital Power security falls, as well as restricting individuals from encumbering the shares owned by them in support of their minimum share ownership requirements; and c) an Independent Compensation Consultant Policy to carefully delineate guidelines to govern the relationships among the Company's management, the CGC&N Committee and the Independent Compensation Consultant.

The Committee also conducted a risk review of the Company's compensation policies and practices. After much discussion, the Committee was comfortable that Capital Power's compensation policies and practices would encourage appropriate behaviour and mitigate any risks associated with those compensation practices.

Say On Pay

The Company is also introducing an advisory say on pay vote at this year's Annual Meeting. We encourage you to read the following information, as we believe we have outlined a clear explanation as to why our approach to executive compensation is rationally linked to the Company's business strategies, the behaviours we seek to encourage from our executives and all employees, and the goal of increasing shareholder return. We believe our approach should be approved by you, our fellow shareholders.

For more detail on our compensation philosophy and our executive compensation, please read our Compensation Discussion and Analysis which follows this letter.

Our Commitment to You

The CGC&N Committee, in its role of assisting the Board, will continue to monitor developments in compensation and disclosure to support Capital Power's long-term interests, and those of its shareholders. We thank you for your interest in our Company, and hope you find this information useful.

AL BELLSTEDT CHAIR OF THE CORPORATE GOVERNANCE, COMPENSATION AND NOMINATING COMMITTEE

ADVISORY VOTE ON EXECUTIVE COMPENSATION

At the Annual Meeting, shareholders will be asked to consider and approve, on an advisory basis, a resolution accepting the Company's approach to executive compensation as disclosed in this Circular. The Board has determined that the vote will not be conducted annually because the Company's approach to compensation does not change annually.

The Board believes that Capital Power's shareholders should have the opportunity to fully understand the objectives, philosophy and principles the Board has used in its approach to executive compensation decisions and to have an advisory vote on the Board's approach to executive compensation.

Purpose of 'Say on Pay' Advisory Vote

The purpose of the 'Say on Pay' advisory vote is to provide appropriate Board accountability to Capital Power's shareholders for the Board's compensation decisions by giving shareholders a formal opportunity to provide their views on the disclosed objectives of the executive compensation plans, and on the plans themselves.

While shareholders will provide their collective advisory vote, Capital Power's Directors remain fully responsible for their compensation decisions and are not relieved of these responsibilities by a positive advisory vote by shareholders.

Form of Resolution

Accordingly, shareholders are asked to consider the following non-binding advisory resolution:

> *RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the board of directors that the shareholders accept the approach to executive compensation disclosed in the Company's information circular delivered in advance of the 2012 annual meeting of shareholders.*

Approval of the above resolution will require an affirmative vote of a majority of the votes cast at the annual meeting of shareholders.

Results of Advisory 'Say on Pay' Vote

As this is an advisory vote, the results will not be binding upon the Board; however, the Board will take the results of the vote into account, as appropriate, when considering future compensation policies, procedures and decisions and in determining whether there is a need to significantly increase their engagement with shareholders on compensation and related matters.

The Company will disclose the results of the shareholder advisory vote as a part of its report on voting results for the relevant meeting, which is filed on SEDAR. In the event that a significant number of shareholders oppose the resolution, the Board will consult with the shareholders, particularly those who are known to have voted against it, in order to understand their concerns and will review Capital Power's approach to compensation in the context of those concerns. Shareholders who have voted against the resolution will be encouraged to express their specific concerns to the Board.

The Board will disclose to shareholders as soon as is practicable, ideally within six months of the vote, and no later than in the management proxy circular for Capital Power's next annual meeting, a summary of the significant comments relating to compensation received from shareholders in the engagement process and an explanation of the changes to the compensation plans made or to be made by the Board or why no changes will be made.

Review of this Policy

Recognizing that Say on Pay is an evolving area in Canada and globally, the CGC&N Committee will review our policy not less than every two years to ensure that it is effective in achieving its objectives.

For more details on our compensation practices and on our consideration of an advisory vote, respectively, see the Compensation Discussion and Analysis, the Business of the Meeting, and the Company's Corporate Governance Policy on the Company's website at www.capitalpower.com.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation and Risk

The CGC&N Committee conducted its annual compensation risk review in November of 2011. In conducting the risk analysis, the CGC&N Committee discussed how the Company's compensation structure, policies and practices affect, and are affected by, each of the key risks to Capital Power's business (as set forth in the Company's MD&A) as well as risks generally applicable to independent power producers, such as fraud and the potential for excessively risky trading. The CGC&N Committee found that none of the Company's current compensation practices are reasonably likely to have a material adverse impact on Capital Power. Some of the CGC&N Committee's more detailed findings included:

1. **Operations risk** is mitigated by the facts that: (i) funds from operations (**"FFO"**) form part of the basis for measuring STIP for every employee of the Company, including 70% for executives and 30% for operations staff; (ii) another 30% of STIP for operations staff is based on aggregated operating margin per plant; and (iii) "plant specific measures" which may include successful maintenance outages or other activities supportive of plant availability.
2. **Acquisition and development risk** is mitigated because 40% of the STIP for construction personnel is attributable to whether construction and maintenance projects are delivered "on time and on budget" and another 30% is attributable to FFO; 40% of the corporate component of the business development team's STIP is based on FFO; and 70% of the corporate component of the executives' STIP payments is based on FFO. Although business development activities may not affect FFO in the years in which they are specifically undertaken, FFO in every year thereafter will be so affected and thus the FFO metric discourages the acquisition or development of plants that will not contribute strongly. In addition, the annual performance measures of the Company's individual business development personnel relate to the quality of business acquisitions, as measured by accretion to the Company's earnings per share attributable to each acquisition or development project.
3. **Derivatives and energy trading risk,** which is related to the Company's exposure to electricity, natural gas and foreign exchange spot prices, is mitigated through compensation in two ways: (i) members of the Company's commodity portfolio management team (**"CPM"**) have their own short-term incentive payment program (**"MSTIP"**) which addresses the Company's risk of not being able to attract and/or retain this specialized skill by ensuring that its compensation for traders remains competitive with that of its competitors in the commodity trading market. The MSTIP is designed to provide eligible participants with an opportunity to earn higher incentives for superior performance, but also pays them less for inferior performance. The MSTIP offers participants the ability to share a portion of incremental profit created by CPM, which is defined as all economic value that is created in excess of budget target amounts for which CPM is accountable. The resulting pool is allocated based on the assessment of team and individual performance by CPM management and in consultation with Human Resources. The opportunity to share in the economic value that is created encourages the MSTIP participants to maximize the Company's income from merchant activities in deregulated markets. The risk that the participants might be incented to take unreasonable risks in order to increase short-term returns is mitigated because (i) the individuals who manage CPM do not participate in MSTIP and are subject to the Company's regular STIP (including the FFO metric) and LTI Plan (which ensures they retain a longer term focus); and the commodity risk management group (which reports to the CEO and approves trades) also participate in the regular STIP and have individual performance metrics related to specifically managing the commodity trading risks. Furthermore, the components used in determining incremental profit, which has a cap, is reviewed by Capital Power's finance and commodity risk management departments.
4. **Disclosure risk** is mitigated through compensation in three ways: (i) each individual who contributes directly to the Company's public disclosure has a personal performance metric prohibiting any material restatement; (ii) all members of the Company's management team are required to certify quarterly that they have disclosed to, and appropriately updated, the executive (in the case of senior managers) and the board (in the case of executives) on every significant event or condition that could materially affect the Company or its results; and (iii) all of the executives are subject to the Company's Incentive Claw Back Policy, which would require disgorgement of any long and short-term incentive compensation paid on the basis of misstated financial or other results, regardless of personal malfeasance; and (iv) the Incentive Claw Back Policy also requires disgorgement from any non-executive employee(s) whose malfeasance contributed to the misstatement.

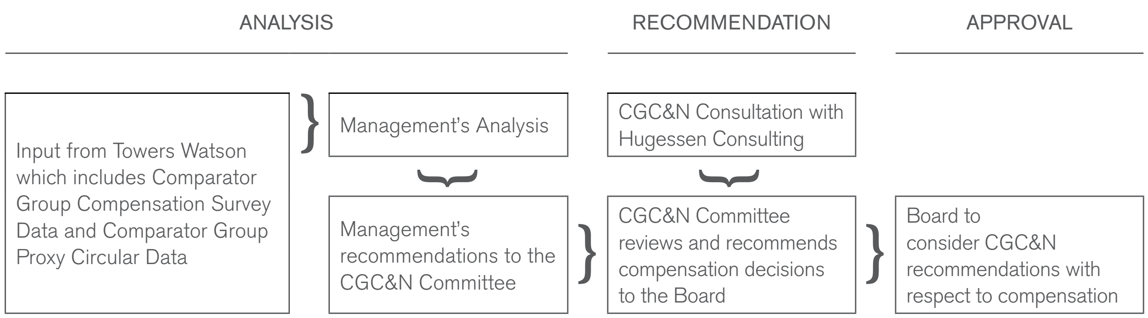
The CGC&N Committee is required to report its findings to the Board, so that the Board can consider the compensation risk assessment within the context of the Board's overall risk oversight activities.

Named Executive Officers

This section discusses the Company's executive compensation programs for the fiscal year ended December 31, 2011 for the following Named Executive Officers (**NEOs**):

- Brian Vaasjo, President & Chief Executive Officer;
- Stuart Anthony Lee, Senior Vice President & Chief Financial Officer;
- James Nicholas Oosterbaan, Senior Vice President, Operations & Commodity Portfolio Management;
- B. Kathryn Chisholm, Q.C., Senior Vice President, General Counsel & Corporate Secretary; and
- Darcy Trufyn, Senior Vice President, Construction & Engineering.

Compensation Approval Process



CGC&N Committee

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 related to compensation:

- 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 with (for information purposes) 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 Company short-term incentive plans 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.

Base salaries and short-term and long-term incentives are 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.

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 and management objectives;
- medium and long-term goals are supported through the long-term incentive plan which rewards shareholder value creation; and
- equity ownership requirements align executive interests with shareholder interests.

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.

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

Comparator Group

For 2011, the Company's executive compensation comparator group consisted of companies that met the following criteria:

- publicly-traded Canadian companies;
- primarily Alberta-based companies;
- classified in the energy and utilities industries; and
- revenue between $500 million and $10 billion.

In 2011, the executive compensation comparator group comprised the following companies:

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

The composition of the Company's executive compensation comparator group is reviewed annually by third party consultants and the CGC&N Committee for continued relevance.

For 2012, the executive compensation comparator group selection criteria have been refined from the 2011 criteria by narrowing the revenue scope to companies with revenues between $1 billion and $5 billion. This change was made to have a comparator group which is generally aligned to the size and scope of the Company.

For 2012, 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 a more appropriate comparator group:

AltaGas Ltd.	**Just Energy Group**
ARC Resources Ltd.	**Keyera Corp.**
ATCO Ltd.	**Pembina Pipeline Corp.**
Crescent Point Energy Corp.	**Pengrowth Energy Corp.**
Emera Inc.	**Penn West Petroleum Ltd.**
Enerplus Corp.	**Provident Energy Ltd.**
Fortis Inc.	**TransAlta Corp.**
Inter Pipeline Fund	

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.

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 shareholders 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 2011

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.

Name	Base Salary (%)	Short-Term Incentive Compensation (%)	Long-Term Incentive Compensation (%)
Brian Tellef Vaasjo	32%	25%	43%
Stuart Anthony Lee	45%	22%	33%
James Nicolas Oosterbaan	45%	22%	33%
B. Kathryn Chisholm	48%	20%	32%
Darcy Trufyn	47%	23%	30%

Base Salary

Base 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 are targeted at the median of the comparator group for executive positions with similar responsibilities to those of the Company. Similarly, 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.

STIP TARGETS

The following table outlines the target incentive opportunity for each NEO for the fiscal year ended December 31, 2011:

Name	Minimum (%)	Target (%)	Maximum (%)
Brian Tellef Vaasjo	0%	75%	150%
Stuart Anthony Lee	0%	50%	100%
James Nicolas Oosterbaan	0%	50%	100%
B. Kathryn Chisholm	0%	40%	80%
Darcy Trufyn	0%	50%	100%

2011 STIP PAYOUT PROCESS

The target incentive opportunity for each position is a percentage of base salary and is targeted at the median of the comparator group for executive positions with similar responsibilities to those of the Company.

Payouts are based on the combined corporate performance measures and for individual performance results.

The corporate performance factor is determined by calculating the percentage of target achieved for each performance metric during the performance period, bounded by threshold (50% of target) and stretch (150% of target). The performance factor is then modified by an individual performance rating as per the following matrix, using linear interpolation when corporate performance results fall between threshold and target or target and stretch. An individual meeting their personal performance target (a "3" in the table below) in combination with the performance metrics achieving target would receive 100% of their individual target STIP award.

STIP AWARD PERCENTAGES

	Individual Performance Rating				
Performance Result	**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%

In the event that the Company's performance metrics do not meet threshold no employee will be entitled to an annual STIP award (nor will an employee achieving a "2" in the above table with performance metrics at threshold).

The maximum payout under the plan is capped at 200% of target. In order for an individual to receive this maximum payout the following events must both occur:

- company performance must achieve stretch results; and
- individual performance must be outstanding (this is equivalent to a rating of "5").

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.

Since the Company's inception in 2009, the CGC&N Committee has not adjusted any payouts under any of the Company short-term incentive plans.

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 200% of target.

The following table shows the performance measures applied for the period from January 1, 2011 to December 31, 2011 for the purposes of the STIP awards thereunder for the executive group. Definitions of each performance measure are outlined below the table in the footnotes.

Performance Measure	Weight	Target	Actual Result	Performance Assessment
Financial				
Funds from Operations[1]	70%	$306 million	$357 million	Stretch
Corporate Safety				
Total Recordable Injury Frequency Rate (TRIF)[2]	15%	1.12	0.72	Stretch
People Measures				
Work Life Balance Management[3]	5%	No change in roster as of February 1, 2012.	Decrease in roster as of February 1, 2012.	Stretch
Succession Planning[4]	5%	Maintain executive level succession plans.	Maintain executive level succession plans.	Stretch
		Create and maintain a developmental plan for each high potential employee at the director/VP level.	Create and maintain a developmental plan for each high potential employee at the director/VP and Senior Manager level.	
Turnover[5]	5%	6.0%	5.1%	Above Target

1 The performance measure "Funds from Operations" represents cash provided by operating activities less changes in operating working capital (IFRS-defined term). Funds from Operations includes 29.2% controlling interest of Capital Power Income L.P.'s funds from operations until November 5, 2011.

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 "Work Life Balance Management" represents the year-over-year change to an employee roster consisting of full-time employees who had more than 80 hours of vacation carry-over as of February 1, 2011.

4 The performance measure "Succession Planning" represents the process for identifying and developing employees with the potential to fill Senior Vice President and director/VP positions.

5 The performance measure "Turnover" represents the number of permanent full-time employees who resigned from the Company in 2011 divided by the actual number of active permanent full-time employees on December 31, 2011.

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 one to five, with one being Unacceptable and five being Outstanding.

The Company uses an individual performance measurement tool to capture and measure how employees deliver on their respective annual deliverables as well as adherence to the Company's values based behaviours and leadership competencies. The document is divided into four sections:

Section	Description	Weighting
Annual Objectives and Deliverables	This section highlights annual deliverables, objectives and/or special projects from the executive's respective business plan. There should be three to five deliverables or objectives documented in this section.	Minimum of 25% for the CEO. Minimum of 30% for all other executives.
Values Based Behaviours	This section highlights that there is an expectation that executives consistently behave in a way that aligns to the Company's values model. Annual performance ratings will be based not only on what an executive accomplishes (results) but also how they accomplish them (values based behaviours). Executives are asked to identify a minimum of three values based behaviours that they will work on to improve, strengthen or reinforce throughout the coming year.	Minimum of 10% for the CEO. Minimum of 10% for all other executives.
Leadership Competencies	This section highlights at least two leadership competencies that executives will work on to develop, strengthen and/or reinforce throughout the coming year. Consideration of which leadership competencies to select should be made in light of the results from the 360˚ Leadership Survey (which provides executives with personal feedback on how they measured against the Company's six leadership competencies).	Minimum of 45% for the CEO. Minimum of 40% for all other executives.
Employees Development and Career Objectives	This section highlights development and career objectives and is split into two parts. The first section focuses on identifying short-term (annual) development objectives. These development objectives should be focused on building proficiency in either the executive's current role or a future one. The second section focuses on completing a long-term career plan. Discussion and completion of the long-term career plan is voluntary.	Minimum of 5% for the CEO. Minimum of 5% for all other executives.

BRIAN VAASJO, PRESIDENT AND CHIEF EXECUTIVE OFFICER (4)

Mr. Vaasjo's performance measures generally met or exceeded targets. Significant strategic developments took place in 2011 such as the establishment of a generation hub in the U.S. North East and the sale of Capital Power's interests in Capital Power Income L.P. (**CPILP**) which was a very complex transaction. Normalized earnings of $1.25 per share significantly exceeded the IFRS adjusted target of $1.16. Funds from operations and safety measures are at stretch performance. Keephills 3 costs came in on target. The capital costs of the wind projects under construction and development are trending below budget targets.

Other significant achievements during 2012 were seven successful long term financings. Mr. Vaasjo also participated in numerous investor presentations during the year and exceeded target for adding significant institutional investors. Leadership Survey results met and exceeded expectations.

STUART LEE, SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER (5)

Mr. Lee's performance in 2011 greatly exceeded targets. Mr. Lee had the same normalized earnings and funds from operations targets as Mr. Vaasjo which significantly exceeded targets. He was also responsible for the sale of Capital Power's interests in CPILP and achieved results at the higher end of an acceptable range.

Mr. Lee was directly responsible for executing a number of successful financings through the year. Leadership Survey results met and exceeded expectations.

JIM OOSTERBAAN, SENIOR VICE PRESIDENT OPERATIONS AND COMMODITY PORTFOLIO MANAGEMENT (5)

Mr. Oosterbaan's performance for 2011 greatly exceeded expectations. The safety performance of operations was better than target. Plant operations during 2011 were excellent except for an unplanned outage at the Genesee 3 facility which was caused by a design failure. Fleet availability adjusted for the outage of 95% exceeded the target of 94%. The commodity portfolio management group exceeded target despite the unplanned outage of the Genesee 3 facility.

Other accomplishments include the effective integration of five new facilities and meeting and exceeding his Leadership Survey expectations.

KATHRYN CHISHOLM, SENIOR VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY (4)

Mrs. Chisholm's performance generally exceeded targets and expectations. Despite her legal team having a tremendous workload and being short staffed they provided excellent service to the organization including the acquisition and development activities and the sale of CPILP. At the same time, Mrs. Chisholm's team implemented a service model that reduces legal costs below what they otherwise would be. Mrs. Chisholm's Leadership Survey exceeded expectations.

DARCY TRUFYN, SENIOR VICE PRESIDENT, CONSTRUCTION & ENGINEERING. (4)

Mr. Trufyn's performance generally exceeded targets and expectations. Mr. Trufyn made great strides in further developing a construction and engineering team that will eventually be a competitive advantage for Capital Power. Projects under construction or development continue to trend at or below budget. The completion of the commissioning of Keephills 3 was a significant challenge that was not entirely in the control of Capital Power and Mr. Trufyn's personal participation resulted in it concluding sooner than it otherwise would have. Mr. Trufyn's Leadership Survey exceeded expectations.

Long-Term Incentive Compensation

The Company offers two types of long-term incentives: stock options and performance share units (**PSUs**). The combination of the chosen long-term incentive vehicles are designed to:

- reward sustained mid-term to long-term performance;
- align the interests of executives with those of the Company's shareholders; and
- aid in the long-term retention of the Company's executives.

Executives typically receive 50% of the targeted value from stock options and the other 50% by way of PSUs as granted under the Company's Omnibus Long-Term Incentive plan (**LTI Plan**). The 2009 Long Term Incentive Plan (**2009 Plan**) was used for a one time only grant of stock options made upon the Company's inception in 2009. No further grants of stock options will be made under the 2009 Plan. For more information about the LTI Plan and the 2009 Plan see "Compensation Discussion and Analysis – Equity Compensation Plans".

Stock option and PSU awards are generally made on an annual basis using the following decision-making and approval process:

- the CEO recommends to the CGC&N Committee the actual participants and associated grant sizes considering level of responsibility, performance and market competitiveness;
- the CGC&N Committee, when recommending to the Board, also considers the expected payout of the awards under various performance scenarios and the overall competitiveness of the Company's total compensation relative to the peer group;
- the CGC&N Committee determines the grant size to be recommended to the Board in respect of the CEO; and
- the CGC&N Committee and the Board do not take into consideration previous grants when they determine new grants to be awarded.

The following formula is used to determine the final PSU payout:

Number of PSUs Granted (plus reinvested dividends)		**Payout Multiplier** (based on relative TSR)		**5-Day Weighted Average Price** (based on the average share price of the five trading days preceding the vesting date)		**Final PSU Payout**
(e.g. 5,000 PSUs)	x	(e.g. relative TSR to the end of the performance period = 125%)	x	(e.g. $23.50)	=	(e.g. $146,875)

Relative performance is based on the Company's total shareholder return (TSR) ranking among a peer group of companies with similar business characteristics and that the Company competes with for investors. TSR is adjusted to reflect dividends paid over the period and the payout multiplier is interpolated on a straight-line basis between ranges. Relative TSR complements the absolute share price focus of stock options and is a comprehensive measure that encompasses share price performance and dividends. Upon vesting, the PSUs are 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 is reviewed annually by third party consultants and the CGC&N Committee for continued relevance. In 2010 and 2011, the performance peer group comprised the following companies:

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

The composition of the Company's performance peer group is reviewed annually by third party consultants and the CGC&N Committee for continued relevance. For 2012, using the same selection criteria as outlined above, it was concluded that nine of the ten companies used in the performance peer group for the 2010 and 2011 PSUs grants will remain and three companies will be added for a total of twelve companies. Specifically, the changes include:

Deletion: Enbridge Inc. was removed from the performance peer group due to its large size and because its renewable power generation segment is a small part of its business (i.e., not a reportable business segment) and may not have a big impact on its total shareholder return.

Additions: AltaGas Ltd., Innergex Renewable Energy Inc. and Veresen Inc. meet all of the selection criteria used to develop the performance peer group.

For 2012, the performance peer group will comprise of the following companies:

Algonquin Power & Utilities Corp.	**Fortis Inc.**
AltaGas Ltd.	**Innergex Renewable Energy Inc.**
Atlantic Power Corporation	**Northland Power Inc.**
Brookfield Renewable Energy Partners LP	**Veresen Inc.**
Canadian Utilities Ltd.	**TransAlta Corp.**
Emera Inc.	**TransCanada Corp.**

The difference between the executive compensation comparator group and the performance peer group reflects the different purposes of each of the groups, namely benchmarking executive pay versus benchmarking company performance. The executive compensation comparator group represents the market for executive talent while the performance peer group represents companies that share similar risks and opportunities and are operational and strategic competitors.

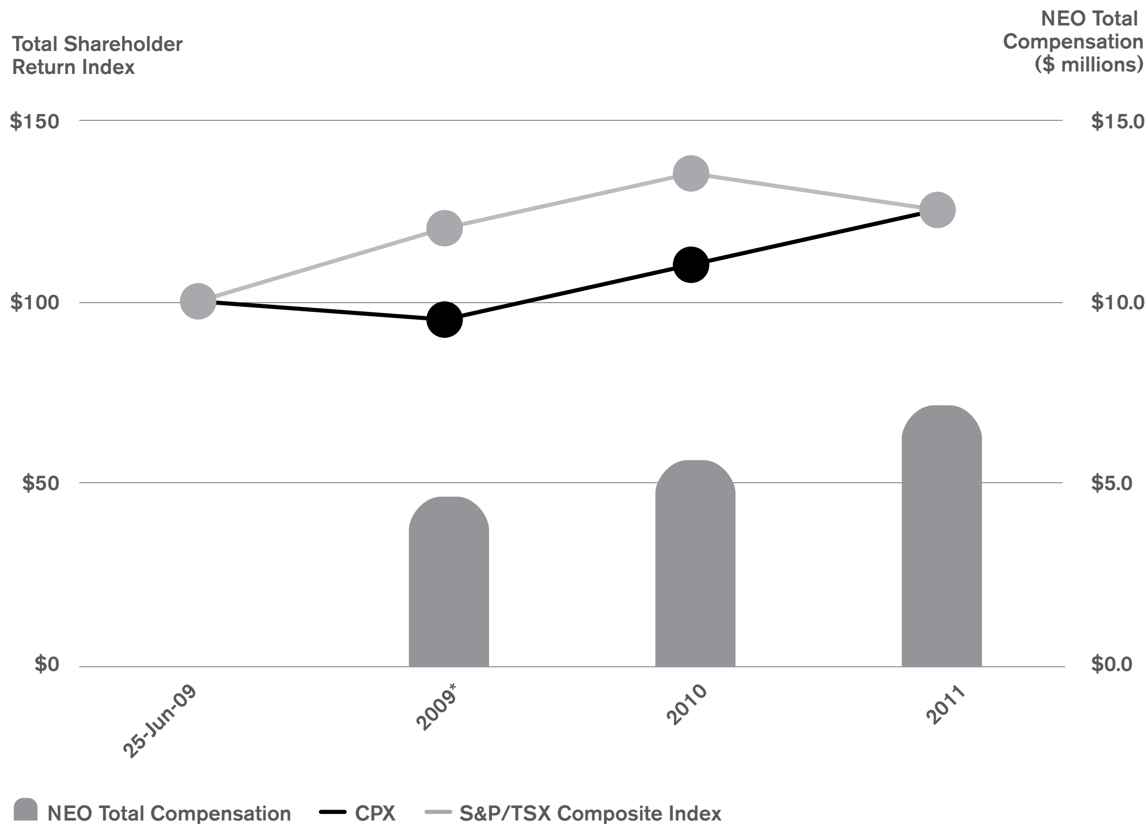
The table below summarizes the performance and payout ranges. A minimum payout multiplier of 50% of the target award was established as the Company does not have a lengthy trading history and the Company wanted to provide some certainty to participants.

Capital Power's TSR Ranking Among the Peer Group	Associated Payout Multiplier
75th percentile or higher	150% of target
50th percentile (median)	100% of target
25th percentile or lower	50% of target

The CGC&N Committee will review the ongoing appropriateness of the performance peer group in 2013. Similarly, the performance criteria and vesting ranges will also be reviewed in 2013 for continued relevance.

SHARE PERFORMANCE GRAPH

The following performance graph compares the annual change in the cumulative TSR of the Common Shares of Capital Power with the cumulative total return of the S&P/TSX Composite Index. The performance assumes a $100 investment in Capital Power 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.



*Represents partial year compensation for July 1 – December 31, 2009.

	Jun 25, 2009	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
CPX	$100	$94	$110	$123
S&P/TSX Composite Index	$100	$115	$135	$124

From the year ended December 31, 2009 to the year ended December 31, 2011, total direct compensation (the aggregate of actual base salary and short-term and long-term incentives) for the CEO increased by 20%. Over this same time period, total direct compensation for all of the NEOs (including the CEO) increased by 26%. The cumulative TSR for the Company during the same period was 23%. The chart above shows that over this same time period the Company experienced steady growth and the gap between the cumulative TSR for the Company (increase of 23%) and the cumulative TSR for the S&P/TSX Composite Index (increase of 24%) has closed.

Capital Power has been a public issuer for approximately 30 months. As the majority of option awards granted have not yet fully vested and none of the PSUs granted have yet vested, the link between TSR and pay has not yet been clearly established.

Compensation programs for executives have a large portion of total direct compensation tied to performance. As discussed throughout this section, performance is measured by a number of different factors. For example, the Company's STIP 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.

The chart on the preceding page shows that over the 2010 to 2011 timeframe the cumulative TSR for the Company increased by 12% while the cumulative TSR for the S&P/TSX Composite Index decreased by 8%. The Company's strong performance relative to that of the S&P/TSX Composite Index is reflected in the 2011 annual short-term incentive payments for the executives. The performance measures for executives achieved stretch results and resulted in higher short-term incentive payouts.

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 higher or lower performance relative to that of the Company's peer group will result in higher or lower payments. This 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.

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, 2011, December 31, 2010 and December 31, 2009 in respect of each of the NEOs.

					Non-Equity Incentive Plan Compensation				
Name and Principal Position	Year	Salary[1,19] ($)	Share-Based Awards[2,20] ($)	Option-Based Awards[3,20] ($)	Annual Incentive Plans[4,21] ($)	Long-Term Incentive Plans ($)	Pension Value[5,22] ($)	All Other Compensation ($)	Total Compensation ($)
Brian Tellef Vaasjo[6] President & CEO	2011	712,923	448,500	448,500	946,669	0	275,953	67,163[10]	2,899,708
	2010	679,231	406,250	406,250	679,000	0	246,466	56,042[11]	2,473,240
	2009	316,423	–	610,632	843,000	0	6,886	91,004[12]	1,867,945
Stuart Anthony Lee SVP & CFO	2011	354,577	129,375	129,375	358,380	0	96,543	44,960[13]	1,113,210
	2010	338,269	112,000	112,000	226,474	0	110,735[8]	43,309[13]	922,725
	2009	156,885	–	152,144	290,000	0	8,733	76,759[14]	684,521
James Nicolas Oosterbaan SVP, Operations & Commodity Portfolio Management	2011	350,962	127,500	127,500	353,403	0	67,069	62,214	1,088,648
	2010	335,961	97,499	97,499	265,692	0	66,711[9]	43,666[13]	907,029
	2009	162,500	–	303,517	232,000	0	3,855[9]	154,175[15]	856,047
B. Kathryn Chisholm SVP, General Counsel and Corporate Secretary	2011	286,635	92,625	92,625	205,438	0	69,803	47,242[13]	794,367
	2010	281,231	67,751	67,751	121,170	0	62,657	41,206[13]	641,767
	2009	135,500	–	217,679	155,012	0	9,059	20,040[16]	537,291
Darcy Trufyn[7] SVP, Construction & Engineering	2011	260,200	83,525	83,525	232,424	0	11,485	44,835[13]	715,994
	2010	255,115	74,999	74,999	168,707	0	11,225	47,291[17]	632,337
	2009	47,115	–	0	29,682	0	2,356	120,085[18]	199,238

1 2011 salary represents actual earnings for January 1, 2011 to December 31, 2011. In March 2012, the CGC&N Committee approved the following base salary adjustments for 2012: Mr. Vaasjo $725,000; Mr. Lee $375,000; Mr. Oosterbaan $370,000; Ms. Chisholm $305,000; Mr. Trufyn $280,000.

2 Amounts reported represent the grant date fair value of the PSU award based on the Towers Watson's binomial lattice valuation methodology. This value includes a discount to account for the vesting restrictions and an adjustment to reflect the payout range. The CGC&N Committee uses this valuation methodology in making its decisions regarding long-term incentive grant levels since it is applied consistently in its consultant's competitive market analysis. The following summarizes the difference between the grant date fair value reported here and the accounting fair value reported in the financial statements:

	2010		2011	
	Binomial Lattice	Accounting	Binomial Lattice	Accounting
Fair Value	$19.37	$22.52	$21.36	$24.84

3 Amounts reported represent the grant date fair value of the stock option award based on the Towers Watson's binomial lattice valuation methodology. This valuation approach is fundamentally similar to the methodology used to determine the accounting fair value; however, some of the underlying assumptions are different as outlined in the table below. The Committee uses this valuation methodology in making its decisions regarding long-term incentive grant levels since it is applied consistently in its consultant's competitive market analysis. The following summarizes the difference between the grant date fair value reported here and the accounting fair value reported in the financial statements:

	2009		2010		2011	
	Binomial Lattice	**Accounting**	**Binomial Lattice**	**Accounting**	**Binomial Lattice**	**Accounting**
Volatility	20%	20%	20%	20%	18%	16%
Dividend Yield	5.478%	5.478%	5.478%	5.6%	5.46%	5.06%
Expected Life	4.5 years	4.5 years	4.5 years	4.5 years	4.5 years	4.5 years
Risk-Free Rate	3.75%	2.4%	3.75%	2.5%	2.45%	2.3%
Vesting Discount	5% per year	0%	5% per year	0%	5% per year	0%
Fair Value	$2.57	$2.53	$2.37	$2.46	$2.17	$2.14

4 2011 annual incentive plans represents actual STIP awards earned for 2011 and payable in March 2012. 2010 annual incentive plans represent actual STIP awards earned for 2010 and paid in March 2011. 2009 annual incentive plans represents actual STIP awards earned for 2009 and paid 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 2011 pension value represents compensatory changes from January 1, 2011 to December 31, 2011 and assumes a 4% increase in pensionable earnings per annum. 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 NEOs who are Directors do not receive incremental income from the Company for their roles as Directors.

7 Mr. Trufyn commenced employment with the Company in October 2009.

8 The 2010 pension value for Mr. Lee was disclosed as $90,672 at the prior year end. The 2010 pension value has been restated as a result of a data correction to Mr. Lee's 2010 target incentive payable in 2011.

9 The sum of compensatory changes from the defined benefit pension plan and defined contribution pension plan tables.

10 Includes an executive business allowance of $22,307 and employer contributions to the savings plan of $21,467.

11 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.

12 Includes a vacation payout of $64,866.

13 Includes an executive benefit allowance of $14,000 and an executive business allowance of $15,000.

14 Includes a vacation payout of $56,385.

15 Includes a moving allowance of $109,000.

16 Includes an executive benefit allowance of $7,000 and an executive business allowance of $7,500.

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

18 Includes a signing bonus of $120,000.

19 See "Executive Compensation – Base Salary".

20 See "Executive Compensation – Short-Term Incentive Compensation".

21 See "Executive Compensation – Long-Term Incentive Compensation".

22 See "Executive Compensation – Benefit and Pension Plans".

Long-Term Incentive Plan

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, 2011:

	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 Payout Value of Share-Based Awards that have not Vested[4] ($)	Market Value or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed[5] ($)
Brian Tellef Vaasjo	206,591	24.90	March 21, 2018	45,450	21,770	546,871	0
Stuart Anthony Lee	59,593	24.90	March 21, 2018	13,110	6,280	157,745	0
James Nicolas Oosterbaan	58,730	24.90	March 21, 2018	12,921	6,188	155,453	0
B. Kathryn Chisholm	42,665	24.90	March 21, 2018	9,386	4,496	112,943	0
Darcy Trufyn	38,474	24.90	March 21, 2018	8,464	4,054	101,846	0

1 The date of grant of the options and the PSUs was March 21, 2011.

2 The difference between the closing share price of Capital Power's Common Shares on the TSX on December 30, 2011 of $25.12 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's Common Shares on the TSX on December 30, 2011 of $25.12 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.

5 The closing share price of Capital Power's Common Shares on the TSX on December 30, 2011 of $25.12 per share multiplied by 100% of the number of PSUs that have 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, 2011:

Name	Option-Based Awards – Value Vested During the Year[1] ($)	Share-Based Awards – Value Vested During the Year ($)	Non-Equity Incentive – Value Vested During the Year ($)
Brian Tellef Vaasjo	317,296	0	N/A
Stuart Anthony Lee	83,022	0	N/A
James Nicolas Oosterbaan	119,311	0	N/A
B. Kathryn Chisholm	84,770	0	N/A
Darcy Trufyn	27,581	0	N/A

1 The difference between the closing share price of Capital Power's Common Shares on the TSX on December 30, 2011 of $25.12 per share and the weighted average option exercise price, times the number of stock options that vested during the year.

Stock Option Exercises

As shown in the table below, no stock options have been exercised by any of the NEOs during the fiscal year ended December 31, 2011:

	Option-Based Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise ($)
Brian Tellef Vaasjo	–	–
Stuart Anthony Lee	–	–
James Nicolas Oosterbaan	–	–
B. Kathryn Chisholm	–	–
Darcy Trufyn	–	–

Equity Ownership Guidelines

The NEOs are subject to share ownership guidelines in order to align their interests with those of the Company's shareholders. The guidelines, which must be achieved within five years from the date of their respective appointments, are as follows:

- President & Chief Executive Officer: three times base salary;
- Senior Vice President & Chief Financial Officer: two times base salary; and
- all other NEOs: one times base salary.

Share ownership is based on the number of Common Shares owned by the NEO plus any unvested PSUs that are granted under the Company's LTI Plan. Unvested PSUs are valued at target and on an after-tax basis for the purposes of compliance with the share ownership guidelines. The intent of including unvested PSUs is that NEOs can use the proceeds from PSU payouts to acquire Common Shares that would be held and counted towards the share ownership guidelines.

Name	Total Common Shares Held (#)	Total Unvested PSUs Held[1] (#)	Value[2] ($)	Total Common Shares and Unvested PSUs Held as a Percentage of Ownership Requirement (%)	Ownership Requirement Met	Deadline to Meet Ownership Requirement
Brian Tellef Vaasjo	32,000	44,728	1,489,210	68%	In progress	July 1, 2014
Stuart Anthony Lee	16,282	12,609	602,212	84%	In progress	July 1, 2014
James Nicolas Oosterbaan	19,448	11,698	667,783	188%	Requirement Met	July 1, 2014
B. Kathryn Chisholm	3,376	8,325	212,363	72%	In progress	July 1, 2014
Darcy Trufyn	6,136	8,293	281,215	105%	Requirement Met	October 13, 2014

1 Includes reinvested dividends.

2 The estimated value is based on the closing share price of Capital Power's Common Shares on the TSX on December 30, 2011 of $25.12. The estimated value of the unvested PSUs represents the target payout value on an after-tax basis (using a 39% marginal tax rate).

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 Supplementary Pension Plan (**SPP**) 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 Local Authorities Pension Plan (**LAPP**). The actual increase in compensation may deviate from the expected increase used in the actuarial assumptions. The actual increase will vary among NEOs and will vary from year to year.

The Capital Power Corporation Defined Contribution Pension Plan (**Company DC 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

		Annual Benefits Payable ($)					
Name (a)	Number of Years Credited Service (#) (b)	At Year End[1] (c1)	At Age 65[2] (c2)	Opening Present Value of Defined Benefit Obligation[3,4] ($) (d)	2011 Compensatory Changes[3] ($) (e)	2011 Non-Compensatory Changes[4] ($) (f)	Closing Present Value of Defined Benefit Obligation[3,4] ($) (g)
Brian Tellef Vaasjo	13.5833[5,6]	224,061	383,128	2,485,015	275,953	535,473	3,279,541
Stuart Anthony Lee	8.4452[7]	66,597	204,599	556,456[9]	96,543	161,125	797,224
James Nicolas Oosterbaan	11.1530[8]	59,747	130,281	615,223	67,069	148,702	830,994
B. Kathryn Chisholm	7.3142[9]	52,677	170,910	345,783	69,803	98,533	497,219

1 Accrued Defined Benefit pension under the SPP and, if applicable, the LAPP as at December 31, 2011 and payable at normal retirement age of 65 based on highest average earnings, CPP and pensionable service as at December 31, 2011. An unreduced pension is payable as early as age 65 or 85 points.

2 Amounts payable on retirement at age 65, assumes continued service accrual to age 65 and that the highest average earnings and estimated CPP, at age 65, remain unchanged from December 31, 2011.

3 The defined benefit obligation and the service cost were calculated using the projected unit credit cost method.

4 Reflects SPP only. LAPP has been valued on a defined contribution basis; therefore, $16,900 in employer contributions to the LAPP have been included in column (e) compensatory changes only, with the exception of Mr. Oosterbaan who does not participate in the LAPP. As a result, where applicable, columns (d), (e) and (f) do not sum up to column (g).

5 Credited service in respect of LAPP as at December 31, 2011.

6 Credited service under SPP is 12 years.

7 Credited service under LAPP and SPP.

8 Credited service under SPP.

9 The defined benefit obligation for Mr. Lee as at December 31, 2010 was disclosed as $532,527 at the prior year end. The opening present value of the defined benefit obligation has been restated as a result of a data correction to Mr. Lee's 2010 target incentive payable in 2011.

Defined Contribution Plan Table

Name (a)	Accumulated Value at December 31, 2010 ($) (b)	2011 Compensatory Changes ($) (c)	Accumulated Value at December 31, 2011 ($) (d)
Darcy Trufyn	29,285	11,485	48,352

Employment Contracts – Termination and Change of Control Benefits

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

For a description of all of the NEOs' compensation and benefits if they were to cease employment with Capital Power, please see Appendix "C".

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	2,610,909	997,339	1,123,557
Stuart Anthony Lee	17 months	806,083	262,174	316,735
James Nicolas Oosterbaan	19 months	889,041	370,854	293,851
B. Kathryn Chisholm	17 months	626,166	263,694	209,112
Darcy Trufyn	14 months	501,083	91,204	208,326

1 Assumes a December 31, 2011 date of termination.

2 The difference between the closing share price of Capital Power's Common Shares on the TSX on December 30, 2011 of $25.12 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 PSUs. The closing share price of Capital Power's Common Shares on the TSX on December 30, 2011 of $25.12 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 (**Plans**). An aggregate of 5,000,000 Common Shares may be issued under the Plans. An aggregate of 1,445,457 options were issued under the LTI Plan during the year ended December 31, 2011. Copies of the Plans have been filed on SEDAR at www.sedar.com.

The following table sets out information regarding the equity compensation plans as at December 31, 2011:

	Securities to be Issued Upon Exercise of Outstanding Stock Options (a)		Weighted Average Exercise Price of Outstanding Stock Options (b)	Number of Securities Remaining Available for Future Issuance (Excluding Securities Reflected in Column (a)) (c)		Total Stock Options Outstanding and Available for Grant (a) + (c)	
Plan Category	**% of CSO[1]**	**Number**		**% of CSO[1]**	**Number**	**% of CSO[1]**	**Number**
Equity Compensation Plans Approved by Security Holders	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Equity Compensation Plans Not Approved by Security Holders[2]	4.04%	3,930,334[3]	$23.44	0.80%	774,659	4.84%	4,704,993
Total	4.04%	3,930,334	$23.44	0.80%	774,659	4.84%	4,704,993

1 Where CSO represents the number of Common Shares outstanding and Common Shares issuable upon exchange of outstanding Exchangeable LP Units.

2 The 2009 Plan and the LTI Plan were adopted by the Company prior to its initial public offering (**IPO**) and were not required to be approved by the Company's shareholders pursuant to applicable TSX requirements.

3 Stock options were granted for an aggregate of 2,183,100 Common Shares under the 2009 Plan, and an aggregate of 2,691,503 Common Shares under the LTI Plan. Of those granted, stock options for 649,262 Common Shares have been cancelled and stock options for 295,007 Common Shares have been exercised.

Stock Option Overhang, Dilution and Run Rate

The following table outlines the Company's overhang, dilution and run rate:

Rate	Description	2011	2010	2009
Overhang	Overhang represents the total potential dilution from stock options. Overhang is defined as the total number of stock options outstanding plus the number of shares available for future issuance, divided by the number of Common Shares outstanding and Common Shares issuable upon exchange of outstanding Exchangeable LP Units.	4.84%	6.32%	6.38%
Dilution	Dilution represents the current dilution from stock options. Dilution is defined as the total number of stock options outstanding divided by the number of Common Shares outstanding and Common Shares issuable upon exchange of outstanding Exchangeable LP Units.	4.05%	3.93%	2.73%
Run Rate	Run rate shows the size of annual stock option grants and is an indication of how fast the stock option reserve is being used. Run rate is defined as the total number of stock options issued in a year, divided by the number of Common Shares outstanding and Common Shares issuable upon exchange of outstanding Exchangeable LP Units.	1.49%	1.58%	2.79%

LTI Plan

A table outlining the provisions for stock options under the LTI Plan is contained in Appendix "D".

There have been a total of two stock option grants made under the LTI Plan in 2010 and 2011 since the Company's inception in 2009. All stock options granted to date have a seven year term and are unvested at the date of grant, with one-third vesting each year beginning on the first anniversary of the date of grant. The exercise price for all stock options granted under the LTI Plan is the closing share price for Common Shares on the date immediately preceding the grant date. The following table outlines the term and vesting provisions for outstanding grants under the LTI Plan:

Grant Date	Expiry Date	Vesting Dates
March 9, 2010	March 9, 2017	One-third on March 9 in each of 2011, 2012 and 2013.
March 21, 2011	March 21, 2018	One-third on March 21 in each of 2012, 2013 and 2014.

On March 13, 2012, the Board approved a grant of options and PSUs subject to contingencies and the approval of the Company's shareholders to amend the maximum number of Common Shares issuable under the Plans. See "Compensation Discussion and Analysis – Amendment to the Plans". The Company files issuer grant reports on SEDI with respect to options and PSUs granted to its reporting insiders, as defined in Canadian Securities Administrators' National Instrument 55-104 – *Insider Reporting Requirements and Exemptions*.

A table outlining the provisions for PSUs under the LTI Plan is contained in Appendix "D".

2009 Plan

The 2009 Plan provided a one-time only grant of stock options that replaced the value of outstanding 2006, 2007, 2008 and 2009 EPCOR phantom options held by individuals who became employees of the Company.

A table contained in Appendix "D" outlines the provisions for stock options under the 2009 Plan document.

Stock options granted under the 2009 Plan have a seven year term and were unvested at the date of grant, with one-third vesting each year beginning on January 1, 2010. The exercise price for stock options granted under the 2009 Plan was not less than the initial public offering price. The following table outlines the term and vesting provisions for the outstanding grant under the 2009 Plan:

Grant Date	Expiry Date	Vesting Dates
July 8, 2009	July 8, 2016	One-third on January 1 in each of 2010, 2011 and 2012.

The Board can amend or terminate the Plans in accordance with TSX requirements and as provided within the Plans. Other amendments require shareholder approval. Any changes, however, will not affect the rights that participants have already accrued.

Shareholder approval is required to make the following amendments to the Plans:

- an increase in the maximum number of shares that may be granted under the plan;
- a reduction in the exercise price that awards can be granted below the market price on the date of grant;
- a cancellation and re-issuance of an award under different terms which in effect results in a reduction in the exercise price of the award;
- an increase to the limits on the number of Common Shares (including the impact of Exchangeable LP Units) that may be reserved for issuance to insiders or to any one participant;
- a reduction in the exercise price of an outstanding award;
- an increase in the maximum allowable term beyond seven years;
- an extension of the term on any outstanding awards;
- a change that would allow assignments to persons currently not permitted; and
- a change in the definition of eligible persons for the purposes of the plan.

The Plans have two limits on the number of Common Shares (including the impact of Exchangeable LP Units) that may be reserved for issuance:

- to all insiders – not to exceed 10% of the issued and outstanding Common Shares and Common Shares issuable on the exchange of Exchangeable LP Units (this limit includes the number of Common Shares that can be issued within a one-year period); and
- to any one participant – not to exceed 5% of the issued and outstanding Common Shares and Common Shares issuable on the exchange of Exchangeable LP Units.

The number of Common Shares reserved for issuance pursuant to stock options held by the Company's insiders represents approximately 1.6% of the outstanding Common Shares and Common Shares issuable upon exchange of the outstanding Exchangeable LP Units (97,185,007 as at December 31, 2011).

The LTI Plan also permits the Company to grant the following LTI instruments: restricted share units, stand-alone stock appreciation rights (**SARs**) and tandem SARs. At this time, the Company has not granted any of these LTI instruments.

Amendment to the Plans

The Plans currently provide that the aggregate number of Common Shares which may be issued by the Company under the Plans is limited to 5,000,000. Any amendment to this maximum number of Common Shares which may be issued to settle awards under the Plans is subject to approval by way of resolution of the holders of the Common Shares and the Special Voting Shares of the Company.

As at March 13, 2012:

- a total of 1,373,536 stock options are outstanding under the 2009 Plan;
- a total of 2,221,208 stock options and a total of 251,806 PSUs are outstanding under the LTI Plan;
- a total of 581,617 Common Shares have been issued pursuant to the exercise of stock options granted under the Plans;
- a total of 3,594,744 Common Shares outstanding may be issued pursuant to stock options granted under the Plans; and
- a total of 823,639 Common Shares may be issued for future grants under the Plans.

The Board and the CGC&N Committee continue to believe that the ability to grant stock options to the Company's officers and senior managers as part of their compensation package is extremely important to the Company's ability to attract and retain the needed talent to successfully execute its business strategy. The Board recognizes the need to strike a proper balance between a long-term compensation program for management employees that aligns their interests with those of shareholders and potential shareholder concerns regarding dilution caused by the ongoing granting and exercising of stock options.

In 2011, the Company conducted a review of its long-term incentive programs. As part of the review, the Company considered market practice among its peers, the alignment of stock options with the Company's growth strategy and the desire for internal consistency of all long-term incentive participants. Based on recommendations from management, the Board approved that a recommendation be made to the shareholders to approve at the Annual Meeting an amendment to the Plans to increase the maximum number of Common Shares reserved for issuance under the Plans by 2,676,123 to a total of 7,094,506 Common Shares. The Board has approved an amendment to the 2009 Plan that no further stock options for Common Shares may be issued under the 2009 Plan. If shareholders approve amendments to the Plans, on or after April 27, 2012, the aggregate number of Common Shares that may be issued by the Company under the Plans would be limited to 7,094,506 Common Shares.

The maximum 7,094,506 Common Shares reserved for issuance pursuant to the amendments to the Plans would represent approximately 7.3% of the outstanding Common Shares and Common Shares issuable upon exchange of the outstanding Exchangeable LP Units as at March 13, 2012.

On March 13, 2012, the Board conditionally approved the grant of stock options to senior employees of the Company to acquire Common Shares pursuant to the LTI Plan. All of these stock options were granted subject to contingencies and the approval of amendments to the Plans by the shareholders at the Annual Meeting.

A significant portion of the outstanding stock options results from the one-time only grant of stock options from the 2009 Plan (that replaced the outstanding 2006, 2007, 2008 and 2009 EPCOR phantom options held by individuals who became employees of the Company). The following table summarizes the number of stock options granted by the Board over the last several years:

Year	Number of Common Shares Issuable Pursuant to Stock Options Previously Granted	As a Percentage of Common Shares Outstanding and Common Shares Issuable Upon Exchange of Outstanding Exchangeable LP Units at Year End (Run-rate)
2009	2,183,100	2.79%[1]
2010	1,246,046	1.58%
2011	1,445,457	1.49%

1 Reflects the one-time only grant of stock options made upon the Company's inception in 2009 under the 2009 Plan.

The Board currently anticipates that the 7,094,506 Common Shares issuable pursuant to the amendments to the Plans will, if approved by the Company's shareholders, permit future grants of stock options up to and including the end of the 2014 fiscal year without the Company having to seek further approval from the shareholders. By that time, the Company will have a longer history to gauge the effectiveness of the program and to review the needs of the Company with respect to the design of the long-term incentive compensation program going forward.

With respect to the amendments to the Plans, the shareholders will be asked to pass the following resolution at the Annual Meeting:

> *RESOLVED, that the shareholders approve that the Omnibus Long Term Incentive Plan and the 2009 Stock Option Plan (the "Plans") be amended to increase the aggregate number of Common Shares which may be issued by the Company under the Plans from 5,000,000 to 7,094,506 Common Shares.*

Approval of the resolution will require an affirmative vote of a majority of the votes cast at the Annual Meeting.

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.

SAVINGS PLAN

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

Beginning in 2012, the Company will match employee contributions to a maximum of 5% of base salary.

PENSION PROGRAM

Canadian based employees participate in one of two registered pension plans: the LAPP and the Company DC Plan. In addition, Canadian management employees whose benefits under the Company DC 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 members who are employed by Alberta municipalities, hospitals and other public entities. Mr. Vaasjo, Mr. Lee and Mrs. Chisholm 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 2011, members were required to contribute 8.49% up to the YMPE plus 12.13% of pensionable earnings in excess of the YMPE, and employers contributed 9.49% up to the YMPE and 13.13% of pensionable earnings in excess of the YMPE.

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

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

COMPANY DC PLAN

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. Trufyn participates 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 Company DC 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 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 Supplemental Pension Plan.

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

COMPANY 401(K) PLAN

Members are permitted to make pre-tax elective contributions of up to 100% (less applicable tax withholdings) of eligible compensation (maximum of US$16,500 in 2011, not 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. In addition, each year the employer will make a matching contribution of 100% of elective deferrals in excess of 5% that do not exceed 7% of a participant's compensation. 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.

G. CORPORATE GOVERNANCE SUMMARY

The corporate governance practices of the Company are consistent with National Policy 58-201 – *Corporate Governance Guidelines* (**NP 58-201**) and NI 58-101, as adopted by the Canadian Securities Administrators.

The Corporate Governance Disclosure as required by Canadian Securities Administrators' Form 58-101F1 – *Corporate Governance Disclosure* is provided in Appendix "B" to this Circular and addresses the various elements of our Company's corporate governance program.

The Company has also adopted a fulsome Corporate Governance Policy which can be found on our website at www.capitalpower.com.

Checklist of Corporate Governance Practices for Capital Power

Yes	Policy Item
✔	Our Board is comprised of a majority of independent Directors (10 of 12 or 83.33%)
✔	Our Board has a written mandate outlining that it is responsible for the stewardship of the issuer, including those duties outlined in s. 3.4 of NP 58-201
✔	Voting is by individual Director and we have adopted a majority voting policy, and voting results are disclosed within five business days of a shareholder meeting
✔	Our Board has developed clear position descriptions for each of the Chair, Non-EPCOR Elect Chair, Chairs of each committee and CEO
✔	We have a comprehensive orientation process for new Board members and an ongoing continuing education program for existing Board members
✔	Our Board has adopted a written code of business conduct and ethics, and is responsible for monitoring compliance with it
✔	Our CGC&N Committee, which fulfills the nominating committee and compensation committee obligations under NP 58-201, is comprised of a majority of independent members (four out of five) and has a written mandate clearly establishing its purposes, responsibilities, member qualifications, member appointment and removal, structure and operations, and manner of reporting to the Board
✔	Our Directors regularly meet when members of management are not in attendance (in-camera)
✔	We have developed and adopted a skills matrix to outline what competencies and skills the Board as a whole should possess and review it regularly for purposes of Board succession
✔	Our Board, its committees and each individual Director are regularly assessed regarding their effectiveness and contribution (including self-assessments)
✔	The Chair of our Board is independent, and the Chair and President & CEO positions are separate. We also have an independent Non-EPCOR Elect Chair who acts as the Chair of the non-EPCOR elect Directors.
✔	Our Board has oversight of strategic planning and risk management
✔	We have voluntarily added a shareholder advisory vote on the Board's report on executive compensation ("say-on-pay")
✔	We have voluntarily adopted an Incentive Claw Back Policy and an Anti-Hedging Policy
✔	All members of the Audit Committee are fully independent
✔	Our Directors are required to hold a minimum requirement of three times their annual cash and equity retainer in Capital Power DSUs and/or Common Shares
✔	Our Directors are expected to attend all Board and applicable committee meetings. If attendance for any Director falls below 80% of all Board and applicable committee meetings, the CGC&N Committee will carefully consider any extenuating circumstances

H. OTHER BUSINESS

Submission Date for 2012 Shareholder Proposals

The *Canada Business Corporations Act*, the corporate statute that governs the Company, provides that the Company must receive shareholder proposals by December 13, 2012 to consider including them in the Circular and the Proxy for the Company's 2013 annual meeting of shareholders, which is expected to be held on or about April 27, 2013.

Annual Disclosure Documents

Management anticipates that the Company will be mailing this Circular and the accompanying Proxy to shareholders on or about April 2, 2012. Unless otherwise stated, the information we provide in this Circular is as of March 13, 2012.

To obtain copies of this Circular, the Company's Annual Information Form for the year ended December 31, 2011, 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, 2011:

- go to the Company's website at www.capitalpower.com to make copies, or
- request mailed copies from the Corporate Secretary, 12th Floor, EPCOR Tower, 10423 – 101 Street, Edmonton, Alberta, Canada, T5H 0E9.

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, 2011.

BOARD APPROVAL

The Board has approved the contents and sending of this Circular.

B. KATHRYN CHISHOLM, Q.C. 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) satisfying itself as to the oversight and governance of, and approving all material amendments, to the Corporation's pension plans;

xii) 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; and

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

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 recommendation from the relevant Committee, review and approve 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”

CORPORATE GOVERNANCE DISCLOSURE

The Board

INDEPENDENCE OF DIRECTORS

The Board has determined that all of the Directors, except Mr. Cruickshank and Mr. Vaasjo, are independent of management. The determination is made in accordance with the test of “independence” set out under Canadian Securities Administrators’ National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (**NI 58-101**) and National Instrument 52-110 – *Audit Committees* (**NI 52-110**).

No Director who the Board has determined to be independent has any direct or indirect material relationship with Capital Power which could, in the view of the Board, be reasonably expected to interfere with the exercise of their independent judgment.

NON-INDEPENDENT DIRECTORS

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.

MAJORITY OF INDEPENDENT DIRECTORS

The Board has determined that a majority of the Directors of the Board, or ten out of twelve of the Directors, are independent.

OTHER DIRECTORSHIPS

Some of the Directors are also directors of other public companies. This information is contained under the heading “Election of Directors” in the table entitled “Summary of Directors’ and Director Nominees’ Service Together on Other Public Boards and Public Board Committees”.

MEETINGS OF DIRECTORS (WITHOUT MANAGEMENT)

In 2011, the Directors held in camera sessions at the end of each in person meeting at which management was not present.

CHAIR AND NON-EPCOR ELECT CHAIR INDEPENDENCE

Mr. Lowry is the Chair of the Board and is independent. The Board has adopted terms of reference for the Chair that sets out the Chair’s responsibilities and principal duties. The Chair functions in a leadership capacity and has the statutory authority to preside over meetings of the Board. As part of performing this function, the Chair has the duty to support and assist the CEO and work with the CEO to develop and maintain productive relationships with all stakeholders and ensure the Board represents and protects the interest of shareholders.

Mr. MacNeill was the Non-EPCOR Elect Chair and is independent. Capital Power will have this position for as long as the Chair of the Board is a Board member appointed by EPCOR. Mr. Lowry is not independent of EPCOR. The Board has adopted terms of reference for the Non-EPCOR Elect Chair. The Non-EPCOR Elect Chair must be nominated by the CGC&N Committee and confirmed by the non-EPCOR elect Directors. The Non-EPCOR Elect Chair’s key responsibility is to ensure that appropriate structures are in place so the Board can function independently of the Directors nominated to the Board by EPCOR and provide leadership to the non-EPCOR elect Directors to ensure that the Board represents and protects the interests of all shareholders.

Copies of the Chair’s and Non-EPCOR Elect Chair’s terms of reference can be found at www.capitalpower.com.

DIRECTOR ATTENDANCE

Our Directors are expected to attend all Board and applicable committee meetings. If attendance for any Director falls below 80% of all Board and applicable committee meetings, the CGC&N Committee will carefully consider any extenuating circumstances. Attendance of all Capital Power Directors can be found under each Director's personal biography or in the footnotes to such biographies.

MANDATE

The Board is responsible for the stewardship of Capital Power, providing independent, effective leadership to supervise the management of Capital Power's business and affairs and to grow value responsibly, in a profitable and sustainable manner. The Board has the power to manage, or supervise the management of, the business and affairs of the Company, and has adopted terms of reference setting out the specific responsibilities to be discharged by the Board.

The Board is able to delegate to Board committees the prior review or approval of any issues it is responsible for, although most committee recommendations are subject to final Board approval. The Board has also delegated the approval of certain matters to management pursuant to various policies, including, but not limited to, the Contract Execution and Spending Authority Policy, the Financial Exposure Management Policy and the Investment Policy.

POSITION DESCRIPTIONS

Chair, Non-EPCOR Elect Chair and Individual Directors

Detailed position descriptions for the Chair of the Board, individual Directors and the Non-EPCOR Elect Chair are contained in their respective terms of reference published on the Company's website at www.capitalpower.com.

Position descriptions for the Chairs of each of the committees of the Board are contained in each committee's terms of reference published on the Company's website at www.capitalpower.com.

President and Chief Executive Officer

Mr. Vaasjo, 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 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.

A detailed position description for Mr. Vaasjo is contained in the terms of reference for the President and Chief Executive Officer published on the Company's website at www.capitalpower.com.

ORIENTATION AND CONTINUING EDUCATION

Other than the two directors who are not running for re-election to the Board, there have been no changes to the Directors since 2009.

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 members. The Board identifies discussion topics for its annual planning sessions.

The Board, on the recommendation of the CGC&N Committee, approved a Director Orientation and 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.

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.

For a discussion of the educational events attending by the Directors, please see the table entitled Director Education in the Circular.

ETHICAL BUSINESS CONDUCT

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 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.

The Board: The Board is responsible for oversight of the Company's compliance with applicable laws. The Board 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.

Material Interests: Under the terms of reference for individual Directors, any Director who has a material interest in a material contract or proposed material contract with the Company must disclose in writing to the Company or request to have entered in the minutes of meeting of the Board, the nature and extent of the material interest and refrain from any discussion or vote on any matters in which that Director has a material interest. In practice, any Director with a material interest recuses himself from the Board meeting during which any discussion or vote takes place.

Disclosure and Insider Trading Policy: In 2011, the Company amended its Disclosure and Insider Trading Policy that governs the dissemination of information to the public and assists the Company in providing clear and complete disclosure in a timely manner, in compliance with all securities regulations. Capital Power 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.

Ethics Training: Annual ethics training is mandatory for all permanent and temporary employees of the Company.

NOMINATION OF DIRECTORS

Each year the CGC&N Committee recommends nominees, other than the EPCOR nominees, to the Board for approval, to stand for election as Directors at the next annual meeting of the shareholders. In order to support this process, the Board maintains a skills matrix that identifies: (i) all background skills and experience required or desirable to be on the Board to guide and oversee Capital Power's business; and (ii) the identity of current Directors and the required or desired skills and experience each of them respectively brings to the Board.

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. The skills matrix is located under the heading "Election of Directors" in the Circular.

The Committee also maintains an evergreen list of potential Directors comprised of individuals that, in the opinion of the CGC&N Committee, would have the appropriate skills and experience to be nominated to the Board. In addition, the Board looks for individuals who would fill in gaps in, or complement, the current skills and experience matrix and who would meet the independence requirements of the Board and its committees.

From time to time, the CGC&N Committee also engages a search firm to identify other new candidates for recommendation to the Board.

Independence of CGC&N Committee: The CGC&N Committee is composed of four independent Directors, Mr. Bellstedt, Chair, Mr. Phillips, Mr. MacNeill and Ms. Rennie, and one non-independent member, Mr. Cruickshank. Don Lowry is an independent, non-voting, ex-officio member. See the Circular for more information.

Committee Mandate: The CGC&N Committee operates under the CGC&N Committee's Terms of Reference, which can be located at the Company's website at www.capitalpower.com.

COMPENSATION

The CGC&N Committee reviews the compensation for the Company's Directors and senior officers. The Committee's recommendations are made to the Board for its approval.

In determining the compensation of Directors and senior officers, the CGC&N committee takes into account the comparable data for peer groups. See "Directors Compensation" for Directors and see "Executive Compensation" for senior officers in this Circular.

Outside Consultants
The CGC&N Committee retained Hugessen Consulting as an independent consultant to the Committee in November 2010 to current.

See the Circular for more information.

Prior to Hugessen Consulting's appointment as the Board's consultant in November 2010, Towers Watson acted as advisor to both management and the CGC&N Committee. 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.

OTHER BOARD COMMITTEES

The Environment, Health and Safety Committee (**EH&S Committee**) assists the Board in overseeing matters relating to the impact of the operations of the Company on the environment and on the workplace health and safety of employees and contractors. The EH&S Committee is comprised of four independent Directors.

EH&S Committee Mandate: The EH&S Committee operates under the EH&S Committee's Terms of Reference, which can be located at the Company's website at www.capitalpower.com.

The Keephills 3 Project Oversight Committee (**KH3 Committee**) assisted the Capital Power L.P. Board in an oversight capacity, to review and monitor, and report to the Board on, all aspects of the development, management and construction of the Keephills 3 Project. The KH3 Committee was comprised of four Directors, three of which were independent, and ceased to exist as a committee on November 23, 2011.

Keephills 3 Project Oversight Committee Mandate: The KH3 Committee operated under the KH3 Committee's Terms of Reference. Since the KH3 Committee no longer exists, its Terms of Reference are not available on the Company's website.

ASSESSMENTS

The CGC&N Committee annually determines the format of the evaluation to be used, in consultation with the Board, and generally rotates between the use of a questionnaire and a series of one-on-one formal interviews between the Board Chair and individual Directors.

This rotational process is used because the Board believes that each evaluation method provides different potential benefits. You can read more about our annual evaluation process in our Corporate Governance Policy found at www.capitalpower.com.

APPENDIX "C"

EMPLOYMENT CONTRACTS – TERMINATION AND CHANGE OF CONTROL BENEFITS

Set out below is a summary of the treatment of Mr. Vaasjo's compensation and benefits if he ceased to be employed by Capital Power, as well as a comparison to the treatment of all other NEOs' compensation and benefits if they ceased to be employed by Capital Power:

Event	President and CEO, Mr. Vaasjo	All other NEOs
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.	All provisions are identical to those of CEO.
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. Vested options expire on the earlier of the original expiry date and the date 12 months after termination of employment. Unvested options under the LTI Plan continue to vest and are exercisable for 12 months following termination of employment before expiring. Vested options expire on the earlier of the original expiry date and the date 12 months after termination of employment. All unvested PSUs under the LTI Plan's 2010 grant vest immediately. Payouts occur within 90 days of the date of termination. Vesting of PSUs under the LTI Plan's 2011 grant is pro-rated to the end of the last full month worked preceding the date of termination and based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination. Vested pension paid as a monthly benefit.	All provisions are identical to those of CEO.
Death	Annual short-term incentive payment is paid at target on a pro rata basis. All unvested options under the 2009 Plan are forfeited. Vested options expire on the earlier of the original expiry date and the date 12 months after termination of employment. Unvested options under the LTI Plan continue to vest and are exercisable for 12 months following termination of employment before expiring. Vested options expire on the earlier of the original expiry date and the date 12 months after termination of employment. All unvested PSUs under the LTI Plan's 2010 grant vest immediately. Payouts occur within 90 days of the date of termination. Vesting of PSUs under the LTI Plan's 2011 grant is pro-rated to the end of the last full month worked preceding the date of termination and based on target performance. Payouts occur within 90 days of the date of termination. Vested pension paid as a commuted value or deferred benefit.	All provisions are identical to those of CEO.

Event	President and CEO, Mr. Vaasjo	All other NEOs
Termination Without Cause	All salary and benefit programs cease.	Identical provision to CEO.
	Annual short term incentive is paid at target on a pro rata basis.	Identical provision to CEO.
	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.	Identical provision to CEO.
	All PSUs are forfeited under the LTI Plan's 2010 grant.	Identical provision to CEO.
	Vesting of PSUs under the LTI Plan's 2011 grant is pro-rated to the end of the last full month worked preceding the date of termination and based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination.	Identical provision to CEO.
	Vested pension paid as a commuted value or deferred benefit.	Identical provision to CEO.
	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.	Severance is provided representing an aggregate of 12 months 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.
Termination For Cause	All salary and benefit programs cease.	All provisions are identical to those of the CEO.
	Annual short-term incentive payment is not paid.	
	All unvested and vested options under the 2009 Plan are forfeited.	
	All unvested options under the LTI Plan are forfeited. Vested options 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.	
Double Trigger Change of Control[1]	All salary and benefit programs cease.	Identical provisions to CEO.
	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.	Identical provisions to CEO
	All unvested PSUs vest immediately and are paid out within 90 days of the date of termination.	Identical provisions to CEO.
	Vested pension paid as a commuted value or deferred benefit.	Identical provisions to CEO
	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.	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.

1 Change of control and termination without cause/resignation based on adverse changes to terms of employment.

APPENDIX "D"

CAPITAL POWER STOCK OPTION PLAN PROVISIONS

LTI Plan – Stock Options:

The following table outlines the provisions for stock options under the LTI Plan:

Element	Plan Document Provision
Form of Award	Right to purchase Common Shares at a price that is at least the fair market value on the grant date. The fair market value is the closing price for Common Shares on the day prior to grant.
Participants	Executives and senior management.
Vesting	One-third vest each year beginning on the first anniversary of the grant date, unless stated otherwise when granted.
Term	Expire after seven years, or shorter as stated when granted. If they expire during a black-out period or within ten days after a period, the expiration date will be extended to ten days after a black-out period.
Payout	Based on when the options are exercised by participants. Value is only received if the share price upon exercise is greater than the fair market value on the grant date.
Termination	
	Resignation/termination for cause/termination without cause – unvested options are forfeited and vested options expire up to 30 days after termination. **Retirement/death** – all options expire up to 12 months after termination and continue to vest during that period.
Assignment	Options are generally not transferable except to a spouse or a personal holding corporation or family trust controlled by a participant, the shareholders or beneficiaries of which, as the case may be, are any combination of the participant, the participant's spouse, the participant's minor children or the participant's minor grandchildren and after his or her lifetime any options shall enure to the benefit of and be binding upon the participant's beneficiary.

LTI Plan – PSUs:

The following table outlines the provisions for PSUs under the LTI Plan:

Element	Plan Document Provision
Form of Award	Notional share-based full-value share awards.
Participants	Executives and senior management.
Dividends	Notional dividends are earned.
Vesting	Cliff vest at the end of three years, on January 1.
Payout	Settled in cash or shares issued from treasury at the discretion of the Board. Based on the formula illustrated below.
Termination	**Resignation/termination for cause** – all unvested PSUs are forfeited. **Termination without cause** – all unvested PSUs are forfeited and, beginning with the 2011 grants, vesting is pro-rated based on actual performance. **Retirement/death** – all unvested PSUs vest immediately and, beginning with the 2011 grants, vesting is pro-rated based on actual performance (for retirement) or target performance (for death).
Assignment	PSUs are generally not transferable except to a spouse or a personal holding corporation or family trust controlled by a participant, the shareholders or beneficiaries of which, as the case may be, are any combination of the participant, the participant's spouse, the participant's minor children or the participant's minor grandchildren and after his or her lifetime any PSUs shall enure to the benefit of and be binding upon the participant's beneficiary.

2009 Plan:

The following table outlines the provisions for stock options under the 2009 Plan document:

Element	Plan Document Provision
Form of Award	Right to purchase Common Shares at a price that is at least the fair market value on the grant date. The fair market value is the closing price for Common Shares on the day prior to grant.
Participants	Employees who held EPCOR phantom options.
Vesting	One-third vest each year beginning on January 1, 2010.
Term	Expire after seven years. If they expire during a black-out period or within ten days after a period, the expiration date will be extended to ten days after a black-out period.
Payout	Based on when the options are exercised by participants. Value is only received if the share price upon exercise is greater than the fair market value on the grant date.
Termination	**Resignation/termination without cause** – unvested options are forfeited and vested options expire up to 90 days after termination. **Termination for cause** – unvested and vested options are forfeited. **Retirement/death** – unvested options are forfeited and vested options expire up to 12 months after termination.
Assignment	Options are generally not transferable except to a spouse or a personal holding corporation or family trust controlled by a participant, the shareholders or beneficiaries of which, as the case may be, are any combination of the participant, the participant's spouse, the participant's minor children or the participant's minor grandchildren and after his or her lifetime any options shall enure to the benefit of and be binding upon the participant's beneficiary.

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: 780-392-5105
866-896-4636 (toll-free)
Fax: 780-392-5124
Email: investor@capitalpower.com

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