Capital Power Corporation
12th Floor, EPCOR Tower
1200 – 10423 101 Street
Edmonton, AB  T5H 0E9

For release: April 27, 2012

# Capital Power reports first quarter 2012 results

## *Strong operating performance leads to double-digit percentage increases in earnings and cash flow per share*

**EDMONTON, Alberta** – Capital Power Corporation (Capital Power, or the Company) (TSX: CPX) today released its financial results for the quarter ended March 31, 2012. Funds from operations were $116 million in the first quarter of 2012, up 40% from $83 million, on a comparable basis, in the first quarter of 2011. Cash flow per share for the quarter was $1.19 compared with $1.04 for the same quarter in the previous year. Normalized earnings attributable to common shareholders in the first quarter of 2012, after adjusting for one-time items and fair value adjustments, were $27 million, or $0.46 per share, compared with $11 million, or $0.34 per share, in the comparable period in 2011.

“First quarter financial performance was directly attributable to excellent operating performance, highlighted by average plant availability of 97 per cent,” said Brian Vaasjo, President and CEO of Capital Power. “We were particularly pleased to achieve high availability in the mid-to-upper-90 per cent range across the fleet, with the exception of the Genesee 3 facility, which came back on-line in mid-January from its unplanned outage.”

“Our financial results in the first quarter were in-line with expectations, despite lower Alberta power prices caused by a mild winter and low natural gas prices,” added Mr. Vaasjo. “Normalized earnings per share increased 35 per cent to $0.46 in the first quarter compared to $0.34 a year ago and we continued to generate strong growth in cash flow, up 14 per cent from last year to $1.19 per share.”

“Spot power prices in Alberta averaged $60 per megawatt hour in the first quarter while the New England mass hub price was US$33 per megawatt hour. Should these weaker power prices continue for the remainder of the year, we expect our financial performance for full year 2012 will be slightly under the low end of our target range for normalized earnings of $1.50 to $1.70 per share,” continued Mr. Vaasjo.

| **Operational and Financial Highlights** [1] (unaudited) | **Three months ended March 31** | | | |
|---|---|---|---|---|
| *(millions of dollars except per share and operational amounts)* | **2012** | | **2011** | |
| Electricity generation (excluding acquired Sundance PPA and CPILP plants) (GWh) | | 4,222 | | 2,451 |
| Generation plant availability (excluding acquired Sundance PPA and CPILP plants) (%) | | 97% | | 93% |
| Revenues and other income | $ | 380 | $ | 458 |
| EBITDA [2] | $ | 152 | $ | 84 |
| Net income attributable to shareholders | $ | 40 | $ | 3 |
| Earnings per share | $ | 0.66 | $ | 0.06 |
| Diluted earnings per share | $ | 0.64 | $ | 0.05 |
| Dividends declared per common share | $ | 0.315 | $ | 0.315 |
| Normalized earnings attributable to common shareholders [2] | $ | 27 | $ | 11 |
| Normalized earnings per share[2] | $ | 0.46 | $ | 0.34 |
| Funds from operations [2] | $ | 116 | $ | 103 |
| Funds from operations excluding non-controlling interests in CPILP [2] | $ | 116 | $ | 83 |
| Cash flow per share [2] | $ | 1.19 | $ | 1.04 |
| Dividend coverage ratio [2] | | 3.1 | | 2.3 |
| Capital expenditures | $ | 141 | $ | 89 |

(1) The operational and financial highlights in this press release should be read in conjunction with Management's Discussion and Analysis and the unaudited Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2012.

(2) Earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange losses, and gains on acquisitions and disposals (EBITDA), Funds from operations, Funds from operations excluding non-controlling interests in CPILP, Cash flow per share, Dividend coverage ratio, Normalized earnings attributable to common shareholders, and Normalized earnings per share are non-GAAP financial measures and do not have standardized meanings under GAAP and, therefore, may not be comparable to similar measures used by other enterprises. See Non-GAAP Financial Measures. Reconciliations of these non-GAAP financial measures to Net income attributable to shareholders, Earnings per share and Net cash flows from operating activities are included in the Company's Management's Discussion and Analysis dated April 26, 2012, which is available under the Company's profile on SEDAR at www.SEDAR.com.

## Significant Events

### $250 million debt issue

On February 21, 2012, CPLP completed a public offering of $250 million unsecured medium-term notes. The notes have a coupon rate of 4.85%, are payable semi-annually commencing on August 21, 2012 and mature on February 21, 2019. The net proceeds of the offering were used for repayment of amounts owing under credit facilities, financing on ongoing capital projects, working capital requirements, and general corporate purposes,

### $2 billion base shelf prospectus

On February 16, 2012, Capital Power filed a Canadian base shelf prospectus, which expires in March 2014, under which it may raise up to $2 billion collectively in common shares of the Company, preferred shares of the Company and subscription receipts exchangeable for common shares and/or other securities of the Company.

**Sale of Atlantic Power shares**

On February 10, 2012, the Company completed the sale of its shares in Atlantic Power, which were acquired in November 2011 as part of the Atlantic Power acquisition of CPILP, for proceeds of $52 million on a bought deal basis. These shares were initially recorded at $48 million and subsequently adjusted to their fair value of $53 million as of December 31, 2011 resulting in an unrealized gain of $5 million recognized in 2011. For the three months ended March 31, 2012, the Company recognized a realized pre-tax gain of $4 million with income taxes estimated to be $1 million offset by the reversal of the unrealized gain of $5 million recognized in the previous year.

## Subsequent Event

**Secondary offering of Capital Power common shares by EPCOR**

Effective April 5, 2012, EPCOR exchanged 9,775,000 of its exchangeable common limited partnership units in CPLP for common shares of Capital Power on a one-for-one basis and sold 9,755,000 common shares of Capital Power to the public pursuant to a secondary offering at $23.55 per common share. Capital Power did not receive any of the approximate $230 million of proceeds from EPCOR's sale of common shares. This transaction reduced EPCOR's ownership interest in CPLP to approximately 29% from its interest of approximately 39% at March 31, 2012 and reduced EPCOR's ownership of the common shares of Capital Power on a diluted basis to 29% from 39%. EPCOR has advised that it intends to sell all or a portion of its remaining interest in CPLP as its demands for capital require and market conditions permit.

## Analyst Conference Call and Webcast

Capital Power will be hosting a conference call and live webcast with analysts on April 30, 2012 at 11:00 AM (ET) to discuss first quarter results. The conference call dial-in numbers are:

(403) 532-5601 (Calgary)
(604) 681-8564 (Vancouver)
(416) 623-0333 (Toronto)
(855) 353-9183 (toll-free from Canada and USA)

Participant access code for the call: 21543#

A replay of the conference call will be available following the call at: (855) 201-2300 (toll-free) and entering conference reference number 770024# followed by participant code 21543#. The replay will be available until midnight on May 30, 2012.

Interested parties may also access the live webcast on the Company's website at www.capitalpower.com with an archive of the webcast available following the conference call.

## Non-GAAP Financial Measures

The Company uses (i) EBITDA, (ii) funds from operations, (iii) funds from operations excluding non-controlling interests in CPILP, (iv) cash flow per share, (v) dividend coverage ratio, (vi) normalized earnings attributable to common shareholders, and (vii) normalized earnings per share as financial performance measures. These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP, and therefore may not be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to gross income, net income, net income attributable of Shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective. Reconciliations of EBITDA to net income, funds from operations and funds from operations excluding non-controlling interests in CPILP to net cash flows from operating activities, normalized earnings attributable to common shareholders to net income attributable to common shareholders, and normalized earnings per share to earnings per share are contained in the Company's Management's Discussion and Analysis dated April 26, 2012 for the three months ended March 31, 2012 which is available under the Company's profile on SEDAR at www.SEDAR.com.

**Forward-looking Information**

Forward-looking information or statements included in this press release are provided to inform the Company's shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this press release is generally identified by words such as will, anticipate, believe, plan, intend, target, and expect or similar words that suggest future outcomes.

Material forward-looking information in this press release includes information with respect to expectations regarding impact of power prices.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements relate to: (i) electricity and other energy prices, (ii) performance, (iii) status and impact of policy, legislation and regulation, and (iv) effective tax rates.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) power plant availability and performance including maintenance expenditures, (ii) changes in electricity prices in markets in which the Company operates, (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation, (iv) acquisitions and developments including timing and costs of regulatory approvals and construction; (v) ability to fund current and future capital and working capital needs, (vi) changes in energy commodity market prices and use of derivatives, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's Management's Discussion and Analysis dated March 13, 2012 for further discussion of these and other risks.

**For more information, please contact:**

**Media Relations**:
Michael Sheehan
(780) 392-5222
msheehan@capitalpower.com

**Investor Relations**:
Randy Mah
(780) 392-5305 or (866) 896-4636 (toll-free)
investor@capitalpower.com

# CAPITAL POWER CORPORATION
# Interim Report
# March 31, 2012

## Management's Discussion and Analysis

This management's discussion and analysis (MD&A), dated April 26, 2012, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Capital Power Corporation and its subsidiaries for the three months ended March 31, 2012, the audited consolidated financial statements and MD&A of the Company for the year ended December 31, 2011, the annual information form (AIF) of Capital Power Corporation dated March 13, 2012 and the cautionary statements regarding forward-looking information which begin on page 2. In this MD&A, any reference to the Company or Capital Power, except where otherwise noted or the context otherwise indicates, means Capital Power Corporation together with its subsidiaries.

As of January 1, 2011, International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, became Canadian generally accepted accounting principles (GAAP) for the basis of preparation of financial statements for publicly accountable enterprises. The information presented in this MD&A, including information relating to comparative periods in 2011 and 2010, is presented in accordance with IFRS unless otherwise noted.

In this MD&A, financial information for the three months ended March 31, 2012 and the three months ended March 31, 2011 is based on the unaudited condensed interim consolidated financial statements of the Company for such periods which were prepared in accordance with GAAP and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors has approved this MD&A as of April 26, 2012.

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## The Business and Corporate Structure

Capital Power is a growth-oriented North American power producer headquartered in Edmonton, Alberta. The Company develops, acquires, operates and optimizes power generation from a variety of energy sources. Capital Power owns more than 3,300 megawatts (MW) of power generation capacity at 16 facilities across North America and has rights to 371 MW through its interest in the acquired Sundance power purchase arrangement (acquired Sundance PPA). An additional 487 MW of owned wind generation capacity is under construction or in advanced development in Alberta, British Columbia, and Ontario.

The Company's power generation operations and assets are owned by Capital Power L.P. (CPLP), a subsidiary of the Company. As at March 31, 2012, the Company directly and indirectly held approximately 21.750 million general partnership units and 36.924 million common limited partnership units of CPLP which represented approximately 61% of CPLP's total partnership units. EPCOR (in this MD&A, EPCOR refers to EPCOR Utilities Inc. collectively with its subsidiaries) held 38.216 million exchangeable common limited partnership units of CPLP representing approximately 39% of CPLP. CPLP's exchangeable common limited partnership units are exchangeable for common shares of Capital Power on a one-for-one basis. See Subsequent Event. The general partner of CPLP is wholly-owned by Capital Power Corporation and EPCOR's representation on the Board of Directors does not represent a controlling vote. Accordingly, Capital Power Corporation controls CPLP and the operations of CPLP have been consolidated for financial statement purposes.

## Corporate Strategy

The Company's corporate strategy remains unchanged from that disclosed in its 2011 annual MD&A. During the three months ended March 31, 2012, the Company executed certain steps towards its plan to dispose of its remaining hydro plant assets, consisting of the Brown Lake and Miller Creek generation plants. Those assets are classified as held for sale in the Company's March 31, 2012 statement of financial position.

## Forward-looking Information

Forward-looking information or statements included in this MD&A are provided to inform the Company's shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this MD&A is generally identified by words such as "will", "anticipate", "believe", "plan", "intend", "target", and "expect" or similar words that suggest future outcomes.

Material forward-looking information in this MD&A includes information with respect to: (i) expectations related to future earnings and funds from operations, (ii) expectations regarding the future pricing of electricity and market fundamentals in existing and target markets, (iii) expectations regarding fuel supply and pricing, (iv) expectations related to the Company's future cash requirements including interest and principal repayments, capital expenditures and dividends, (v) expectations for the Company's sources of funding, adequacy and availability of committed bank credit facilities and future borrowings, (vi) expectations regarding future growth and emerging opportunities in the Company's target markets including the focus on certain technologies, (vii) expectations regarding the timing of, funding of, and costs for existing, planned and potential development projects and acquisitions, and (viii) expectations regarding plant availability, and (ix) expectations regarding capital expenditures for plant maintenance and other.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements relate to: (i) electricity and other energy prices, (ii) performance, (iii) business prospects and opportunities including expected growth and capital projects, (iv) status of and impact of policy, legislation and regulations, (v) effective tax rates, and (vi) other matters discussed under the Performance Overview and Outlook sections.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) power plant availability and performance including maintenance expenditures, (ii) changes in electricity prices in markets in which the Company operates, (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation, (iv) acquisitions and developments including timing and costs of regulatory approvals and construction, (v) ability to fund current and future capital and working capital needs, (vi) changes in energy commodity market prices and use of derivatives, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's December 31, 2011 annual MD&A for further discussion of these and other risks.

Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

## Performance Overview

The Company measures its performance in relation to its corporate strategy through financial and non-financial targets that are approved by the Board of Directors. The measurement categories include corporate measures and core measures. The corporate measures are company-wide and include funds from operations and safety. The core measures are specific to certain groups of the Company and include plant operating margin and other operations measures, committed capital, construction and maintenance capital on budget and on schedule, and plant site safety.

**Operational excellence**

| Performance measure | 2012 full year target | Actual results for the three months ended March 31, 2012 |
|---|---|---|
| Plant availability average | 91% or greater | 97% |
| Capital expenditures for plant maintenance and other (excludes capital expenditures for Genesee mine lands) | $108 million or lower | $9 million |
| Maintenance and operating expenses | $215 million to $235 million | $50 million |

The Company's plant availability averaged 97% which reflected the strong performance of Genesee Units 1 and 2, Keephills 3 and Joffre partly offset by the Genesee 3 outage which continued from November 11, 2011 until January 15, 2012.

Capital expenditures for maintenance of the plants and other for the three months ended March 31, 2012 were behind the levels expected to be incurred but it is anticipated that spending will increase during future quarters of 2012 with the resulting full year amount being close to target.

The maintenance and operating expenses target includes other raw materials and operating charges, staff costs and employee benefits expense and other administrative expenses for the Company's plants. The actual results for the three months ended March 31, 2012 were consistent with the target range for full year 2012.

**Financial stability and strength**

| Performance measure | 2012 full year target | Actual results for the three months ended March 31, 2012 |
|---|---|---|
| Normalized earnings per share (1) | $1.50 to $1.70 | $0.46 |
| Funds from operations (1) | $380 million to $420 million | $116 million |
| Cash flow per share (1) | $3.90 to $4.30 | $1.19 |
| Dividend coverage ratio (1) | 2.2 times to 2.6 times | 3.1 |

(1) Normalized earnings per share, funds from operations, cash flow per share and dividend coverage ratio are non-GAAP measures. See Non-GAAP Financial Measures.

The Company's operating results for the three months ended March 31, 2012 were generally consistent with expectations for the quarter.

Actual financial results achieved in the three months ended March 31, 2012 compared with the 2012 financial targets were impacted by lower than expected EBITDA (2) for the North East U.S. plants.

Earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange losses and gains on acquisitions and disposals (EBITDA) is a non-GAAP financial measure. See Non-GAAP Financial Measures.

**Enhancing shareholders' value**

| Performance measure | 2012 full year target | Status at March 31, 2012 |
|---|---|---|
| Halkirk wind project | Continue on budget of $357 million and on time with commercial operation date in the fourth quarter of 2012 | On track with target |
| Quality Wind project | Continue on budget of $455 million and on time with commercial operation date in the fourth quarter of 2012 | On track with target |
| Port Dover & Nanticoke and K2 wind projects | Full notice to proceed in 2012 | Full notice to proceed unchanged for Port Dover & Nanticoke<br>Full notice to proceed for K2 revised to 2013 |

These growth projects are all on track with their targets except that the Company has revised its expectation for the timing of full notice to proceed on the K2 wind project from 2012 to 2013. The expected commissioning date (see Outlook) and total project costs remain unchanged.

## Outlook

The following discussion should be read in conjunction with the Forward-looking Information section of this MD&A which identifies the material factors and assumptions used to develop forward-looking information and their material associated risk factors.

Normalized earnings per share, as reflected in the 2012 targets and based on forecast power prices and spark spreads, was expected to be in the range of $1.50 to $1.70 for the full year. Normalized earnings per share for 2012 is now expected to be slightly under the low end of the target range based upon revised Alberta forward power prices which have decreased by approximately $6 per megawatt hour (MWh) and revised full year spark spreads for the North East U.S. region which have decreased by approximately US$2 per MWh. Funds from operations, cash flow per share and dividend coverage ratio are expected to be near the low end of their target ranges. See Performance Overview for these targets. The prices upon which the expected performance measures are based are volatile. Should power prices and spark spreads during the remainder of 2012 increase from the revised forecast prices presented above, normalized earnings per share is expected to be within the target range.

As of March 31, 2012, the forecast hedged positions and contracted prices from the baseload plants and acquired Sundance PPA in the Alberta commercial portfolio were:

| Alberta commercial portfolio positions and power prices | April to December 2012 | Full year 2013 | Full year 2014 |
|---|---|---|---|
| Percentage sold forward | 73% | 20% | 5% |
| Contracted price ($/MWh) | Mid-$60 | Mid-$60 | Low-$60 |

The 2012 results will include a full year of operations from the New England facilities acquired in April 2011 and from Keephills 3 which began commercial operation in September 2011. North East U.S is expected to experience lower spark spreads for the balance of 2012. The New England facilities are expected to contribute EBITDA of $41 million in 2012 which is a decrease of $10 million from the previously disclosed expected EBITDA of $51 million. The decrease is attributed primarily to decreased forward commodity prices resulting in decreased spark spreads and energy margins. The region experienced significantly lower power prices in the first quarter of 2012 due to warmer than expected temperatures which reduced power demand in the winter period.

Results from the Quality Wind and Halkirk wind projects will be included in Capital Power's results from their commercial operation date which is expected in the fourth quarter of 2012.

The plant availability target for 2012 of 91%reflects two scheduled maintenance outages, one at Genesee 2 and one at Genesee 3. The outage at Genesee 2 is expected to last 25 days and cost approximately $15 million in maintenance expenses and $12 million in availability penalties. The outage at Genesee 3 is expected to last 28 days and Capital Power's portion of the maintenance cost is expected to be $9 million. The North East U.S. plants of Bridgeport, Rumford and Tiverton also have scheduled outages in 2012 that are expected to cost approximately $9 million.

The 2012 results will not include results from CPILP which was sold effective November 2011.

The 2012 targets and forecasts are based on numerous assumptions including power and natural gas price forecasts. However, they do not include the effects of potential future acquisitions or development activities, or potential impacts from unplanned plant outages including outages at facilities of other market participants, and the related impacts on market power prices.

The Company's estimated 2012 capital expenditures in the following table only include expenditures for previously identified growth projects and exclude the cost of potential new development projects:

| (unaudited, $millions)<br>**Capital expenditures – growth** | **Target completion date** | **Year ended December 31, 2012 estimated** |
|---|---|---|
| Quality Wind | 4th quarter 2012 | $ 300 |
| Halkirk | 4th quarter 2012 | 174 |
| Port Dover & Nanticoke | 4th quarter 2013 | 58 |
| K2 (1) | 2014 | 11 |
| | | **$ 543** |

(1) Capital Power entered into a partnership agreement to develop K2 which is expected to be in operation by 2014. The 2012 capital expenditures estimated for the K2 project consist primarily of the Company's estimated contribution towards the partnership's equity.

The most recent estimate for 2012 capital expenditures for growth projects has decreased to $543 million from $572 million as was disclosed in the Company's December 31, 2011 MD&A. The decrease is due to the delay in timing of certain project payments from 2012 to 2013. The total project estimated costs to completion date remain unchanged.

| (unaudited, $millions)<br>**Capital expenditures – sustaining** | **Year ended December 31, 2012 estimated** |
|---|---|
| Plant maintenance | $ 80 |
| Genesee mine maintenance (1) (2) | 22 |
| Information technology (3) | 21 |
| Other | 1 |
| | **$ 124** |

(1) Capital expenditures for Genesee mine maintenance represent only those capital expenditures funded by the Company for the Genesee mine operation.

(2) Included in the estimated capital expenditures for Genesee mine maintenance is approximately $16 million relating to purchase of lands for ongoing expansion of the mine.

(3) The 2012 estimated capital expenditures for information technology are primarily for a new energy trading and risk management system and a new enterprise resource planning system.

Based on the actual expenditures for the three months ended March 31, 2012 and the current forecast for the last three quarters, estimated 2012 sustaining capital expenditures remain at $124 million which is unchanged from the estimate included in the Company's December 31, 2011 MD&A.

Capital Power is participating in a proceeding underway before the Alberta Utilities Commission (AUC) regarding factors that form the basis for certain transmission charges paid by Alberta generators including Capital Power. On April 16, 2012, after the completion of the first phase of the proceeding, the AUC issued its decision that the factors utilized from 2006 to the present time were non-compliant with the applicable legislation and regulations. The future second phase of the proceeding will consider what alternative factors should be implemented and whether they will be retroactively applied. Capital Power may incur additional payments for transmission charges on a retroactive and go-forward basis but a provision has not been recorded in the Company's financial statements since the timing of completion and outcome of the second phase of the proceeding are not known.

On April 23, 2012, Capital Power and its partners of TransAlta Corporation, Enbridge Inc. and the federal and provincial governments decided not to proceed with their carbon capture and storage project following an extensive engineering and design study. While the project proved to be technically feasible, the economics of the project did not support a decision to proceed.

## Non-GAAP Financial Measures

The Company uses (i) earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange losses, and gains on acquisitions and disposals (EBITDA), (ii) funds from operations, (iii) funds from operations excluding non-controlling interests in CPILP, (iv) cash flow per share, (v) dividend coverage ratio, (vi) normalized earnings attributable to common shareholders, and (vii) normalized earnings per share as financial performance measures.

These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP, and therefore may not be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to gross income, net income, net income attributable to Shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective.

### EBITDA

Capital Power uses EBITDA to measure the operating performance of plants and categories of plants from period to period. For previously reported periods prior to the three months ended December 31, 2011, the Company defined EBITDA as earnings before finance expense, income tax expense and depreciation and amortization. Commencing with the Company's December 31, 2011 year-end, EBITDA was redefined to also exclude impairments, foreign exchange losses and gains on acquisitions and disposals. Management believes that EBITDA, as a measure of plant operating performance, is more meaningful if results not related to plant operations such as impairments, foreign exchange losses and gains on acquisitions and disposals are excluded from the EBITDA measure. All comparative EBITDA amounts for quarters prior to those ended on December 31, 2011 were revised to reflect this change. A reconciliation of EBITDA to net income is as follows:

| (unaudited, $millions) | **Three months ended** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Mar 31 2012** | **Dec 31 2011** | **Sep 30 2011** | **Jun 30 2011** | **Mar 31 2011** | **Dec 31 2010** | **Sep 30 2010** | **Jun 30 2010** |
| Revenues | $ 368 | $ 382 | $ 414 | $ 455 | $ 440 | $ 430 | $ 492 | $ 301 |
| Other income | 12 | 25 | 19 | 17 | 18 | 5 | 21 | 12 |
| Energy purchases and fuel | (147) | (169) | (189) | (255) | (291) | (233) | (277) | (196) |
| Gross income | 233 | 238 | 244 | 217 | 167 | 202 | 236 | 117 |
| Other raw materials and operating charges | (30) | (40) | (43) | (37) | (29) | (43) | (20) | (22) |
| Staff costs and employee benefits expense | (36) | (34) | (40) | (42) | (39) | (44) | (43) | (47) |
| Other administrative expenses | (15) | (14) | (22) | (26) | (15) | (24) | (23) | (13) |
| **EBITDA** | **152** | **150** | **139** | **112** | **84** | **91** | **150** | **35** |
| Depreciation and amortization | (54) | (62) | (45) | (64) | (58) | (63) | (59) | (62) |
| Impairments | - | - | - | (43) | - | 1 | (66) | - |
| Foreign exchange losses | - | - | (7) | (4) | (2) | (1) | (1) | 2 |
| Gains on acquisitions and disposals | - | 93 | - | - | - | 2 | - | - |
| Finance expense | (18) | (29) | (32) | (35) | (9) | (13) | (26) | (20) |
| Income tax recovery (expense) | (14) | - | (11) | 12 | (1) | 5 | (1) | 11 |
| **Net income (loss)** | **$ 66** | **$ 152** | **$ 44** | **$ (22)** | **$ 14** | **$ 22** | **$ (3)** | **$ (34)** |
| **Attributable to:** | | | | | | | | |
| Non-controlling interests | $ 26 | $ 68 | $ 29 | $ 3 | $ 11 | $ 25 | $ (19) | $ (26) |
| Shareholders of the Company | $ 40 | $ 84 | $ 15 | $ (25) | $ 3 | $ (3) | $ 16 | $ (8) |

### Funds from operations and funds from operations excluding non-controlling interests in CPILP

Capital Power uses funds from operations as a measure of the Company's ability to generate cash from its current operating activities to fund capital expenditures, debt repayments and distributions to the Company's shareholders. Funds from operations are net cash flows from operating activities, including finance and current income tax expenses, and excluding changes in working capital. The Company includes interest and current income tax expenses recorded during the period rather than interest and income taxes paid. The timing of cash receipts and payments of interest and income taxes and the resulting cash basis amounts are not comparable from period to period. The timing of cash receipts and payments also affects the period-to-period comparability of changes in operating working capital which are also excluded from funds from operations.

The Company divested its 29% indirect ownership of CPILP as of November 5, 2011. Prior to the sale, the Company used funds from operations excluding non-controlling interests in CPILP to provide a more meaningful measure of the Company's operating cash flows since the non-controlling interests in CPILP's funds from operations were approximately 71%.

A reconciliation of net cash flows from operating activities to (i) funds from operations and (ii) funds from operations excluding non-controlling interests in CPILP is as follows:

| (unaudited, $millions) | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| **Net cash flows from operating activities per Consolidated Statements of Cash Flows** | **$ 99** | **$ 101** |
| Reversal of previously recognized unrealized losses representing changes in the fair value of forward bond contracts | (9) | (10) |
| Loss on the settlement of forward bond contracts | 8 | 2 |
| Miscellaneous financing charges | - | 2 |
| Finance expense | (18) | (9) |
| Interest paid | 6 | 12 |
| Current income tax (expense) | (1) | (4) |
| Income taxes paid (recovered) | 3 | 9 |
| Change in non-cash operating working capital | 26 | - |
| **Funds from operations** | **116** | **103** |
| Less funds from operations due to non-controlling interests in CPILP | - | 20 |
| **Funds from operations excluding non-controlling interests in CPILP** | **$ 116** | **$ 83** |

### Cash flow per share

Cash flow per share is calculated using the weighted average common shares of Capital Power Corporation and exchangeable common limited partnership units of CPLP that were outstanding during the period. The CPLP exchangeable common limited partnership units are exchangeable for common shares of Capital Power Corporation on a one-for-one basis.

| (unaudited) | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| **Funds from operations excluding non-controlling interests in CPILP ($millions)** | **$ 116** | **$ 83** |
| Weighted average common shares outstanding (millions) | 59.18 | 32.32 |
| Weighted average exchangeable common limited partnership units of CPLP outstanding (millions) | 38.22 | 47.42 |
| Weighted average shares and partnership units outstanding (millions) | 97.40 | 79.74 |
| **Cash flow per share** | **$ 1.19** | **$ 1.04** |

### Dividend coverage ratio

Capital Power uses the dividend coverage ratio as a measure of the Company's ability to pay dividends and distributions to its shareholders and CPLP's exchangeable common limited partnership unitholders from funds it generates from operations. The measure is calculated as funds from operations excluding non-controlling interests in CPILP less sustaining capital expenditures divided by dividends and distributions.

| (unaudited, $millions except dividend coverage ratio) | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| **Funds from operations excluding non-controlling interests in CPILP** | **$ 116** | **$ 83** |
| Less CPLP sustaining capital expenditures | 17 | 9 |
| Less CPLP's share of CPILP sustaining capital expenditures | n/a | 1 |
| Funds available for distribution | 99 | 73 |
| Common share dividends declared | 19 | 12 |
| Distributions to exchangeable common limited partnership unitholders of CPLP declared | 12 | 15 |
| Preferred share dividends declared | 1 | 2 |
| Total dividends and distributions declared | 32 | 29 |
| **Dividend coverage ratio** | **3.1** | **2.5** |

**Normalized earnings attributable to common shareholders and normalized earnings per share**

The Company uses normalized earnings per share to measure performance by period on a comparable basis. Normalized earnings per share is based on earnings used in the calculation of earnings per share according to GAAP adjusted for items that are not reflective of performance in the period such as fair value changes, impairment charges, unusual tax adjustments, gains and losses on disposal of assets or unusual contracts, and foreign exchange loss on the translation of U.S. dollar denominated debt. The foreign exchange gain on the translation of the New England plant assets which were financed by this U.S. debt was recognized in other comprehensive income as required by GAAP. However, the related U.S. debt is not part of the New England foreign investment since the Company has a centralized finance function. As a result of this mismatch in the income statement, the foreign exchange loss was excluded from normalized earnings. A reconciliation of net income (loss) attributable to shareholders to normalized earnings attributable to common shareholders, and earnings (loss) per share to normalized earnings per share is as follows:

| (unaudited, $millions except earnings (loss) per share and number of common shares) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Mar 31 2012** | **Dec 31 2011** | **Sep 30 2011** | **Jun 30 2011** | **Mar 31 2011** | **Dec 31 2010** | **Sep 30 2010** | **Jun 30 2010** |
| **Earnings (loss) per share** | **$0.66** | **$1.47** | **$0.29** | **$(0.67)** | **$0.06** | **$(0.13)** | **$0.74** | **$(0.37)** |
| **Net income (loss) attributable to shareholders of the Company per Consolidated Statements of Income** | **40** | **84** | **15** | **(25)** | **3** | **(3)** | **16** | **(8)** |
| Preferred share dividends | (1) | (2) | (1) | (2) | (1) | - | - | - |
| Earnings (loss) attributable to common shareholders | 39 | 82 | 14 | (27) | 2 | (3) | 16 | (8) |
| Unrealized changes in fair value of CPLP's derivative instruments and natural gas held for trading | (12) | 2 | 2 | 2 | 9 | 3 | (2) | 8 |
| Impact of change in non-controlling interest percentage on adjustments of previous quarters | - | 1 | 1 | - | - | 1 | - | - |
| Foreign exchange losses on translation of U.S. dollar debt | - | - | 2 | - | - | - | - | - |
| Unrealized changes in fair value of CPILP's derivative instruments | - | (1) | 2 | - | - | (1) | - | 1 |
| Gain on sale of CPILP | - | (60) | - | - | - | - | - | - |
| Gain on settlement of pension expense from sale of CPILP | - | (3) | - | - | - | - | - | - |
| Gain on sale of Taylor Coulee Chute | - | (1) | - | - | - | - | - | - |
| Impairment loss on manager and operating contracts | - | - | - | 30 | - | - | - | - |
| Acquisition loss for Island Generation acquisition | - | - | - | - | - | 6 | - | - |
| Impact of asset impairments recognized by subsidiaries | - | - | - | - | - | - | (5) | - |
| Obligation to EPCOR for Rossdale plant | - | - | - | - | - | - | 2 | - |
| Income tax adjustments | - | - | - | (2) | - | (1) | 3 | - |
| **Normalized earnings attributable to common shareholders** | **27** | **20** | **21** | **3** | **11** | **5** | **14** | **1** |
| Weighted average number of common shares outstanding (millions) | 59.18 | 55.64 | 48.36 | 40.42 | 32.32 | 23.47 | 21.77 | 21.75 |
| **Normalized earnings per share** | **$0.46** | **$0.36** | **$0.43** | **$0.07** | **$0.34** | **$0.21** | **$0.64** | **$0.05** |

## Financial Highlights

| (unaudited, $millions, except per share amounts and dividend coverage ratio) | Three months ended March 31 | |
|---|---|---|
| | 2012 | 2011 |
| Revenues and other income | $ 380 | $ 458 |
| EBITDA [(1)] | 152 | 84 |
| Net income | 66 | 14 |
| Net income attributable to shareholders of the Company | 40 | 3 |
| Normalized earnings attributable to common shareholders [(1)] | 27 | 11 |
| Earnings per share | 0.66 | 0.06 |
| Diluted earnings per share [(2)] | 0.64 | 0.05 |
| Normalized earnings per share [(1)] | 0.46 | 0.34 |
| Funds from operations [(1)] | 116 | 103 |
| Funds from operations excluding non-controlling interests in CPILP [(1)] | 116 | 83 |
| Cash flow per share [(1)] | 1.19 | 1.04 |
| Capital expenditures | 141 | 89 |
| Dividend coverage ratio [(1)] | 3.1 | 2.5 |
| Dividends per common share, declared | 0.3150 | 0.3150 |
| Dividends per preferred share, declared | 0.2875 | 0.3308 |

| As at | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Loans and borrowings including current portion | $ 1,554 | $ 1,480 |
| Total assets | 4,782 | 4,743 |

(1) The consolidated financial highlights, except for EBITDA, normalized earnings attributable to common shareholders, normalized earnings per share, funds from operations, funds from operations excluding non-controlling interests in CPILP, cash flow per share, and dividend coverage ratio, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

(2) Diluted earnings per share was calculated after giving effect to share purchase options and the exchange of common limited partnership units of CPLP held by EPCOR which are exchangeable for common shares of Capital Power on a one-for-one basis.

**Normalized earnings and normalized earnings per share**

Refer to Results by Plant Category and Other and Consolidated Other Expenses and Non-Controlling Interests for detailed discussion of the results for the quarter on a comparative basis.

Finance expense included the reversal of previously recognized unrealized decreases in the fair value of forward bond contracts of $9 million for the three months ended March 31, 2012 and $10 million in the same period of the prior year. These reversals decreased finance expense and increased net income but were offset by the realized losses of $8 million and $2 million (for the three months ended March 31, 2102 and 2011, respectively) recognized on the settlement of these contracts which were also included in finance expense. These contracts economically hedged the Company's exposure to interest rate risk on anticipated debt issues. While these contracts settled at a loss, future interest payments on the debt were and will be incurred at a rate lower than the rate that was locked in by the hedge. Normalized earnings per share was determined by excluding the total of net unrealized changes in the fair value of derivative instruments and the reversal of unrealized losses on forward bond contracts recognized in prior periods. Accordingly, the impact of the reversal of the unrealized losses reduced normalized earnings by $9 million for the three months ended March 31, 2012 and $10 million for the three months ended March 31, 2011 before consideration of taxes and non-controlling interests.

Normalized earnings per share reflects the period-over-period change in normalized earnings and the changes from period to period as the weighted average number of common shares outstanding increases and the net income attributable to non-controlling interests decreases.

**Funds from operations**

Funds from operations for the three months ended March 31, 2012 increased in comparison to funds from operations for the three months ended March 31, 2011 consistent with the increase in net income attributable to shareholders of the Company.

## Significant Events

### $250 million debt issue

On February 21, 2012, CPLP completed a public offering of $250 million unsecured medium-term notes. The notes have a coupon rate of 4.85%, are payable semi-annually commencing on August 21, 2012 and mature on February 21, 2019. The net proceeds of the offering were used for repayment of amounts owing under credit facilities, financing on ongoing capital projects, working capital requirements, and general corporate purposes.

### $2 billion base shelf prospectus

On February 16, 2012, Capital Power filed a Canadian base shelf prospectus, which expires in March 2014, under which it may raise up to $2 billion collectively in common shares of the Company, preferred shares of the Company and subscription receipts exchangeable for common shares and/or other securities of the Company.

### Sale of Atlantic Power shares

On February 10, 2012, the Company completed the sale of its shares in Atlantic Power, which were acquired in November 2011 as part of the Atlantic Power acquisition of CPILP, for proceeds of $52 million on a bought deal basis. These shares were initially recorded at $48 million and subsequently adjusted to their fair value of $53 million as of December 31, 2011 resulting in an unrealized gain of $5 million recognized in 2011. For the three months ended March 31, 2012, the Company recognized a realized pre-tax gain of $4 million with income taxes estimated to be $1 million offset by the reversal of the unrealized gain of $5 million recognized in the previous year.

## Subsequent Event

### Secondary offering of Capital Power common shares by EPCOR

Effective April 5, 2012, EPCOR exchanged 9,775,000 of its exchangeable common limited partnership units in CPLP for common shares of Capital Power on a one-for-one basis and sold 9,775,000 common shares of Capital Power to the public pursuant to a secondary offering at $23.55 per common share. Capital Power did not receive any of the approximate $230 million of proceeds from EPCOR's sale of common shares. This transaction reduced EPCOR's ownership interest in CPLP to approximately 29% from its interest of approximately 39% at March 31, 2012 and reduced EPCOR's ownership of the common shares of Capital Power on a diluted basis to 29% from 39%. EPCOR has advised that it intends to sell all or a portion of its remaining interest in CPLP as its demands for capital require and market conditions permit.

## Plant Summary

| | | Three months ended March 31 | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | Energy source | Electricity generation (GWh) [1] | | Plant availability (%) [2] | | Plant revenues (unaudited, $millions) [3] | |
| Total electricity generation, average plant availability and total plant revenues excluding acquired Sundance PPA and CPILP plants | | 4,222 | 2,451 | 97% | 93% | $ 233 | $ 166 |
| **Alberta commercial plants and acquired Sundance PPA** | | | | | | | |
| Genesee 3 [4] | Coal | 399 | 482 | 84% | 100% | 26 | 39 |
| Keephills 3 [5] | Coal | 430 | - | 95% | n/a | 23 | - |
| Joffre | Natural gas | 92 | 98 | 94% | 99% | 14 | 15 |
| Clover Bar Energy Centre 1, 2 and 3 | Natural gas | 27 | 162 | 98% | 54% | 7 | 21 |
| Taylor Coulee Chute [6] | Water flows | n/a | - | n/a | 100% | n/a | - |
| Clover Bar Landfill Gas | Landfill gas | 8 | 8 | 95% | 95% | - | 1 |
| Alberta commercial plants – owned | | 956 | 750 | 93% | 87% | 70 | 76 |
| Acquired Sundance PPA | Coal | 695 | 758 | 95% | 98% | 43 | 65 |
| | | 1,651 | 1,508 | 93% | 91% | 113 | 141 |
| **Alberta contracted plants** | | | | | | | |
| Genesee 1 | Coal | 814 | 768 | 97% | 92% | | |
| Genesee 2 | Coal | 843 | 831 | 100% | 100% | | |
| | | 1,657 | 1,599 | 98% | 96% | 75 | 77 |
| **Ontario and British Columbia contracted plants** | | | | | | | |
| Kingsbridge 1 | Wind | 37 | 31 | 99% | 98% | 3 | 2 |
| Miller Creek | Water flows | 4 | 5 | 100% | 78% | - | - |
| Brown Lake | Water flows | 15 | 14 | 99% | 100% | 1 | 1 |
| Island Generation | Natural gas | 66 | 52 | 100% | 99% | 10 | 10 |
| | | 122 | 102 | 100% | 97% | 14 | 13 |
| **North East U.S. commercial plants** [7] | | | | | | | |
| Bridgeport | Natural gas | 844 | n/a | 96% | n/a | 36 | n/a |
| Rumford | Natural gas | 33 | n/a | 98% | n/a | 3 | n/a |
| Tiverton | Natural gas | 452 | n/a | 100% | n/a | 17 | n/a |
| | | 1,329 | n/a | 98% | n/a | 56 | n/a |
| **North Carolina U.S. contracted plants** [8] | | | | | | | |
| Roxboro | Mixed [9] | 55 | n/a | 96% | n/a | 5 | n/a |
| Southport | Mixed [9] | 103 | n/a | 96% | n/a | 13 | n/a |
| | | 158 | n/a | 96% | n/a | 18 | n/a |
| **CPILP plants** [10] | Various | n/a | 1,139 | n/a | 92% | n/a | 128 |

(1) Electricity generation reflects the Company's share of plant output.

(2) Plant availability represents the percentage of time in the period that the plant was available to generate power regardless of whether it was running, and therefore is reduced by planned and unplanned outages.

(3) In this summary, plant revenue represents revenue generated directly from plant activity and does not include portfolio or mark-to-market generated revenue.

(4) Genesee 3 returned to service on January 15, 2012 after an unscheduled outage which commenced on November 11, 2011.

(5) Keephills 3 includes pre-commissioning output until commissioning date of September 1, 2011. Revenues and expenses related to commissioning activities were capitalized as part of the cost of the facility in property, plant and equipment.

(6) Taylor Coulee Chute was disposed of on November 1, 2011.

(7) North East U.S. commercial plants comprises the Bridgeport and the Rumford and Tiverton facilities as of their dates of acquisition of April 28, 2011 and April 29, 2011, respectively.

(8) North Carolina U.S. contracted plants comprises the Roxboro and Southport plants acquired from CPILP as of their date of acquisition of November 5, 2011. Prior to that date, these plants are included in the CPILP plants category.

(9) The energy sources for the Roxboro and Southport plants are wood waste, tire-derived fuel and coal.

(10) In November 2011, the CPILP plants, excluding Roxboro and Southport, were disposed of as part of the Atlantic Power acquisition of CPILP partnership units.

## Portfolio Optimization

The significant positions and results of portfolio optimization activities were as follows:

| | Unit | Three months ended March 31, 2012 | Three months ended March 31, 2011 | Year ended December 31, 2011 |
|---|---|---|---|---|
| **Alberta portfolio** | | | | |
| Hedged position [1] | % sold forward at beginning of period | 48 | 73 | 73 |
| Realized power price [2] | $/MWh | 83 | 64 | 68 |
| Spot power price averages | $/MWh | 60 | 82 | 76 |
| **North East U.S portfolio** [3] | | | | |
| Hedged position | Approximate average % contracted throughout period | 46 | n/a | 55 |

(1) Hedged position is for the Alberta baseload plants and acquired Sundance PPA.

(2) Realized power price is the average price realized on the Company's commercial contracted sales and portfolio optimization activities.

(3) The North East U.S. portfolio activities commenced upon the acquisition of the Bridgeport and the Rumford and Tiverton facilities on April 28 and April 29, 2011.

## Consolidated Net Income

The primary factors contributing to the change in net income for the three months ended March 31, 2012 compared with the three months ended March 31, 2011 are presented below; detailed analysis of these items can be found in the Results by Plant Category and Other and the Consolidated Other Expenses and Non-controlling Interests sections.

| (unaudited, $millions) | |
|---|---|
| **Consolidated net income for the three months ended March 31, 2011** | **$ 14** |
| Increase in EBITDA for Alberta plants and portfolio primarily due to higher generation and portfolio performance | 49 |
| Increase in net unrealized gains on fair value adjustments of derivative instruments, natural gas inventory held for trading, forward bond sale contracts and Atlantic Power shares | 42 |
| Increase in EBITDA due to acquisitions of North East U.S. and North Carolina U.S. plants | 15 |
| Decrease in depreciation and amortization expense | 4 |
| Increase in realized losses on foreign exchange and forward bond sale contracts settled partly offset by realized gain on sale of Atlantic Power shares | (2) |
| Decrease in EBITDA for CPILP plants | (44) |
| Other | 1 |
| Increase in income before tax | 65 |
| Increase in income tax | (13) |
| **Increase in net income** | **52** |
| **Consolidated net income for the three months ended March 31, 2012** | **$ 66** |

## Results by Plant Category and Other

The Company reports results of operations in the following categories: (i) Alberta commercial plants, acquired Sundance PPA and portfolio optimization, (ii) Alberta contracted plants, (iii) Ontario and British Columbia contracted plants, (iv) North East U.S. commercial plants and portfolio optimization, (v) North Carolina U.S. contracted plants, (vi) CPILP plants, (vii) Other portfolio activities, and (viii) Corporate.

**Financial results**

| (unaudited, $millions) | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| **Revenues and other income** | | |
| Alberta commercial plants, acquired Sundance PPA and portfolio optimization [1] | $ 180 | $ 266 |
| Alberta contracted plants | 75 | 77 |
| Ontario and British Columbia contracted plants | 14 | 13 |
| North East U.S. commercial plants and portfolio optimization [2] | 59 | - |
| North Carolina U.S. contracted plants [3] | 18 | - |
| CPILP plants | - | 128 |
| Other portfolio activities | 29 | 34 |
| Corporate | 9 | 6 |
| Interplant category transaction eliminations | (18) | (20) |
| | 366 | 504 |
| Unrealized changes in fair value of CPLP's energy derivative instruments, natural gas held for trading and Atlantic Power shares | 14 | (49) |
| Unrealized changes in fair value of CPILP's foreign exchange contracts | - | 3 |
| | 14 | (46) |
| | **$ 380** | **$ 458** |
| **EBITDA** [4] | | |
| Alberta commercial plants, acquired Sundance PPA and portfolio optimization [1] | $ 87 | $ 38 |
| Alberta contracted plants | 45 | 47 |
| Ontario and British Columbia contracted plants | 10 | 10 |
| North East U.S. commercial plants and portfolio optimization [2] | 13 | - |
| North Carolina U.S. contracted plants[3] | 2 | - |
| CPILP plants | - | 44 |
| Other portfolio activities | 7 | - |
| Corporate | (25) | (23) |
| | 139 | 116 |
| Unrealized changes in fair value of CPLP's energy derivative instruments, natural gas held for trading and Atlantic Power shares | 13 | (34) |
| Unrealized changes in fair value of CPILP's foreign exchange and natural gas contracts | - | 2 |
| | 13 | (32) |
| | **$ 152** | **$ 84** |

(1) Alberta commercial plants, acquired Sundance PPA and portfolio optimization include Keephills Unit 3 as of its date of commissioning of September 1, 2011. Revenues and expenses related to commissioning activities, prior to September 1, 2011 were capitalized as part of the cost of the facility in property, plant and equipment.

(2) North East U.S. commercial plants and portfolio optimization include Bridgeport and the Rumford and Tiverton facilities as of their dates of acquisition of April 28, 2011 and April 29, 2011, respectively.

(3) North Carolina U.S. contracted plants comprises the Roxboro and Southport plants acquired from CPILP as of their date of acquisition of November 5, 2011.

(4) The results by plant category and other, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

| Spot price averages | Three months ended March 31 2012 | 2011 |
|---|---|---|
| Alberta power ($/MWh) | 60 | 82 |
| New England mass hub (US$/MWh) (1) | 33 | n/a |
| Alberta natural gas (AECO) ($/Gj) (2) | 2.06 | 3.57 |

(1) The New England plants were acquired in April 2011.

(2) Gigajoule (Gj) AECO means a historical virtual trading hub located in Alberta and known as the Nova Inventory Transfer System operated by TransCanada Pipelines Limited.

### Alberta commercial plants, acquired Sundance PPA and portfolio optimization

| Alberta commercial plants, acquired Sundance PPA and portfolio optimization (1) | Three months ended March 31 2012 | 2011 |
|---|---|---|
| Electricity generation (GWh) | 1,651 | 1,508 |
| Availability (%) | 93 | 91 |
| Revenues (unaudited, $millions) | 180 | 266 |
| EBITDA (unaudited, $millions) (2) | 87 | 38 |

(1) Alberta commercial plants, acquired Sundance PPA and portfolio optimization includes the Company's interest in the acquired Sundance PPA.

(2) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

For the three months ended March 31, 2012, production increased 143 GWh compared with the corresponding period of 2011 primarily due to the addition of Keephills 3 partly offset by lower generation from Genesee 3 and the acquired Sundance PPA units and reduced opportunities to dispatch the Company's Clover Bar Energy Centre (CBEC) units driven by lower average Alberta power prices. Overall availability was consistent compared with the same period in the prior year primarily due to increased availability from CBEC offset by the unfavourable impact of an outage at Genesee 3. CBEC unit 3 was unavailable for 75 days in the first quarter of 2011 with no outages in the first quarter of 2012. Genesee 3 went offline on November 11, 2011 and returned to service on January 15, 2012. The unit went offline due to an electrical issue that resulted in damage to the turbine/generator bearings and rotor.

The average Alberta spot power price was $60/MWh for the three months ended March 31, 2012 which reflected significantly lower spot prices compared with the corresponding period of 2011 which had an average spot price of $82/MWh. Lower 2012 prices reflected unusually warm weather across the region, lower than forecast weather sensitive demand, healthy base-load supply and higher output from wind generation. Significantly higher Alberta spot prices in the three months ended March 31, 2011 reflected higher price volatility than prior years due to a tighter supply demand balance primarily related to the unexpected shutdown of two large coal plants, other generation outages and cooler than normal weather.

Lower revenues for the three months ended March 31, 2012 compared with the same period in 2011 reflected lower rate regulated tariff sales to Alberta local distribution companies and the impact of lower Alberta power prices on portfolio generation. Lower revenues in 2012 were partly offset by incremental revenues from Keephills 3 which commenced commercial operations in September 2011 and business interruption insurance proceeds related to the CBEC unit 3 outage in 2011.

The increase in EBITDA for the three months ended March 31, 2012 compared with the corresponding period in 2011 was primarily driven by the portfolio optimization strategies employed by the Company which sold forward length at prices higher than those which materialized on the spot market. For the three months ended March 31, 2011, high Alberta power prices had a favourable impact on generation and provided increased opportunities to dispatch the CBEC and Joffre facilities. The addition of Keephills 3 also contributed to the increase in revenues and EBITDA in the first quarter of 2012 compared to the first quarter of 2011.

**Alberta contracted plants**

| Alberta contracted plants | Three months ended March 31 | |
|---|---|---|
| | 2012 | 2011 |
| Electricity generation (GWh) | 1,657 | 1,599 |
| Availability (%) | 98 | 96 |
| Revenues (unaudited, $millions) | 75 | 77 |
| EBITDA (unaudited, $millions) (1) | 45 | 47 |

(1) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

For the three months ended March 31, 2012, revenues and EBITDA were lower compared to the same period in 2011 primarily due to lower capacity payment revenue, availability incentive revenue, and excess energy revenue. The decrease in capacity payment revenue was due to the decrease in the asset base of the plants and lower rates on government bonds which are both inputs to the capacity payment calculation. Lower availability incentive revenues and excess energy revenues were the result of lower rolling average power prices driven by lower Alberta spot power prices. Lower revenues and EBITDA were partly offset by higher energy payment revenues resulting from an increase in the Statistics Canada indices which are an input to the energy payment calculation. EBITDA for the three months ended March 31, 2012 was further increased by lower natural gas and maintenance costs in the first quarter of 2012. Higher natural gas costs in 2011 were due to coal quality issues and the supplementation of coal with natural gas to maximize generation and benefit from the relatively high Alberta power prices in the first quarter of 2011. Higher maintenance costs in the first quarter of 2011 were primarily due to the timing of the Genesee Unit 1 turnaround which commenced on March 28, 2011.

**Ontario and British Columbia contracted plants**

| Ontario and British Columbia contracted plants | Three months ended March 31 | |
|---|---|---|
| | 2012 | 2011 |
| Electricity generation (GWh) | 122 | 102 |
| Availability (%) | 100 | 97 |
| Revenues (unaudited, $millions) | 14 | 13 |
| EBITDA (unaudited, $millions) (1) | 10 | 10 |

(1) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

For the three months ended March 31, 2012, revenues and EBITDA reflected higher wind generation at the Kingsbridge wind facility compared with the prior year. The EBITDA impact of higher wind generation was offset by increased maintenance costs at the Island Generation facility due to higher equivalent operating hours compared to the first quarter of 2011. The maintenance costs for Island Generation are primarily based on equivalent operating hours and are a function of actual generation. In 2012, actual generation from Island Generation was higher compared with the corresponding period of 2011.

**North East U.S. commercial plants and portfolio optimization**

| North East U.S. commercial plants [(1)] | Three months ended March 31 | |
|---|---|---|
| | 2012 | 2011 |
| Electricity generation (GWh) | 1,329 | n/a |
| Availability (%) | 98 | n/a |
| Revenues (unaudited, $millions) | 59 | n/a |
| EBITDA (unaudited, $millions) [(2)] | 13 | n/a |

(1) North East U.S. commercial plants comprises the Bridgeport and the Rumford and Tiverton facilities as of their dates of acquisition of April 28, 2011 and April 29, 2011, respectively.

(2) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

For the three months ended March 31, 2012, the three New England plants and portfolio optimization contributed $13 million to the Company's EBITDA excluding unrealized changes in the fair value of derivative contracts. Since the plants were acquired in April 2011, there were no comparable results for the three months ended March 31, 2011. The availability and generation of the North East U.S plants for the three months ended March 31, 2012 slightly exceeded expectations. Significantly warmer than normal weather and an oversupply of natural gas reduced spark spreads to below forecast levels which resulted in lower EBITDA contribution than anticipated.

**North Carolina U.S. contracted plants**

| North Carolina U.S contracted plants [(1)] | Three months ended March 31 | |
|---|---|---|
| | 2012 | 2011 |
| Electricity generation (GWh) | 158 | n/a |
| Availability (%) | 96 | n/a |
| Revenues (unaudited, $millions) | 18 | n/a |
| EBITDA (unaudited, $millions) [(2)] | 2 | n/a |

(1) North Carolina U. S. contracted plants comprises the Roxboro and Southport facilities as of their date of acquisition of November 5, 2011.

(2) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

For the three months ended March 31, 2012, the performance of the North Carolina U.S. contracted plants was lower than expected primarily due to lower energy margins and higher maintenance costs compared to the costs in same period of the prior year when these plants were owned and operated by CPILP.

**CPILP plants**

| CPILP plants | Three months ended March 31 | |
|---|---|---|
| | 2012 | 2011 |
| Electricity generation (GWh) | n/a | 1,139 |
| Availability (%) | n/a | 92 |
| Revenues (unaudited, $millions) | n/a | 128 |
| EBITDA (unaudited, $millions) [(1)] | n/a | 44 |

(1) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

The Company divested its limited partnership units of CPILP in November 2011.

## Other portfolio activities

| Other portfolio activities | Three months ended March 31 2012 | 2011 |
|---|---|---|
| Revenues (unaudited, $millions) | 29 | 34 |
| EBITDA (unaudited, $millions) (1) | 7 | - |

(1) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

Lower revenues for the three months ended March 31, 2012 compared with the same period in 2011 reflected the termination of the manager contracts resulting from the divestiture of the Company's interest in CPILP partly offset by higher revenues for emission credit sales. EBITDA increased primarily due to a gain related to a change in the provision for estimated future losses on certain natural gas retail contracts. The estimate for the provision was based on a decrease in forward natural gas prices in the first quarter of 2012. North American forward gas prices have been decreasing primarily due to warmer weather which has led to decreased demand, oversupply and increased natural gas storage levels. The higher EBITDA also reflected lower natural gas trading losses in the first quarter of 2012 partly offset by higher emission credits sold in 2012 compared to 2011.

## Corporate

| Corporate | Three months ended March 31 2012 | 2011 |
|---|---|---|
| Revenues (unaudited, $millions) | 9 | 6 |
| EBITDA (unaudited, $millions) (1) | (25) | (23) |

(1) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

Corporate includes revenues for cost recoveries, the cost of support services such as treasury, finance, internal audit, legal, human resources, corporate risk management, asset management, and environment, health and safety as well as business development expenses. The cost recovery revenues are primarily intercompany revenues which are offset by interplant category transactions in the consolidated results.

For the three months ended March 31, 2012, lower EBITDA compared to the same period of 2011 primarily reflected increased compensation costs resulting from solid performance in relation to the Company's target performance metrics and recruitment for previously vacant positions, increased contractor costs related to new and existing business development opportunities, and increased costs related to the Company's corporate head office move in September 2011 partly offset by a realized gain on the sale of Atlantic Power shares as discussed in Significant Events.

**Unrealized changes in fair value of energy and foreign exchange derivative instruments, natural gas inventory held for trading and Atlantic Power shares**

| Unrealized changes in fair value of energy and foreign exchange derivative instruments, natural gas inventory held for trading and Atlantic Power shares | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| Revenues (unaudited, $millions) | 14 | (46) |
| EBITDA (unaudited, $millions) [1] | 13 | (32) |

(1) The financial results by plant category, except for EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

The Company's financial results relating to its Alberta commercial plants and portfolio optimization, North East U.S. commercial plants and portfolio optimization, and other portfolio activities include unrealized changes in the fair value of energy derivative instruments, natural gas inventory held for trading and, until its disposal in February 2012, the Company's investment in Atlantic Power.

Until the settlement of the Company's derivative instruments used for portfolio optimization purposes, their fair value fluctuations are considered unrealized; upon settlement, the unrealized fair value changes on these instruments are reversed and the gain or loss upon settlement is reflected in the appropriate portfolio optimization category EBITDA.

For the three months ended March 31, 2012, net unrealized gains of $8 million representing fair value increases related to the Alberta electricity portfolio were recorded compared with net unrealized losses of $36 million for the three months ended March 31, 2011. The net unrealized gains for 2012 were primarily due to the reversal of unrealized losses accrued at December 31, 2011 on contracts which settled in the first quarter of 2012 and the impact of decreasing Alberta forward power prices on the portfolio position. The net unrealized losses for 2011 primarily reflected the impact of increasing Alberta forward power prices on the portfolio position partly offset by the reversal of unrealized losses accrued at December 31, 2011 on contracts which settled in the first quarter of 2011.

Upon acquisition of the New England plants in the second quarter of 2011, the Company acquired electricity heat rate options related to the Bridgeport and Tiverton facilities. The Tiverton heat rate options subsequently expired in 2011. For the three months ended March 31, 2012, the Company recognized fair value increases of $5 million related to its Bridgeport heat rate options. There was no comparable amount for the three months ended March 31, 2011.

Unrealized gains from the Company's Alberta and New England portfolios were partly offset by the reversal of a $5 million unrealized gain on the Atlantic Power shares which was recorded in the fourth quarter of 2011. This gain was reversed in the first quarter of 2011 as these shares were sold resulting in a realized gain of $4 million included in the Corporate category.

The Company divested its limited partnership units of CPILP in November 2011. The divestiture was the primary reason for lower revenues and EBITDA related to unrealized changes in the fair value of derivative instruments and natural gas inventory held for trading for the three months ended March 31, 2012. For the three months ended March 31, 2011, CPILP's revenues included net gains of $3 million for changes in the fair value of foreign exchange contracts which were primarily due to a decrease in the forward prices for U.S. dollars relative to Canadian dollars.

## Consolidated Other Expenses and Non-controlling Interests

| (unaudited, $millions) | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| Reversal of previously recognized unrealized losses representing changes in the fair value of forward bond sale contracts | $ 9 | $ 10 |
| Other finance expense | (27) | (19) |
| Total finance expense | (18) | (9) |
| Foreign exchange loss | - | (2) |
| Depreciation and amortization | (54) | (58) |
| Income tax expense | (14) | (1) |
| Net income attributable to non-controlling interests | $ 26 | $ 11 |

### Finance expense

Finance expense included the reversal of previously recognized unrealized decreases of $9 million for the three months ended March 31, 2012 and $10 million in the same period of the prior year in the fair value of forward bond contracts. These reversals decreased finance expense and increased net income but were offset by the realized losses of $8 million and $2 million (for the three months ended March 31, 2102 and 2011, respectively) recognized on the settlement of these contracts which were included in other finance expense. These contracts economically hedged the Company's exposure to interest rate risk on anticipated debt issues. While these contracts settled at a loss, future interest payments on the debt were and will be incurred at a rate lower than the rate that was locked in by the hedge.

Higher other finance expense for the three months ended March 31, 2012 also reflected higher interest primarily due to borrowings related to the acquisition of the New England facilities in April 2011.

### Foreign exchange losses

In the three months ended March 31, 2011, foreign exchange losses of $2 million reflected losses on foreign exchange contracts entered into in anticipation of U.S. cash payments primarily related to the acquisition of the New England facilities. No material foreign exchange contracts settled in the first quarter of 2012.

### Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2012 decreased $4 million compared with the same period in the prior year since there was no depreciation on CPILP assets subsequent to their disposal in November 2011. This decrease was partly offset by increased depreciation and amortization related to the additions of Keephills 3 and the North East U.S. commercial plants subsequent to the first quarter of 2011.

### Income tax expense

Income tax expense for the three months ended March 31, 2012 increased $13 million compared with the same period in the prior year due to higher pre-tax income while the increased ownership percentage in CPLP further contributed to the increased tax expense.

### Non-controlling interests

For the three months ended March 31, 2012, approximately 39% (2011 – 54%) of CPLP's net income was attributable to EPCOR which is reported as net income attributable to non-controlling interests by the Company. Net income attributable to non-controlling interests also included the Genesee coal mine partner's share of the consolidated depreciation of coal costs. EPCOR's April 5, 2012 exchange of exchangeable common limited partnership units for common shares of Capital Power (see Subsequent Event) reduced its interest in CPLP to 29% which will reduce the proportion of net income attributable to non-controlling interests reported by the Company in future periods.

For the three months ended March 31, 2011, approximately 29% of CPILP's net income was included in CPLP's income with the remaining 71% attributable to non-controlling interests. Therefore, the net income attributable to non-controlling interests in CPLP included approximately 16% (54% of 29%) of CPILP net income for first quarter of 2011. There are no comparable figures for the first quarter of 2012 because the Company disposed of its interest in CPILP in November 2011.

## Other Comprehensive Income

For the three months ended March 31, 2012, net unrealized gains (after income taxes) on derivative instruments designated as cash flow hedges (for the effective portion) of $24 million compared with net unrealized losses of $53 million for the same period in 2011 were recorded in other comprehensive income. Net realized gains (after income taxes) of $9 million for the three months ended March 31, 2012 and $3 million for the three months ended March 31, 2011 were reclassified to revenues and energy purchases and fuel, as appropriate. For the three months ended March 31, 2012 and March 31, 2011, net unrealized losses (after income tax) of $10 million and $12 million representing foreign exchange losses on the translation of foreign operations were also recorded in other comprehensive income.

## Financial Position

The significant changes in the Consolidated Statements of Financial Position from December 31, 2011 to March 31, 2012 were as follows:.

| (unaudited, $millions) | **March 31, 2012** | **December 31, 2011** | **Increase (decrease)** | **Explanation of increase (decrease)** |
|---|---|---|---|---|
| Trade and other receivables | $ 164 | $ 198 | (34) | Primarily due to lower customer energy consumption, lower generation sales receivable from the Alberta Electric System Operator resulting from lower power prices in March 2012 compared with December 2011, and the collection of the 2011 greenhouse gas emission compliance cost recovery from the Genesee 1 and 2 PPA owner. |
| Other financial assets – current | - | 53 | (53) | Sold Atlantic Power Corporation shares. |
| Assets classified as held for sale | 61 | - | 61 | Represents the Brown Lake and Miller Creek hydro facilities. |
| Net derivative financial instruments assets (liabilities) | 7 | (36) | 43 | Primarily due to increases in the fair value of derivative power contracts resulting from decreasing Alberta forward power prices. |
| Trade and other payables | 178 | 220 | (42) | Primarily due to lower accruals for energy purchases resulting from lower energy consumption and lower market prices, the settlement of emission obligations, and the February 2012 remittance of the Connecticut Generator tax for July to December 2011. |
| Liabilities classified as held for sale | 12 | - | 12 | Represents the Brown Lake and Miller Creek hydro facilities. |
| Loans and borrowings (including current portion) | 1,554 | 1,480 | 74 | $250 million debt issue partly offset by repayment of loans and borrowings. |
| Provisions (including current portion) | 199 | 230 | (31) | Primarily due to the settlement of accruals for 2011 short-term incentive and certain amounts with the Balancing Pool and the reduction of the provision for certain natural gas contracts. |
| Non-controlling interests | 1,090 | 1,072 | 18 | Earnings attributable to non-controlling interests offset by distributions. |

## Liquidity and Capital Resources

| ($millions) Cash inflows (outflows) | Three months ended March 31 2012 | 2011 | Increase (decrease) |
|---|---|---|---|
| Operating activities | $ 99 | $ 101 | $ (2) |
| Investing activities | (86) | (78) | (8) |
| Financing activities | 53 | (4) | 57 |

**Operating activities**

Cash flows from operating activities decreased on a quarter-over-quarter basis as cash was used in the three months ended March 31, 2012 to increase working capital balances. Cash was not similarly used in the three months ended March 31, 2011.

**Investing activities**

The cash flows used in investing activities for the three months ended March 31, 2012 included $141 million for capital expenditures partly offset by $52 million of proceeds received on the sale of shares in Atlantic Power.

**Financing activities**

The cash flows from financing activities during the three months ended March 31, 2012 primarily reflected proceeds from the $250 million CPLP debt offering in February 2012 partly offset by debt repayments of $166 million and distributions and dividends paid of $32 million.

As at March 31, 2012, a total of $1,026 million remained available under CPLP's committed credit facilities of $1,200 million. Utilization consisted of approximately $174 million in letters of credit outstanding. In addition, CPLP had a demand facility of $20 million available and Capital Power Corporation had $5 million available under a separate demand facility.

The available credit facilities will provide the Company with adequate funding for ongoing development projects and the remaining $28 million of principal debt repayments due in the year ended December 31, 2012.

**Capital expenditures**

| (unaudited, $millions) | Three months ended March 31, 2012 | Total project: Incurred to March 31, 2012 [2] | Total project: Total cost estimate [1] | Expected completion date |
|---|---|---|---|---|
| Quality Wind | $ 95 | $ 250 | $ 455 | 4th quarter 2012 |
| Halkirk | 9 | 192 | 357 | 4th quarter 2012 |
| Port Dover & Nanticoke | 1 | 50 | 340 | 4th quarter 2013 |
| Sustaining – plant maintenance and other | 9 | | | |
| Sustaining – Genesee mine lands | 8 | | | |
| Total capital expenditures [3] | 122 | | | |
| Emission credits | 24 | | | |
| Capitalized interest | (5) | | | |
| **Net payments to acquire property, plant and equipment and other assets** | **$ 141** | | | |

(1) Capital expenditures to be incurred over the life of the project are based on management's estimates.

(2) Total project capital expenditures incurred to March 31, 2012 reflect capital expenditures incurred since the inception of the project.

(3) Capital expenditures include capitalized interest. Capital expenditures excluding capitalized interest are presented on the Statement of Cash Flows as payments to acquire property, plant and equipment and other assets.

Sustaining capital expenditures include spending on plant maintenance, the Genesee mine, and information technology consisting of an enterprise resource planning redesign and a new energy trading and risk management system.

**Future cash requirements**

The following estimates of future cash requirements are subject to variable factors including those discussed in Forward-looking Information. Capital Power's estimated cash requirements for 2012 are expected to include approximately $667 million for capital expenditures, approximately $42 million for CPLP distributions to EPCOR (subject to approval by the Board of Directors of CPLP's general partner), approximately $63 million for Capital Power's common share dividends, and approximately $6 million for quarterly preferred share dividends (subject to approval by Capital Power Corporation's Board of Directors). Effective January 1, 2012, the Company launched a Dividend Re-investment Plan where shareholders may elect to reinvest their quarterly cash dividends for additional shares of Capital Power as an alternative to receiving cash dividends. The initial participation rate in the Dividend Re-investment Plan was approximately 28% for the Company's first quarter 2012 dividend and depending on the participation rate for the balance of the year, cash requirements for common share dividends may differ from the above expectations.

The current portion of loans and borrowings on the statement of financial position of $28 million consists primarily of $25 million payable to EPCOR in 2012.

The Company expects to fund the construction of the Quality Wind, Port Dover & Nanticoke and Halkirk wind projects using existing bank credit facilities and cash flows from operating activities. When construction is complete, the Company expects to put long-term financing in place. The Company's other cash requirements identified above, are expected to be funded with cash on hand, cash flows from operating activities, use of existing bank credit facilities, proceeds from the disposition of the interest in CPILP and proceeds from the February 2012 sale of Atlantic Power shares. If there are any further divestitures of hydro facilities, additional funds will be available.

The Company's two short form base shelf prospectuses provide, market conditions permitting, the Company with the ability to obtain new debt and equity capital from external markets when required for a major investment. Under the short form base shelf prospectuses, Capital Power may raise up to $2 billion by issuing common shares, preferred shares, or subscription receipts exchangeable for common shares or other securities of the Company, and up to $1 billion by issuing medium-term notes with maturities of not less than one year. As of the date of this MD&A, Capital Power has approximately $1.8 billion of equity and $150 million of debt available under these short form base shelf prospectuses.

Financial market stability remains an issue. If instability reoccurs in the Canadian and U.S. financial markets, CPLP's ability to raise new capital, to meet its financial requirements, and to refinance indebtedness under existing credit facilities and debt agreements may be adversely affected. CPLP has credit exposure relating to various agreements, particularly with respect to its PPA, trading and supplier counterparties. While CPLP continues to monitor its exposure to its significant counterparties, there can be no assurance that all counterparties will be able to meet their commitments.

## Contractual Obligations

The material change to the Company's commitments since December 31, 2011 was the February 21, 2012 issuance of $250 million of unsecured medium-term notes payable. As a result of this debt issue, the Company's debt repayment and interest payment obligations in the current and future years will increase. There were no other changes to the Company's purchase obligations and commitments since December 31 that would be material to the Company's business or financial position. For further information on contractual obligations, refer to the Company's December 31, 2011 MD&A.

## Off-Statement of Financial Position Arrangements

As at March 31, 2012, management of the Company does not believe they have any off-statement of financial position arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, results of operations, liquidity, capital expenditures or resources.

## Transactions with Related Parties

| ($ millions, unaudited) | | Three months ended March 31 | |
|---|---|---|---|
| | Note | 2012 | 2011 |
| **EPCOR (shareholder)** | | | |
| CPLP distributions paid | (a) | 12 | 15 |
| Purchase of distribution and transmission services | (b) | 5 | 5 |
| Purchase of other services | (b) | 2 | 2 |
| Power sales | (b) | 2 | 129 |
| Interest incurred on unsecured senior debt payable and expensed | (c) | 5 | 2 |
| Interest incurred on unsecured senior debt payable and capitalized | (c) | 1 | 8 |
| Repayment of unsecured senior debt payable | (c) | - | - |
| **The City of Edmonton (sole shareholder of EPCOR)** | | | |
| Power sales | (b) | 10 | 9 |
| **As at** | | **March 31, 2012** | **December 31, 2011** |
| **EPCOR (shareholder)** | | | |
| Trade and other receivables | (b) | 1 | 1 |
| Trade and other payables | (b) | 18 | 22 |
| Provision for future maintenance costs associated with EPCOR's Rossdale plant | (d) | 7 | 7 |
| Loans and borrowings | (c) | 382 | 382 |
| **The City of Edmonton (sole shareholder of EPCOR)** | | | |
| Trade and other receivables | (b) | 7 | 7 |

(a) As at March 31, 2012 and December 31, 2011, EPCOR owned 38.216 million exchangeable common limited partnership units of CPLP, and 38.216 million accompanying special voting shares and one special limited voting share in the capital of Capital Power Corporation. In connection with EPCOR's unit holdings, CPLP paid distributions to EPCOR for the three months ended March 31, 2012 and 2011.

(b) The power sales and purchase of other services transactions with EPCOR and the City of Edmonton were in the normal course of operations and were recorded at the exchange values which were based on normal commercial rates. The Company has a lease agreement with EPCOR for office space that requires payment to EPCOR of $4 million per year through 2031.

(c) The Company's unsecured senior debt payable to EPCOR, at interest rates ranging from 5.80% to 9.00% per annum, matures between 2012 and 2018. On or after December 2, 2012, if EPCOR no longer owns, directly or indirectly, at least 20% of the outstanding common limited partnership units of CPLP, then EPCOR may, by written notice, require repayment of all or any portion of the outstanding principal amount of this debt and accrued interest thereon. Refer to Liquidity and Capital Resources section in the Company's 2011 annual MD&A for discussion of repayment obligation.

(d) The Rossdale plant, which is owned by EPCOR, was taken out of service in January 2009 and is to be decommissioned. Certain structures at the plant site were designated as Provincial Historical Resources by the Province of Alberta and are thereby legally protected from demolition. These structures, and additional structures at the plant site, are also on the City of Edmonton's Register of Historic Resources. CPLP has an obligation to EPCOR to share in some of the costs for ongoing operations and maintenance of the Rossdale plant and related assets until 2019.

## Risks and Risk Management

There have been no material changes in the three months ended March 31, 2012 to the Company's business and operational risks as described in the Company's December 31, 2011 MD&A.

## Environmental Contractual Obligations

The Company has recorded decommissioning provisions of $156 million as at March 31, 2012 for its generation plants and the Genesee coal mine as it is obliged to remove the facilities at the end of their useful lives and restore the plant and mine sites to their original condition. Decommissioning provisions for the coal mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation.

The Company is obligated to purchase environmental credits totaling approximately $71 million in the current and future years and expects to use these credits to comply with certain environmental regulations.

## Critical Accounting Estimates and Accounting Judgments

The preparation of the Company's consolidated financial statements in accordance with GAAP requires that management makes estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the consolidated financial statements and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The Company reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgments in making these estimates and assumptions.

There have been no significant changes to the Company's critical accounting estimates and accounting judgments as described in the Company's December 31, 2011 MD&A.

## Future Accounting Changes

Apart from the new and amended accounting standards that will be effective in future periods as discussed in the Company's 2011 MD&A, there were no changes to future accounting standards that occurred during the three months ended March 31, 2012 that will materially affect or are reasonably likely to materially affect the Company's financial statements.

## Financial Instruments

### Risk management and hedging activities

There have been no material changes in the three months ended March 31, 2012 to the Company's risk management and hedging activities as described in the Company's December 31, 2011 MD&A.

The derivative instruments assets and liabilities held at March 31, 2012 compared with December 31, 2011 and used for risk management purposes were measured at fair value and consisted of the following:

| ($millions) | **Energy cash flow hedges** | **Energy non-hedges** | **Foreign exchange non-hedges** | **Interest rate non-hedges** | **Total** |
|---|---|---|---|---|---|
| Derivative instruments net assets (liabilities) at March 31, 2012 | $ (5) | $ 12 | $ - | $ - | $ 7 |
| Derivative instruments net assets (liabilities) at December 31, 2011 | (23) | (5) | - | (8) | (36) |

### Energy derivatives designated as accounting hedges

As at March 31, 2012, the fair value of the energy derivative instruments designated and qualifying for hedge accounting was a net liability of $5 million, a decrease from the net liability of $23 million at December 31, 2011. The decrease in the net liability primarily reflects the impact of increased forward Alberta power prices on power derivative contracts relative to the contract prices. Unrealized gains and losses for fair value changes on derivatives that qualify for hedge accounting are recorded in other comprehensive income and reclassified to net income as revenues or energy purchases and fuel, as appropriate, when realized.

**Derivatives not designated as accounting hedges**

As at March 31, 2012, the fair value of energy derivative instruments not designated as hedges for accounting purposes was a net asset of $12 million as compared with a net liability of $5 million at December 31, 2011. The difference primarily reflected the impact of changes in the forward Alberta power prices on the Alberta power portfolio. Unrealized and realized gains and losses for fair value changes on energy derivative instruments that do not qualify for hedge accounting are recorded in revenues or energy purchases and fuel as appropriate.

As at March 31, 2012 and December 31, 2011, the Company did not have any forward foreign currency contracts outstanding since these contracts were primarily used to economically hedge U.S. dollar denominated revenues and expected future net U.S. dollar cash flows from CPILP's U.S. plants. These contracts are no longer being used since the Company disposed of its interest in CPILP in November 2011. Unrealized and realized losses on foreign exchange derivatives that are not designated as hedges for accounting purposes are recorded in energy revenues or foreign exchange gains and losses.

As at March 31, 2012, the Company did not have any forward bond sale contracts. As at December 31, 2011, the fair value of the Company's two $100 million forward bond sale contracts was a derivative instrument liability of $8 million. The unrealized changes in the fair value of these contracts and reversals of these changes were recognized in finance expense as discussed under Consolidated Other Expenses and Non-controlling Interests.

## Disclosure Controls and Procedures and Internal Control over Financial Reporting

There were no changes in the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the three months ended March 31, 2012 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting and disclosures of required information.

## Summary of Quarterly Results

| (GWh) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Electricity generation** | **Mar 31 2012** | **Dec 31 2011** | **Sep 30 2011** | **Jun 30 2011** | **Mar 31 2011** | **Dec 31 2010** | **Sep 30 2010** | **Jun 30 2010** |
| Total generation excluding acquired Sundance PPA and CPILP plants | 4,222 | 3,780 | 4,221 | 3,207 | 2,451 | 2,556 | 2,329 | 2,059 |
| **Alberta commercial plants and acquired Sundance PPA** | | | | | | | | |
| Genesee 3 | 399 | 222 | 496 | 477 | 482 | 272 | 475 | 432 |
| Keephills 3 | 430 | 485 | 336 | 50 | - | - | - | - |
| Joffre | 92 | 104 | 90 | 57 | 98 | 82 | 67 | 93 |
| Clover Bar Energy Centre 1, 2 and 3 | 27 | 132 | 57 | 40 | 162 | 179 | 37 | 102 |
| Taylor Coulee Chute | n/a | 2 | 12 | 2 | - | 1 | 7 | 3 |
| Clover Bar Landfill Gas | 8 | 7 | 9 | 9 | 8 | 9 | 9 | 10 |
| Alberta commercial plants – owned | 956 | 952 | 1,000 | 635 | 750 | 543 | 595 | 640 |
| Acquired Sundance PPA | 695 | 596 | 545 | 701 | 758 | 749 | 680 | 728 |
| | 1,651 | 1,548 | 1,545 | 1,336 | 1,508 | 1,292 | 1,275 | 1,368 |
| **Alberta contracted plants** | | | | | | | | |
| Genesee 1 | 814 | 855 | 843 | 661 | 768 | 854 | 841 | 780 |
| Genesee 2 | 843 | 849 | 845 | 789 | 831 | 826 | 824 | 571 |
| | 1,657 | 1,704 | 1,688 | 1,450 | 1,599 | 1,680 | 1,665 | 1,351 |
| **Ontario and British Columbia contracted plants** | | | | | | | | |
| Kingsbridge 1 | 37 | 35 | 12 | 24 | 31 | 39 | 18 | 22 |
| Miller Creek | 4 | 8 | 49 | 26 | 5 | 7 | 46 | 35 |
| Brown Lake | 15 | 14 | 8 | 15 | 14 | 14 | 5 | 11 |
| Island Generation | 66 | 1 | - | 55 | 52 | 273 | n/a | n/a |
| | 122 | 58 | 69 | 120 | 102 | 333 | 69 | 68 |
| **North East U.S. commercial plants** | | | | | | | | |
| Bridgeport | 844 | 499 | 872 | 645 | n/a | n/a | n/a | n/a |
| Rumford | 33 | 83 | 170 | 68 | n/a | n/a | n/a | n/a |
| Tiverton | 452 | 389 | 422 | 289 | n/a | n/a | n/a | n/a |
| | 1,329 | 971 | 1,464 | 1,002 | n/a | n/a | n/a | n/a |
| **North Carolina U.S. contracted plants** | | | | | | | | |
| Roxboro | 55 | 36 | n/a | n/a | n/a | n/a | n/a | n/a |
| Southport | 103 | 59 | n/a | n/a | n/a | n/a | n/a | n/a |
| | 158 | 95 | n/a | n/a | n/a | n/a | n/a | n/a |
| **CPILP plants** | n/a | 427 | 1,294 | 1,155 | 1,139 | 1,311 | 1,306 | 1,128 |

| (%) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Plant availability** | **Mar 31 2012** | **Dec 31 2011** | **Sep 30 2011** | **Jun 30 2011** | **Mar 31 2011** | **Dec 31 2010** | **Sep 30 2010** | **Jun 30 2010** |
| Total average plant availability excluding acquired Sundance PPA and CPILP plants | 97% | 87% | 97% | 91% | 93% | 91% | 93% | 83% |
| **Alberta commercial plants and acquired Sundance PPA** | | | | | | | | |
| Genesee 3 | 84% | 44% | 100% | 100% | 100% | 56% | 99% | 96% |
| Keephills 3 | 95% | 99% | 100% | n/a | n/a | n/a | n/a | n/a |
| Joffre | 94% | 93% | 99% | 78% | 99% | 99% | 98% | 84% |
| Clover Bar Energy Centre 1, 2 and 3 | 98% | 99% | 91% | 65% | 54% | 95% | 63% | 52% |
| Taylor Coulee Chute | n/a | 100% | 100% | 94% | 100% | 100% | 100% | 90% |
| Clover Bar Landfill Gas | 95% | 77% | 86% | 86% | 95% | 88% | 92% | 96% |
| Alberta commercial plants – owned | 93% | 84% | 97% | 82% | 87% | 83% | 86% | 76% |
| Acquired Sundance PPA | 95% | 81% | 72% | 91% | 98% | 95% | 88% | 93% |
| | 93% | 83% | 89% | 84% | 91% | 87% | 87% | 83% |
| **Alberta contracted plants** | | | | | | | | |
| Genesee 1 | 97% | 100% | 100% | 81% | 92% | 100% | 100% | 100% |
| Genesee 2 | 100% | 100% | 100% | 99% | 100% | 97% | 97% | 75% |
| | 98% | 100% | 100% | 90% | 96% | 98% | 99% | 87% |
| **Ontario and British Columbia contracted plants** | | | | | | | | |
| Kingsbridge 1 | 99% | 98% | 99% | 99% | 98% | 100% | 99% | 100% |
| Miller Creek | 100% | 78% | 92% | 99% | 78% | 12% | 96% | 96% |
| Brown Lake | 99% | 93% | 53% | 99% | 100% | 99% | 93% | 99% |
| Island Generation | 100% | 100% | 100% | 100% | 99% | 99% | n/a | n/a |
| | 100% | 98% | 98% | 100% | 97% | 91% | 97% | 98% |
| **North East U.S. commercial plants** | | | | | | | | |
| Bridgeport | 96% | 59% | 96% | 100% | n/a | n/a | n/a | n/a |
| Rumford | 98% | 94% | 95% | 99% | n/a | n/a | n/a | n/a |
| Tiverton | 100% | 89% | 97% | 100% | n/a | n/a | n/a | n/a |
| | 98% | 76% | 96% | 99% | n/a | n/a | n/a | n/a |
| **North Carolina U.S. contracted plants** | | | | | | | | |
| Roxboro | 96% | 100% | n/a | n/a | n/a | n/a | n/a | n/a |
| Southport | 96% | 100% | n/a | n/a | n/a | n/a | n/a | n/a |
| | 96% | 100% | n/a | n/a | n/a | n/a | n/a | n/a |
| **CPILP plants** | n/a | 96% | 96% | 88% | 92% | 95% | 97% | 90% |

## Financial results

| (unaudited, $millions) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar 31 2012 | Dec 31 2011 | Sep 30 2011 | Jun 30 2011 | Mar 31 2011 | Dec 31 2010 | Sep 30 2010 | Jun 30 2010 |
| **Revenues and other income** | | | | | | | | |
| Alberta commercial plants, acquired Sundance PPA and portfolio optimization [(1)] | $ 180 | $ 168 | $ 144 | $ 215 | $ 266 | $ 236 | $ 247 | $ 197 |
| Alberta contracted plants | 75 | 86 | 87 | 64 | 77 | 75 | 73 | 57 |
| Ontario and British Columbia contracted plants | 14 | 13 | 12 | 13 | 13 | 12 | 3 | 3 |
| North East U.S. commercial plants and portfolio optimization | 59 | 51 | 71 | 51 | - | - | - | - |
| North Carolina U.S. contracted plants | 18 | 14 | - | - | - | - | - | - |
| CPILP plants | - | 51 | 139 | 129 | 128 | 140 | 130 | 116 |
| Other portfolio activities | 29 | 21 | 19 | 18 | 34 | 21 | 20 | 22 |
| Corporate | 5 | 5 | 5 | 6 | 6 | 6 | 5 | 10 |
| Interplant category transaction eliminations | (18) | (11) | (16) | (17) | (20) | (16) | (14) | (18) |
| | 362 | 398 | 461 | 479 | 504 | 474 | 464 | 387 |
| Unrealized changes in fair value of CPLP's power and natural gas derivative instruments, and natural gas held for trading | 18 | - | (5) | (8) | (49) | (50) | 38 | (55) |
| Unrealized changes in fair value of CPILP's foreign exchange contracts | - | 9 | (23) | 1 | 3 | 11 | 11 | (19) |
| | 18 | 9 | (28) | (7) | (46) | (39) | 49 | (74) |
| | **$ 380** | **$ 407** | **$ 433** | **$ 472** | **$ 458** | **$ 435** | **$ 513** | **$ 313** |
| **EBITDA** | | | | | | | | |
| Alberta commercial plants and portfolio optimization | $ 87 | $ 70 | $ 72 | $ 44 | $ 38 | $ 43 | $ 59 | $ 46 |
| Alberta contracted plants | 45 | 51 | 57 | 35 | 47 | 40 | 47 | 29 |
| Ontario and British Columbia contracted plants | 10 | 10 | 8 | 10 | 10 | 7 | 2 | 2 |
| North East U.S. commercial plants and portfolio optimization) | 13 | 6 | 10 | 10 | - | - | - | - |
| North Carolina U.S. contracted plant | 2 | 4 | - | - | - | - | - | - |
| CPILP plants | - | 19 | 48 | 37 | 44 | 36 | 45 | 43 |
| Other portfolio activities | 7 | 6 | - | 2 | - | (6) | 5 | (5) |
| Corporate | (29) | (26) | (28) | (28) | (23) | (29) | (29) | (25) |
| Interplant category transaction eliminations | - | - | - | - | - | (1) | - | - |
| | 135 | 140 | 167 | 110 | 116 | 90 | 129 | 90 |
| Unrealized changes in fair value of CPLP's energy and foreign exchange derivative instruments and natural gas held for trading | 17 | - | (5) | - | (34) | (12) | 14 | (37) |
| Unrealized changes in fair value of CPILP's foreign exchange and natural gas contracts | - | 10 | (23) | 2 | 2 | 13 | 7 | (18) |
| | 17 | 10 | (28) | 2 | (32) | 1 | 21 | (55) |
| | **$ 152** | **$ 150** | **$ 139** | **$ 112** | **$ 84** | **$ 91** | **$ 150** | **$ 35** |

Quarterly revenues, net income and funds provided by operating activities are affected by seasonal weather conditions, fluctuations in U.S. dollar exchange rates relative to the Canadian dollar, power and natural gas prices, and planned and unplanned plant outages as well as items outside the normal course of operations. Net income is also affected by changes in the fair value of the Company's derivative power, natural gas, foreign exchange and forward bond sale contracts, and natural gas held for trading.

## Financial highlights

| (unaudited, $millions except earnings (loss) per share) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar 31 2012 | Dec 31 2011 | Sep 30 2011 | Jun 30 2011 | Mar 31 2011 | Dec 31 2010 | Sep 30 2010 | Jun 30 2010 |
| Revenues and other income | $ 380 | $ 407 | $ 433 | $ 472 | $ 458 | $ 435 | $ 513 | $ 313 |
| EBITDA [(1)] | 152 | 150 | 139 | 112 | 84 | 91 | 150 | 35 |
| Net income (loss) | 66 | 152 | 44 | (22) | 14 | 22 | (3) | (34) |
| Net income (loss) attributable to shareholders of the Company | 40 | 84 | 15 | (25) | 3 | (3) | 16 | (8) |
| Earnings (loss) per share | $ 0.66 | $ 1.47 | $ 0.29 | $ (0.67) | $ 0.06 | $ (0.13) | $ 0.74 | $ (0.37) |
| Normalized earnings per share [(1)] | $ 0.46 | $ 0.36 | $ 0.43 | $ 0.07 | $ 0.34 | $ 0.21 | $ 0.64 | $ 0.05 |

(1) The consolidated financial information, except for EBITDA and normalized earnings per share, was prepared in accordance with GAAP. See Non-GAAP Financial Measures.

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Spot price averages** | **Mar 31 2012** | **Dec 31 2011** | **Sep 30 2011** | **Jun 30 2011** | **Mar 31 2011** | **Dec 31 2010** | **Sep 30 2010** | **Jun 30 2010** |
| Alberta power ($/MWh) | $ 60 | $ 76 | $ 95 | $ 52 | $ 82 | $ 46 | $ 36 | $ 81 |
| New England mass hub (US$/MWh) | $ 33 | $ 38 | $ 47 | $ 42 | n/a | n/a | n/a | n/a |
| Alberta natural gas (AECO) ($/Gj) | $ 2.06 | $ 3.03 | $ 3.47 | $ 3.68 | $ 3.57 | $ 3.79 | $ 3.36 | $ 3.70 |
| **Capital Power's Alberta portfolio's average realized power price ($/MWh)** | $ 83 | $ 75 | $ 74 | $ 56 | $ 64 | $ 64 | $ 66 | $ 66 |

### Factors impacting results for the previous quarters

Significant events and items which affected results for the previous quarters were as follows:

In the fourth quarter of 2011, the Company sold its limited partnership units of CPILP to Atlantic Power effective November 5, 2011 resulting in the recognition of a pre-tax gain on disposal of $89 million after deducting legal and other disposal costs of $10 million. From that point forward, the Company's operations and corporate structure were simplified as there was a decrease in the number of plants and legal entities and CPILP's results were no longer consolidated with the Company's results. Absent other changes, the disposal decreased revenues, net income and net income attributable to non-controlling interests for the fourth quarter of 2011 and future quarters relative to past quarters. Capital Power's Genesee 3 plant experienced an unplanned outage which reduced its generation volumes but this was partly offset by increased generation from the Company's CBEC facility. This and other Alberta portfolio optimization activities given the higher power prices experienced due to plant outages and higher demand helped offset a portion of the loss of earnings from Genesee 3 being offline.

In the third quarter of 2011, the average Alberta power price increased significantly due to warmer temperatures, reduced supply resulting from several plant outages in the area, and Saskatchewan tie-line restrictions. Higher Alberta power prices had a favourable impact on the Company's Alberta portfolio position. Sundance Unit 6 went offline on August 18, 2011 due to a transformer failure and remained offline until October 14, 2011 to also perform planned maintenance. The penalty revenues received for this outage were based on high rolling average power prices partly offset the loss of margin from the facility being unavailable on the Alberta commercial plant and portfolio optimization results. The high rolling average power prices also had a favourable impact on availability incentive income for the Alberta contracted plants which had 100% availability in the quarter. Corporate results included a $6 million foreign exchange loss related to the translation of U.S. denominated debt.

In the second quarter of 2011, North East U.S. commercial plants and portfolio optimization results reflected contributions from the Bridgeport, Rumford and Tiverton facilities and trading in the North East U.S. power market since the acquisition of these plants in April 2011. Alberta contracted plants results included $5 million of availability incentive penalties relating to a scheduled maintenance outage at Genesee 1. An impairment loss of $43 million on Capital Power's management and operations contracts with CPILP was recorded. Finance expense included a $12 million loss related to the settlement of forward bond sale contracts. Income taxes included the reversal of a provision recorded in the second quarter of 2010 for deferred income taxes associated with the possible sale of the Company's interest in CPILP.

In the first quarter of 2011, the average Alberta power price increased significantly primarily due to colder weather than normal and the shutdown of two large coal plants in the region. The sudden increase in Alberta power prices had an unfavourable impact on the Company's Alberta portfolio position.

In the fourth quarter of 2010, high Alberta spot power prices provided opportunities to dispatch the Alberta commercial peaking and mid-merit plants. This was offset by reduced generation from Genesee 3 due to a 42-day scheduled maintenance outage.

In the third quarter of 2010, the expected recovery of $8 million in business insurance proceeds relating to the outage of CBEC Unit 2 from March 8 until September 22, 2010 was recorded in the results for Alberta commercial plants and portfolio optimization. CPILP's results included impairment losses of $66 million reflecting lower expectations for the availability of waste heat fuel supply at CPILP's Ontario plants. Corporate results included $7 million for the recognition of the obligation to EPCOR for operations and maintenance costs for the Rossdale plant over the ten-year period ending in 2019. Income taxes reflected the recognition of a deferred income tax liability relating to the investment in CPILP, as a result of the strategic alternatives review.

In the second quarter of 2010, Alberta contracted plants results reflected availability penalties related to the 21-day scheduled outage at Genesee 2.

## Share and Partnership Unit Information

### Quarterly common share trading information

The Company's common shares trade on the Toronto Stock Exchange under the symbol CPX and began trading on June 26, 2009.

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Mar 31 2012** | **Dec 31 2011** | **Sep 30 2011** | **Jun 30 2011** | **Mar 31 2011** | **Dec 31 2010** | **Sep 30 2010** | **Jun 30 2010** |
| Share price ($/ common share) | | | | | | | | |
| High | $ 25.72 | $ 25.78 | $ 26.38 | $ 28.00 | $ 26.44 | $ 24.84 | $ 24.20 | $ 23.39 |
| Low | $ 23.29 | $ 22.88 | $ 21.50 | $ 24.90 | $ 22.80 | $ 23.25 | $ 21.75 | $ 21.76 |
| Close | $ 23.49 | $ 25.12 | $ 25.45 | $ 25.00 | $ 25.92 | $ 23.65 | $ 24.10 | $ 22.14 |
| Volume of shares traded (millions) | 9.0 | 10.6 | 7.6 | 9.5 | 8.9 | 3.4 | 2.4 | 4.4 |

### Outstanding share and partnership unit data

As at April 26, 2012, the Company had 68.744 million common shares outstanding, 28.441 million special voting shares outstanding, 5 million Cumulative Rate Reset Preference Shares, Series 1 outstanding and one special limited voting share outstanding. The weighted average number of common shares outstanding on a diluted basis was 59.297 million for the three months ended March 31, 2012. All of the outstanding special voting shares and the outstanding special limited voting share are held by EPCOR.

As at April 26, 2012, CPLP had 21.750 million general partnership units outstanding, 46.699 million common limited partnership units outstanding and 28.441 million exchangeable common limited partnership units outstanding, which are exchangeable for 28.441 million common shares of the Company. All of the outstanding general partnership units and the outstanding common limited partnership units are held, indirectly, by the Company. All of the outstanding exchangeable common limited partnership units are held by EPCOR.

## Additional Information

Additional information relating to Capital Power Corporation, including the Company's annual information form and other continuous disclosure documents, is available on SEDAR at www.sedar.com.

**Condensed Interim Consolidated Financial Statements:**


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# CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Income
(Unaudited, in millions of Canadian dollars, except per share amounts)

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Revenues | $ 368 | $ 440 |
| Other income | 12 | 18 |
| Energy purchases and fuel | (147) | (291) |
| **Gross income** | 233 | 167 |
| Other raw materials and operating charges | (30) | (29) |
| Staff costs and employee benefits expense | (36) | (39) |
| Depreciation and amortization | (54) | (58) |
| Other administrative expenses | (15) | (15) |
| Foreign exchange losses | - | (2) |
| **Operating income** | 98 | 24 |
| Finance expense | (18) | (9) |
| **Income before tax** | 80 | 15 |
| Income tax expense (note 3) | (14) | (1) |
| **Net income** | $ 66 | $ 14 |
| **Attributable to:** | | |
| Non-controlling interests | $ 26 | $ 11 |
| Shareholders of the Company | $ 40 | $ 3 |

**Earnings per share** (all from continuing operations attributable to common shareholders of the Company):

| | 2012 | 2011 |
|---|---|---|
| Basic (note 5) | $ 0.66 | $ 0.06 |
| Diluted (note 5) | $ 0.64 | $ 0.05 |

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
(Unaudited, in millions of Canadian dollars)

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| **Net income** | $ 66 | $ 14 |
| | | |
| **Other comprehensive income (loss):** | | |
| Cash flow hedges: | | |
| Unrealized gains (losses) on derivative instruments[1] | 24 | (53) |
| Reclassification of gains on derivative instruments to income for the period[2] | (9) | (3) |
| Reclassification of ineffective portion to income for the period[3] | - | 1 |
| Net investment in foreign subsidiaries: | | |
| Unrealized loss[4] | (10) | (12) |
| Other comprehensive income (loss), net of tax | 5 | (67) |
| | | |
| **Total comprehensive income (loss)** | $ 71 | $ (53) |
| | | |
| **Attributable to:** | | |
| Non-controlling interests | $ 29 | $ (31) |
| Shareholders of the Company | $ 42 | $ (22) |

[1] For the three months ended March 31, 2012, net of income tax expense of $4. For the three months ended March 31, 2011, net of income tax recovery of $6.

[2] For the three months ended March 31, 2012, net of reclassification of income tax expense of $1. For the three months ended March 31, 2011, net of reclassification of income tax recovery of nil.

[3] For the three months ended March 31, 2012 and March 31, 2011, net of reclassification of income tax expense of nil.

[4] For the three months ended March 31, 2012, net of income tax recovery of nil. For the three months ended March 31, 2011, net of income tax expense of $1.

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Financial Position
(Unaudited, in millions of Canadian dollars)

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 139 | $ 73 |
| Trade and other receivables | 164 | 198 |
| Inventories | 59 | 59 |
| Derivative financial instruments assets (note 6) | 31 | 25 |
| Other financial assets | - | 53 |
| Assets classified as held for sale (note 4) | 61 | - |
| | 454 | 408 |
| Non-current assets: | | |
| Other assets | 24 | 24 |
| Derivative financial instruments assets (note 6) | 14 | 13 |
| Finance lease receivables | 58 | 58 |
| Other financial assets | 42 | 42 |
| Deferred tax assets | 14 | 14 |
| Intangible assets | 288 | 296 |
| Property, plant and equipment | 3,843 | 3,842 |
| Goodwill | 45 | 46 |
| Total assets | $ 4,782 | $ 4,743 |
| Liabilities and equity | | |
| Current liabilities: | | |
| Trade and other payables | $ 178 | $ 220 |
| Derivative financial instruments liabilities (note 6) | 33 | 67 |
| Loans and borrowings (note 7) | 28 | 28 |
| Deferred revenue and other liabilities | 13 | 13 |
| Provisions | 13 | 33 |
| Liabilities classified as held for sale (note 4) | 12 | - |
| | 277 | 361 |
| Non-current liabilities: | | |
| Derivative financial instruments liabilities (note 6) | 5 | 7 |
| Loans and borrowings (note 7) | 1,526 | 1,452 |
| Deferred revenue and other liabilities | 80 | 76 |
| Deferred tax liabilities | 65 | 55 |
| Provisions | 186 | 197 |
| | 1,862 | 1,787 |
| Equity: | | |
| Equity attributable to shareholders of the Company | | |
| Share capital (note 8) | 1,507 | 1,499 |
| Retained earnings | 36 | 16 |
| Other reserves | 10 | 8 |
| Retained earnings and other reserves | 46 | 24 |
| | 1,553 | 1,523 |
| Non-controlling interests | 1,090 | 1,072 |
| Total equity | 2,643 | 2,595 |
| Subsequent event (note 10) | | |
| Total liabilities and equity | $ 4,782 | $ 4,743 |

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited, in millions of Canadian dollars)

| | Share capital | Cash flow hedges[1] | Cumulative translation account[1] | Defined benefit plan actuarial gains and losses[1] | Employee benefits reserve | Retained earnings | Equity attributable to shareholders of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| Equity as at January 1, 2012 | $ 1,499 | $ (10) | $ 17 | $ (7) | $ 8 | $ 16 | $ 1,523 | $ 1,072 | $ 2,595 |
| Net income | - | - | - | - | - | 40 | 40 | 26 | 66 |
| Other comprehensive income (loss): | | | | | | | | | |
| Cash flow derivative hedge gains | - | 28 | - | - | - | - | 28 | - | 28 |
| Reclassification of gains to income | - | (10) | - | - | - | - | (10) | - | (10) |
| Unrealized loss on foreign currency translation | - | - | (10) | - | - | - | (10) | - | (10) |
| Tax on items recognized directly in equity | - | (3) | - | - | - | - | (3) | - | (3) |
| Attributed to non-controlling interests | - | (7) | 4 | - | - | - | (3) | 3 | - |
| Other comprehensive income (loss) | $ - | $ 8 | $ (6) | $ - | $ - | $ - | $ 2 | $ 3 | $ 5 |
| Total comprehensive income (loss) | - | 8 | (6) | - | - | 40 | 42 | 29 | 71 |
| Issue of share capital | 8 | - | - | - | (1) | - | 7 | - | 7 |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | (12) | (12) |
| Additional investment by non-controlling interests | - | - | - | - | - | - | - | 1 | 1 |
| Common share dividends (note 8) | - | - | - | - | - | (19) | (19) | - | (19) |
| Preferred share dividends (note 8) | - | - | - | - | - | (1) | (1) | - | (1) |
| Share-based compensation | - | - | - | - | 1 | - | 1 | - | 1 |
| Equity as at March 31, 2012 | $ 1,507 | $ (2) | $ 11 | $ (7) | $ 8 | $ 36 | $ 1,553 | $ 1,090 | $ 2,643 |

[1] Accumulated other comprehensive income (loss). Other reserves on the statements of financial position are the aggregate of accumulated other comprehensive income (loss) and the employee benefits reserve.

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited, in millions of Canadian dollars)

| | Share capital | Cash flow hedges[1] | Cumulative translation account[1] | Available-for-sale financial assets[1] | Defined benefit plan actuarial gains and losses[1] | Employee benefits reserve | Retained earnings | Equity attributable to shareholders of the Company | Non-controlling interests | T |
|---|---|---|---|---|---|---|---|---|---|---|
| Equity as at January 1, 2011 | $ 820 | $ 7 | $ (7) | $ 1 | $ (2) | $ 6 | $ 8 | $ 833 | $ 1,779 | $ 2 |
| Net income | - | - | - | - | - | - | 3 | 3 | 11 | |
| Other comprehensive income (loss): | | | | | | | | | | |
| Cash flow derivative hedge losses | - | (59) | - | - | - | - | - | (59) | - | |
| Reclassification of gains to income | - | (3) | - | - | - | - | - | (3) | - | |
| Reclassification of ineffective portion to income | - | 1 | - | - | - | - | - | 1 | - | |
| Unrealized loss on foreign currency translation | - | - | (11) | - | - | - | - | (11) | - | |
| Tax on items recognized directly in equity | - | 6 | (1) | - | - | - | - | 5 | - | |
| Attributed to non-controlling interest's | - | 32 | 10 | - | - | - | - | 42 | (42) | |
| Other comprehensive loss | $ - | $ (23) | $ (2) | $ - | $ - | $ - | $ - | $ (25) | $ (42) | $ |
| Total comprehensive income (loss) | - | (23) | (2) | - | - | - | 3 | (22) | (31) | |
| Issue of share capital | 234 | - | - | - | - | - | 8 | 242 | (13) | |
| Transaction costs | (9) | - | - | - | - | - | - | (9) | - | |
| Deferred taxes | 2 | - | - | - | - | - | - | 2 | - | |
| Distributions to non-controlling interests | - | - | - | - | - | - | - | - | (32) | |
| Additional investment by non-controlling interests | - | - | - | - | - | - | - | - | 3 | |
| Issue of partnership units | - | - | - | - | - | - | - | - | 7 | |
| Common share dividends (note 8) | - | - | - | - | - | - | (12) | (12) | - | |
| Preferred share dividends (note 8) | - | - | - | - | - | - | (2) | (2) | - | |
| Preferred share dividends paid by subsidiary | - | - | - | - | - | - | - | - | (4) | |
| Equity as at March 31, 2011 | $ 1,047 | $ (16) | $ (9) | $ 1 | $ (2) | $ 6 | $ 5 | $ 1,032 | $ 1,709 | $ 2 |

[1] Accumulated other comprehensive income (loss). Other reserves on the statements of financial position are the aggregate of accumulated other comprehensive income (loss) and the employee benefits reserve.

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, in millions of Canadian dollars)

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 66 | $ 14 |
| Non-cash adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation and amortization | 54 | 58 |
| Finance expense | 18 | 9 |
| Fair value changes on derivative instruments | (26) | 24 |
| Income tax expense | 14 | 1 |
| Other items | 8 | 16 |
| Interest paid[1] | (6) | (12) |
| Income taxes paid | (3) | (9) |
| | 125 | 101 |
| Change in non-cash operating working capital | (26) | - |
| Net cash flows from operating activities | 99 | 101 |
| **Cash flows used in investing activities:** | | |
| Payments to acquire property, plant and equipment and other assets | (141) | (89) |
| Proceeds on disposal of other financial assets | 52 | - |
| Other cash flows from investing activities | 3 | 11 |
| Net cash flows used in investing activities | (86) | (78) |
| **Cash flows from (used in) financing activities:** | | |
| Proceeds from issue of loans and borrowings (note 7) | 250 | - |
| Repayment of loans and borrowings | (166) | (176) |
| Proceeds from issue of common shares | 7 | 234 |
| Share issue costs | - | (9) |
| Issue costs on loans and borrowings | (1) | - |
| Distributions paid to non-controlling interests | (12) | (25) |
| Common share dividends paid (note 8) | (19) | (10) |
| Preferred share dividends paid (note 8) | (1) | (2) |
| Preferred share dividends paid by subsidiary | - | (4) |
| Interest paid[1] | (5) | (12) |
| Net cash flows from (used in) financing activities | 53 | (4) |
| Foreign exchange losses on cash held in a foreign currency | - | (1) |
| Net increase in cash and cash equivalents | 66 | 18 |
| Cash and cash equivalents at beginning of period | 73 | 56 |
| Cash and cash equivalents at end of period | $ 139 | $ 74 |

[1] Total interest paid.

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2012 and 2011
(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

**1. Reporting entity:**

Capital Power Corporation (the Company or Capital Power) builds, owns and operates power plants and manages its related electricity and natural gas portfolios by undertaking trading and marketing activities.

The registered and head office of the Company is located at 10423 101 Street, Edmonton, Alberta, Canada, T5H 0E9. The common shares of the Company are traded on the Toronto Stock Exchange under the symbol "CPX".

Interim results will fluctuate due to plant maintenance schedules, the seasonal demands for electricity and changes in energy prices. Consequently, interim results are not necessarily indicative of annual results.

**2. Basis of presentation:**

These condensed interim consolidated financial statements have been prepared by Management in accordance with International Accounting Standards 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2011 annual financial statements prepared in accordance with International Financial Reporting Standards.

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent consolidated financial statements for the year ended December 31, 2011.

These condensed interim consolidated financial statements have been prepared under the historical cost basis, except for the Company's derivative instruments, cash and cash equivalents, equity investments, defined benefit pension assets and cash-settled share based payments, which are stated at fair value.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on April 26, 2012.

**3. Income tax:**

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| **Current income tax** | | |
| Current income tax | $ 1 | $ 4 |
| **Deferred income tax** | | |
| Relating to origination and reversal of temporary differences | 13 | (2) |
| Relating to changes in tax rates / new taxes | - | (2) |
| Relating to write-downs of deferred tax asset | - | 1 |
| **Total deferred income tax** | 13 | (3) |
| Income tax expense | $ 14 | $ 1 |

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

**3. Income tax, continued:**

Income taxes differ from the amount that would be computed by applying the federal and provincial income tax rates as follows:

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Income before tax | $ 80 | $ 15 |
| Income tax at the statutory rates of 25.0% and 26.5%, respectively | 20 | 4 |
| Increase (decrease) resulting from | | |
| Taxable income attributable to non-controlling interests | (6) | (2) |
| Change in valuation allowance | - | 1 |
| Non-taxable amounts | (1) | (1) |
| Adjustment for enacted changes in income tax laws and rates | - | (2) |
| Other | 1 | 1 |
| Income tax expense | $ 14 | $ 1 |

**4. Assets classified as held for sale:**

During the first quarter of 2012, the Company engaged an investment banker to assist with the disposal of its remaining hydro plant assets, consisting of the Brown Lake and Miller Creek power generation plants (the disposal group). The Company has executed certain steps towards the disposal and expects it to be completed in 2012.

As at March 31, 2012, the disposal group consisted of assets and liabilities as follows:

| | 2012 |
|---|---|
| **Assets classified as held for sale** | |
| Trade and other receivables | $ 1 |
| Intangible assets | 4 |
| Property, plant and equipment | 56 |
| | $ 61 |
| **Liabilities classified as held for sale** | |
| Trade and other payables | $ 1 |
| Loans and borrowings – current and non-current | 4 |
| Deferred tax liabilities | 4 |
| Provisions – non-current | 3 |
| | $ 12 |

**5. Earnings per share:**

**Basic earnings per share**

The earnings and weighted average number of common shares used in the calculation of basic earnings per share are as follows:

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Income for the period attributable to shareholders of the Company | $ 40 | $ 3 |
| Preferred share dividends of the Company [1] | (1) | (1) |
| Earnings used in the calculation of basic earnings per share | $ 39 | $ 2 |

[1] Includes preferred share dividends in respect of the current periods only.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

**5. Earnings per share, continued:**

**Basic earnings per share, continued**

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Weighted average number of common shares used in the calculation of basic earnings per share | 59,184,367 | 32,319,690 |

**Diluted earnings per share**

The earnings used in the calculation of diluted earnings per share are as follows:

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Earnings used in the calculation of basic earnings per share | $ 39 | $ 2 |
| Effect of exchangeable limited partnership units issued to EPCOR for common shares [1] | 23 | 2 |
| Earnings used in the calculation of diluted earnings per share | $ 62 | $ 4 |

[1] The exchangeable limited partnership units issued to EPCOR Utilities Inc. (EPCOR) may be exchanged for common shares of Capital Power on a one-for-one basis. For the three months ended March 31, 2012, the potential exchange of such units for common shares of the Company had a dilutive impact as the potential exchange would remove the attribution of net income to non-controlling interests related to CPLP of $29 million. Additionally, the income tax provision of the Company would need to be adjusted to reflect the non-controlling interest's share of Capital Power L.P. (CPLP) income taxes of $6 million. For the three months ended March 31, 2011 the potential exchange of such units for common shares of the Company had a dilutive impact as the potential exchange would remove the attribution of net income to non-controlling interests related to CPLP of $4 million. Additionally, the income tax provision of the Company would need to be adjusted to reflect the non-controlling interest's share of CPLP income taxes of $2 million.

The weighted average number of common shares for the purposes of diluted earnings per share reconciles to the weighted average number of common shares used in the calculation of basic earnings per share as follows:

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Weighted average number of common shares used in the calculation of basic earnings per share | 59,184,367 | 32,319,690 |
| Effect of dilutive share purchase options[1] | 154,483 | 115,564 |
| Effect of exchangeable limited partnership units issued to EPCOR for common shares | 38,216,000 | 47,416,000 |
| Weighted average number of common shares used in the calculation of diluted earnings per share | 97,554,850 | 79,851,254 |

[1] For the three months ended March 31, 2012 and March 31, 2011, the average market price of the Company's common shares exceeded the exercise price of certain of the granted share purchase options and as a result had a dilutive effect on earnings per share.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

## 6. Derivative financial instruments and hedge accounting:

Derivative financial and non-financial instruments are held for the purpose of energy purchases, merchant trading or financial risk management.

The derivative instruments assets and liabilities used for risk management purposes consist of the following:

| | March 31, 2012 | | | |
|---|---|---|---|---|
| | Energy | | Interest rate | |
| | Cash flow hedges | Non-hedges | Non-hedges | Total |
| Derivative instruments assets: | | | | |
| Current | $ 7 | $ 24 | $ - | $ 31 |
| Non-current | 7 | 7 | - | 14 |
| Derivative instruments liabilities: | | | | |
| Current | (15) | (18) | - | (33) |
| Non-current | (4) | (1) | - | (5) |
| Net fair value | $ (5) | $ 12 | $ - | $ 7 |
| Net notional buys (sells): | | | | |
| Megawatt hours of electricity (millions) | (3) | (1) | | |
| Gigajoules of natural gas (millions) | - | (22) | | |
| Bond forwards | | | $ - | |
| Range of contract terms in years | 0.1 to 5.8 | 0.1 to 5.8 | | |

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | Energy | | Interest rate | |
| | Cash flow hedges | Non-hedges | Non-hedges | Total |
| Derivative instruments assets: | | | | |
| Current | $ 6 | $ 19 | $ - | $ 25 |
| Non-current | 5 | 8 | - | 13 |
| Derivative instruments liabilities: | | | | |
| Current | (30) | (29) | (8) | (67) |
| Non-current | (4) | (3) | - | (7) |
| Net fair value | $ (23) | $ (5) | $ (8) | $ (36) |
| Net notional buys (sells): | | | | |
| Megawatt hours of electricity (millions) | (3) | (9) | | |
| Gigajoules of natural gas (millions) | - | (2) | | |
| Bond forwards | | | $ 200 | |
| Range of contract terms in years | 0.1 to 5.0 | 0.1 to 6.0 | 0.2 | |

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

**6. Derivative financial instruments and hedge accounting, continued:**

Unrealized and realized pre-tax gains and losses on derivative instruments recognized in other comprehensive income and net income were:

| | Three months ended March 31, 2012 | | Three months ended March 31, 2011 | |
|---|---|---|---|---|
| | Unrealized gains (losses) | Realized gains (losses) | Unrealized gains (losses) | Realized gains (losses) |
| Energy cash flow hedges | $ 18 | $ 10 | $ (61) | $ 4 |
| Energy non-hedges | 17 | 29 | (33) | (10) |
| Foreign exchange non-hedges | - | - | 1 | 4 |
| Interest rate non-hedges | 9 | (8) | 10 | (2) |

Realized gains and losses relate only to derivative financial instruments. The following items are included in the Company's statement of income for the three months ended March 31, 2012 and 2011.

| | 2012 | 2011 |
|---|---|---|
| Revenues | 64 | (84) |
| Energy purchases and fuel | (8) | 52 |
| Foreign exchange losses | - | (2) |
| Finance expense | 1 | 8 |

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity and natural gas prices. For the three months ended March 31, 2012, the changes in the fair value of the ineffective portion of hedging derivatives required to be recognized as losses in the statement of income were nil (three months ended March 31, 2011 – losses $1 million).

Net after tax losses related to derivative instruments designated as cash flow hedges are expected to settle and be reclassified to net income in the following periods:

| | March 31, 2012 |
|---|---|
| Within one year | $ (6) |
| Between 1 – 5 years | 3 |
| After more than 5 years | - |
| | $ (3) |

The Company's cash flow hedges extend up to 2017.

**7. Loans and borrowings:**

On February 21, 2012, the Company's subsidiary, CPLP, issued $250 million of unsecured medium-term notes due in 2019 with interest payable semi-annually at 4.85% commencing on August 21, 2012.

**8. Share capital:**

For the three months ended March 31, 2012, dividends of $19 million or 31.5 cents per share have been declared and paid by the Company to the common shareholders (three months ended March 31, 2011 - $12 million or 31.5 cents per share declared and $10 million or 31.5 cents per share paid). During the three months ended March 31, 2012, dividends of $1 million or 28.75 cents per share have been declared and paid by the Company to preferred shareholders (three months ended March 31, 2011 – $2 million or 33.08 cents per share have been declared and paid).

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

**9. Segment information:**

The Company operates in one reportable business segment involved in the operation of electrical generation plants within Canada (Alberta, British Columbia and Ontario), and in the U.S. (Connecticut, Maine, North Carolina and Rhode Island) as this is how management assesses performance and determines resource allocations. The assets classified as held for sale, as described in note 4, operate within Canada (British Columbia). Since the disposal of those assets will not represent the disposal of a separate major line of business or geographic area, the disposal of those assets is not considered a discontinued operation.

The Company's results from operations within each geographic area are:

| | Three months ended March 31, 2012 | | | | Three months ended March 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Canada | U.S. | Inter-area eliminations | Total | Canada | U.S. | Inter-area eliminations | Total |
| Revenues and other income - external | $ 291 | $ 89 | $ - | $ 380 | $ 394 | $ 64 | $ - | $ 458 |
| Inter-area revenues and other income | 1 | - | (1) | - | 1 | 1 | (2) | - |
| Total revenues and other income | $ 292 | $ 89 | $ (1) | $ 380 | $ 395 | $ 65 | $ (2) | $ 458 |

| | As at March 31, 2012 | | | As at December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Canada | U.S. | Total | Canada | U.S. | Total |
| Property, plant and equipment | $ 3,072 | $ 771 | $ 3,843 | $ 3,043 | $ 799 | $ 3,842 |
| Intangible assets | 273 | 15 | 288 | 276 | 20 | 296 |
| Goodwill | - | 45 | 45 | - | 46 | 46 |
| Other assets | 24 | - | 24 | 24 | - | 24 |
| | $ 3,369 | $ 831 | $ 4,200 | $ 3,343 | $ 865 | $ 4,208 |

**10. Subsequent event:**

On March 29, 2012, a subsidiary of EPCOR entered into an agreement to exchange 8,500,000 of their exchangeable limited partnership units in CPLP on a one-for-one basis for common shares of Capital Power and subsequently entered into an agreement for a secondary offering of 8,500,000 common shares of Capital Power at an offering price of $23.55 per common share, on a bought deal basis, to a syndicate of underwriters, for gross proceeds of $200 million. In addition, Capital Power granted the syndicate an over-allotment option to purchase up to an additional 1,275,000 common shares. The aggregate offering of $230 million or 9,775,000 common shares, comprised of the secondary offering and the exercise of the full over-allotment option, closed on April 5, 2012. As a result of the unit exchange and share offering subsequent to the close of the first quarter of 2012, EPCOR's ownership interest in CPLP was reduced to approximately 29.3% (March 31, 2012 and December 31, 2011 – 39.4%).