

A large white wind turbine stands in the foreground, its blades slightly blurred. The background consists of rolling blue mountains under a clear sky, with a line of trees with yellow and orange autumn foliage at the bottom.

# { CAPITAL POWER ANALYST CONFERENCE CALL Q4 AND YEAR-END 2012 REVIEW

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# Forward-looking information

## Cautionary statement

Certain information in this presentation and in responses to questions contains forward-looking information. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information, and certain material factors or assumptions were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information.

Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information are disclosed on page 19 of this presentation and in the Company's fourth quarter 2012 Management's Discussion and Analysis (MD&A) dated December 31, 2012 which has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

# 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 disposals (adjusted 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) discretionary cash flow, (vii) normalized earnings attributable to common shareholders, and (viii) 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 are therefore unlikely to 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.

Reconciliations of these Non-GAAP financial measures are contained in the Company's Management's Discussion and Analysis dated March 1, 2013 for the year ended December 31, 2012 which is available under the Company's profile on SEDAR at [www.SEDAR.com](http://www.SEDAR.com) and on the Company's website at [www.capitalpower.com](http://www.capitalpower.com).

# Corporate updates

## *Quality Wind and Halkirk wind projects completed on time and under budget*

- Quality Wind began commercial operations on Nov 6/12, on time and ~10% below \$455M budget
- Halkirk began commercial operations on Dec 1/12, slightly ahead of schedule and ~8% below \$357M budget

## *Announced major expansion plans in AB*

- Signed an agreement with ENMAX for a 50% interest in the Shepard Energy Centre; 20-year tolling agreement with a fixed capacity charge and cost flow-through
- Plans to develop the new Capital Power Energy Centre; a natural gas combined cycle facility with up to 900 MW capacity
  - COD in 2017-20 timeframe, when additional generation will be required to meet growing demand and to replace generation from retirement of coal-fired units

# Q4/12 Results

## *Q4/12 results generally in line with expectations before two events*

- Normalized earnings of \$0.23 per share decreased 36% YOY
- Funds from operations, excluding non-controlling interests in CPILP, of \$83M, down 5.7% from Q4/11

## *Two events impacted Q4/12 results but not expected to impact 2013 expectations*

- NE U.S. plants incurred a net pre-tax loss of \$10M relating to a heat rate option on the Bridgeport facility and actions taken to mitigate the natural gas exposure associated with the option
- Significantly lower-than-normal wind for first two months (27% capacity factor) at Quality Wind, which began commercial operations in Nov/12
  - Capacity factor for Jan-Feb/13 in line with expectations
  - Lower-than-expected operating margin of ~\$6M

# Q4/12 Operating performance

Plant Availability		Q4/12	Q4/11
Alberta commercial plants	Genesee 3	56%	44%
	Keephills 3	100%	99%
	Clover Bar Energy Centre	98%	99%
	Joffre	65%	93%
	Halkirk	95%	N/A
Alberta contracted plants	Genesee 1	98%	100%
	Genesee 2	94%	100%
Ontario and BC contracted plants	Island Generation	100%	100%
	Kingsbridge 1	100%	98%
	Quality Wind	99%	N/A
North East US commercial plants	Bridgeport	85%	59%
	Rumford	84%	94%
	Tiverton	89%	89%
North Carolina US contracted plants	Roxboro	89%	100%
	Southport	90%	100%
Average		89%	87%

## Operating performance met expectations

- Genesee 3 planned outage extended 9 days
- Strong availability of contracted facilities in AB, ON and BC
- Lower than expected availability from NE US plants due to pre-emptive outages from Hurricane Sandy

# Bridgeport heat rate option

## Overview

- Bridgeport hedge is a heat rate option product that was structured to closely resemble the plant's operating characteristics
- Heat rate option was in place when Bridgeport was acquired in 2011
- "Basis risk" existed because there is a mis-match between the exposure being hedged (power plant) and the hedge (heat rate option)
  - Bridgeport facility is long power at the Bridgeport power node and short natural gas at Bridgeport's gas point (Iroquois Zone 2 - Z2)
  - Bridgeport hedge offsets our long power position at a different power and natural gas points (Connecticut Zone and Transco NY Zone 6 (Z6), respectively)

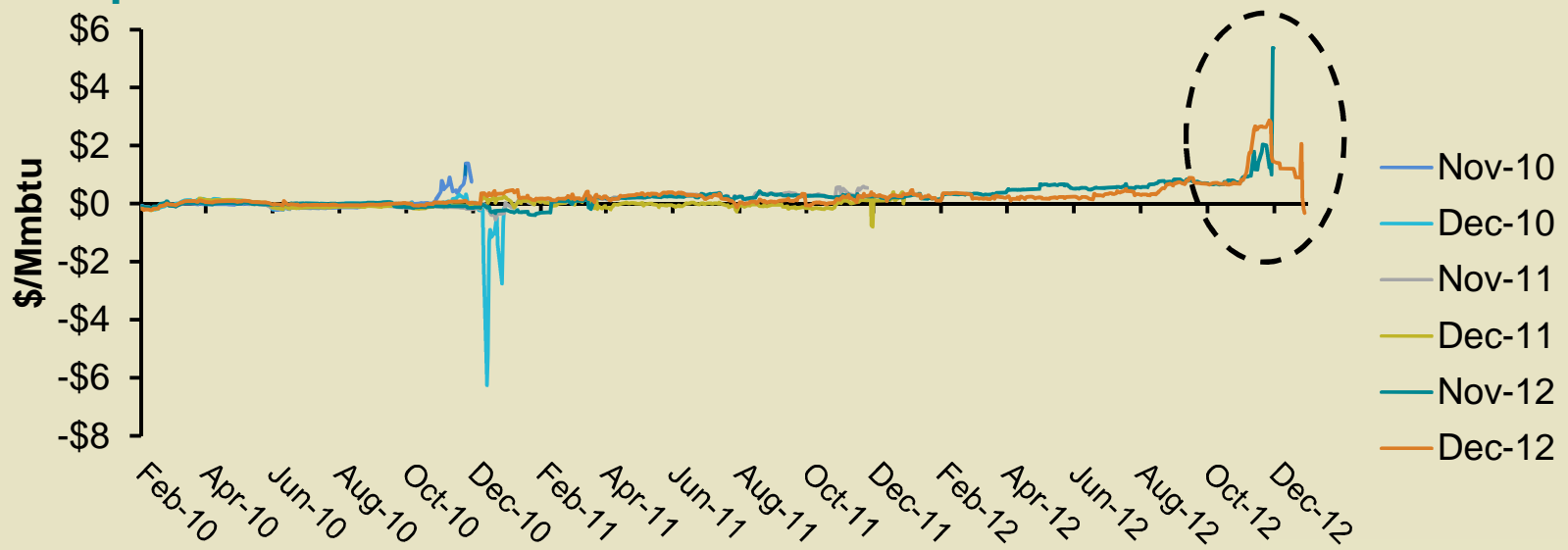
	Bridgeport Facility	Bridgeport Hedge
Power	Long Bridgeport Node	Short Connecticut Zone
Natural Gas	Short Iroquois Zone 2 (Z2)	Long Transco NY Zone 6 (Z6)

# Bridgeport heat rate option (cont'd)

*Correlation between locations has historically been very high for both power and natural gas; widening of Nov/Dec spread in gas prices resulted in loss*

- Generally, high correlation during Feb/10 to Oct/12 timeframe of nearly 3 years except in Dec/10
- Unprecedented natural gas demand levels combined with supply constraints resulted in significant widening of Z2/Z6 gas price spreads in Nov-Dec/12

## Iroq Z2 – TransCo Z6 Historical Forward Settles





# Bridgeport heat rate option (cont'd)

## *Actions taken to limit exposure*

- Apr-Oct/12 natural gas basis risk was hedged in Jan/12; but throughout 2012 unable to hedge Nov-Dec/12 exposure due to liquidity constraints and limited number of counterparties
- Trades were executed at reasonable costs to limit remaining exposure to natural gas basis risk associated with the option for Nov-Dec/12
  - Dec/12 physical natural gas consumption for Bridgeport was locked in at prices higher than actual prices resulting in an additional loss
  - Partly offset by gains realized on a financial hedge executed to reduce the locational basis risk
- Bridgeport option expires at the end of 2013 and this gas price differential risk has been fully mitigated for 2013

# Wind projects: early performance indicators

## Quality Wind

- 142 MW project in BC began commercial operations in Nov/12
- Lower-than-expected capacity factor of 27% in first couple of months, but seeing improvement
- Average capacity factor of 35% since COD

Capacity factor (35% expected)

	Monthly actual	Target (3-month avg.)
Nov/12	23%	
Dec/12	31%	47%
Jan/13	39%	
Feb/13	46%	
Mar/13		36%
Apr/13		
May-Jul		22%
Aug-Oct		35%

## Halkirk Wind

- 150 MW project in central Alberta began commercial operations in Dec/12
- 38% expected capacity factor; early performance has met expectations
- Located in a unique Alberta wind regime away from the majority of wind capacity located in the SW region of the province
- Due to its location, its captured price is at a lower discount to the average power price relative to the wind facilities in SW Alberta

# Financial performance – Q4/12

\$M, except per share amounts	Q4/12	Q4/11	% Change
Revenues and other income <sup>(1)</sup>	<b>\$330</b>	\$347	(4.9%)
Adjusted EBITDA <sup>(1,2)</sup>	<b>\$100</b>	\$121	(17%)
Basic earnings per share	<b>\$0.19</b>	\$1.47	(87%)
Normalized earnings per share	<b>\$0.23</b>	\$0.36	(36%)
Funds from operations excluding non-controlling interests in CPILP	<b>\$83</b>	\$88	(5.7%)
Cash flow per share	<b>\$0.84</b>	\$0.90	(6.7%)

(1) Before unrealized fair value changes in derivative instruments, natural gas inventory held for trading, and foreign exchange and natural gas contracts. Excludes Capital Power Income L.P.

(2) Earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange losses and gains on acquisitions and disposals.

# Financial performance – 2012

<b>\$M, except per share amounts</b>	<b>2012</b>	<b>2011</b>	<b>% Change</b>
Revenues and other income <sup>(1)</sup>	<b>\$1,344</b>	\$1,395	(3.7%)
Adjusted EBITDA <sup>(1,2)</sup>	<b>\$456</b>	\$385	18%
Basic earnings per share	<b>\$0.84</b>	\$1.60	(48%)
Normalized earnings per share	<b>\$1.29</b>	\$1.24	4.0%
Funds from operations excluding non-controlling interests in CPILP	<b>\$381</b>	\$352	8.2%
Cash flow per share	<b>\$3.89</b>	\$3.89	-

(1) Before unrealized fair value changes in derivative instruments, natural gas inventory held for trading, and foreign exchange and natural gas contracts. Excludes Capital Power Income L.P.

(2) Earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange losses and gains on acquisitions and disposals.

# AB commercial portfolio positions

- Alberta portfolio hedged positions for AB baseload plants and Sundance PPA (% sold forward)

2013	2014	2015
Hedged positions (% hedged)		
49%	37%	31%
Average hedged prices (\$/MWh)		
Mid-\$60	Mid-\$50	Mid-\$50

- Sensitivity analysis to +/- \$1/MWh change in Alberta power prices
  - 2013: +/- \$4M to EBITDA
  - 2014: +/- \$4M to EBITDA
  - 2015: +/- \$6M to EBITDA

# Financial outlook – 2013 vs. 2012

*Normalized EPS and FFO for 2013 are expected to be in line with 2012*

- Assumes an average AB power price of ~\$58/MWh for 2013, compared to \$64/MWh in 2012
- Expect lower realized prices on economically unhedged position, profitability from the Clover Bar peaking facility, and incentive revenues from Genesee 1 and 2
- Offset by the full year earnings from Halkirk and Quality Wind (both facilities began commercial operations in Q4/12) and stronger plant availability (targeting 93%+)
- Plant availability target of 93% reflects two major scheduled outages (Genesee 1, Keephills 3)

# Corporate priorities

## Operational targets

Performance measure	2012 Target	2012 Results	2013 Target
Plant availability average	≥ 91%	91%	≥ 93%
Sustaining capex	≤ \$108M	\$102M	≤ \$105M
• Plant maintenance	\$80M		
• Genesee mine maintenance <sup>(1)</sup>	\$6M		
• Other	\$22M <sup>(2)</sup>		
Maintenance and operating expenses	\$215M - \$235M	\$208M	\$225M - \$245M



- (1) Capital expenditures for Genesee mine maintenance represent only those capital expenditures funded by the Company for the Genesee mine operation.  
 (2) Includes Information technology and other maintenance.

# Corporate priorities (cont'd)

## Development and construction targets

Performance measure	2012 Target	2012 Results	2013 Target
Quality Wind	\$455M budget; Q4/12 target COD	Final costs estimated at \$405-\$415M; COD Nov 6/12	—
Halkirk Wind	\$357M budget; Q4/12 target COD	Final costs estimated at \$325-\$335M; COD Dec 1/12	—
Port Dover & Nanticoke Wind	Full notice to proceed in 2012	Limited notice to proceed received; construction started	Continue on budget \$340M, Q4/13 target COD
K2 Ontario Wind	Full notice to proceed in 2012	Full notice to proceed revised to late 2013 or early 2014	Environmental approvals received
Shepard Energy Centre	—	—	Continue on budget of \$860M



# Corporate priorities (cont'd)

## Financial targets

	<b>2012 Target</b>	<b>2012 Actual</b>	<b>2013 Target</b>
	(based on \$74/MWh AB power price)	(\$64/MWh actual AB power price)	(based on \$58/MWh AB power price)
Normalized EPS	\$1.50 - \$1.70	\$1.29	\$1.20 - \$1.40
Funds from operations	\$380 - \$420M	\$381M	\$385 - \$415M
Cash flow per share	\$3.90 - \$4.30	\$3.89	\$3.80 - \$4.20

*2013 financial targets reflects a lower forecasted Alberta power price compared to 2012 actual*

# { QUESTIONS?





# Forward-looking information

Forward-looking information or statements included in this presentation 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 presentation 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 presentation 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, (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) changes in electricity prices in markets in which the Company operates, (ii) changes in energy commodity market prices and use of derivatives, (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation, (iv) power plant availability and performance including maintenance expenditures, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management 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.

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