President & CEO's Message

Message from the President and CEO, Brian Vaasjo

A team committed to responsible citizenship and sustainability

In July 2014, we celebrated our fifth-year anniversary as Capital Power. Achieving this milestone takes sustained commitment, deliberate action, and teamwork across the entire corporation. Over the years, we have stayed true to our values and vision of being one of North America's most respected, reliable, and competitive power producers through our passion for our business, by working as a team with integrity, by putting safety first, and by enhancing shareholder value.

On behalf of all of us at Capital Power, thank you for taking the time to view our 2013 corporate responsibility report.

This report reflects the actions we take and the way we behave, every day - in our community, in our facilities, in our offices, and on our construction sites.

Our 2013 corporate responsibility report shares stories and information on how we:

- Work, grow, and develop as a team
- Keep safety top of mind - everywhere, every day
- Engage our stakeholders and partners
- Manage our environment and emissions, and
- Execute on plans that are driven by shared values and ethical standards.

We aim to report our results in a balanced way that presents a holistic view of our business and shows the linkages between our business strategy and our corporate responsibility program.

Sustained commitment

We are always conscious of our promise to be transparent and accountable.

Safety is everything

We launched our "Zero means everything" internal safety campaign, stressing the importance of life-long safety and accountability at work and at home. Zero lost-time injuries is our goal by 2015. We surpassed our company-wide safety target in 2013 and almost met our stretch target. This report provides details of our health and safety commitment and record.

Renewable energy and state-of-the-art power generation

We manage our environmental footprint and invest in state-of-the-art technology and renewable sources of energy. Since November 2012, Capital Power has invested over $1 billion in three wind projects, which has substantially increased our renewable wind energy capacity. Another 90 megawatts of owned wind generation is under construction in Ontario.

We plan to build and operate Genesee 4 & 5 in a joint venture with ENMAX. This proposed facility will use the latest state-of-the-art high-efficiency gas turbine technology and will have a generation capacity of up to 1,050 megawatts. Capital Power will lead the construction of the project and will be the operator of the facility, which is expected to be completed between 2018 and 2020.

Working effectively and efficiently

Responsibility includes leading with accountability and spending conscientiously. Our employee learning and career development activities for 2013 are detailed in this report, with a focus on leadership, ethics, and accountability at all levels of the organization. Capital Power was named as Alberta's Best Workplace for Training and Development by Alberta Venture in 2014.

We share the story of how we implemented our Oracle Enterprise Resource Planning (ERP) system to streamline and integrate the company's core business processes. The ERP project, and other cost savings initiatives, including streamlining our organization, resulted in an annual reduction in general and administrative expenses of approximately $22 million.

Being a responsible, sustainable, and ethical neighbour

At each of our operations, we focus on being a good neighbour and employer by protecting the places where we live and work. The numbers and narratives that explain our ongoing involvement in the communities where our people live and work show the many different ways in which Capital Power is contributing to the quality of life in cities and towns across North America.

Thanks to the dedication of our employees and their strong performance, Capital Power was named one of the "Best 50 Corporate Citizens in Canada" by Corporate Knights magazine for a fourth straight year.

How are we doing?

Our business touches many different stakeholders, and we are open to feedback from all. We encourage you to let us know how you think we're doing and to provide your thoughts on how we can improve not just this report, but our business operations overall.

Thank you for your interest in Capital Power. We look forward to hearing from you.

Brian Vaasjo
President and CEO

Brian Vaasjo
President and Chief Executive Officer

Corporate Profile

Our Company

We produce power in North America—reliably, competitively, and responsibly.

Established in July 2009, Capital Power (TSX: CPX) is a growth-oriented North American power producer headquartered in Edmonton, Alberta. We develop, acquire, build, operate, and optimize power generation from coal/solid fuels, natural gas, and wind.

As of December 31, 2013, we owned more than 2,600 megawatts (MW) of power generation capacity at 14 facilities in Canada and the United States, held rights to 371 MW of production through our interest in the Sundance Power Purchase Arrangement. An additional 400 megawatts of owned generation capacity is under construction in Alberta.

Since November 2012, Capital Power has invested over $1 billion in three wind projects, increasing our wind nameplate capacity by approximately 1000%; another 90 MW of owned wind generation is under construction in Ontario.

OUR VISION is to be recognized as one of North America's most respected, reliable, and competitive power producers.

OUR BUSINESS is the development, acquisition, construction, operation, and optimization of large-scale, fuel-diverse, cost-effective power generation facilities in North America.

Human Rights

None of our operations are at risk for incidents of child labour or forced labour. The right to free association and collective bargaining is not at significant risk. We have not been subject to human rights reviews or any impact assessments. Zero human rights violations, including the rights of indigenous people, were identified in 2013, and all security personnel receive training in policies and procedures related to human rights. Our contractors must align with our policies, although they do not undergo a specific screening on human rights. We do not have significant investment agreements that include human rights clauses.

Precautionary Principle

When any Canadian statutory decision maker, court, or tribunal applies the precautionary principle in making its determination, we consider this principle in the conduct of our activities in like circumstances. The "Precautionary Principle" says that when an activity raises threats to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically.

Senior Executives

Our senior leadership team in 2013

Executive Team

Brian Vaasjo,
President and Chief Executive Officer

Kate Chisholm, Q.C.
Senior Vice President, Legal and External Relations

Bryan DeNeve,
Senior Vice President, Corporate Development and Commercial

Todd Gilchrist,
Senior Vice President, Human Resources and Health, Safety and Environment

Stuart Lee,
Senior Vice President, Finance and Chief Financial Officer

Darcy Trufyn,
Senior Vice President, Operations, Engineering and Construction

For more details on our leadership team visit capitalpower.com

Board of Directors

About the Board of Directors

The board is responsible for our stewardship. It provides independent leadership for overseeing our business so we grow and sustain profits responsibly.

The board is actively engaged, supervises our business and affairs, and is specifically responsible for:

- management oversight and strategic planning
- enterprise risk management
- shareholder engagement

Front row (left to right) Philip Lachambre, Peggy Mulligan, Donald Lowry, Brian Vaasjo, Albrecht Bellstedt, William Bennett
Back row (left to right) Richard Cruickshank, Hugh Bolton, Allister McPherson, Doyle Beneby, Brian Bentz

Responsible Governance

The board ensures that management's plans and activities are consistent with our values and support our vision to be recognized as one of North America's most respected, reliable, and competitive power producers.

At the end of 2013, the board consisted of 11 directors, two of whom were nominated and elected by EPCOR Utilities Inc. (together with its subsidiaries, EPCOR) pursuant to rights attached to the Special Voting Shares held by EPCOR, eight of whom were elected by common shareholders at Capital Power Corporation's (Capital Power) annual meeting of shareholders in April 2013, and one of whom (Donald Lowry) was appointed by the board. On October 10, 2013, EPCOR's ownership interest was reduced to less than 20% of our total common shares outstanding and common shares that can be issued in exchange for exchangeable LP units of Capital Power L.P. Donald Lowry, as an EPCOR-elect director, voluntarily tendered his resignation at that time. Subsequently, the board resolved to reappoint Donald Lowry to continue serving as a director and as chair of the board until Capital Power's next annual meeting of shareholders. The board is comprised of 10 men and one woman.

Independence

The board is led by a non-executive chair. Nine of our 11 directors (>81%) are independent according to the standards of independence established under Canadian securities laws. Brian Vaasjo and Richard Cruickshank are not considered independent because of their positions as Capital Power's President and CEO (Vaasjo), and partner of a law firm that provides us with legal services (Cruickshank).[1]

1. Mr. Cruickshank does not personally provide Capital Power with legal services.

Board committees

The board has three standing committees:

- Audit
- Corporate Governance, Compensation and Nominating
- Health, Safety, and Environment

The board can also establish ad-hoc committees as appropriate.

The Corporate Governance, Compensation and Nominating Committee reviews the composition of each committee after each annual meeting. Director independence, director qualifications, and individual skills and experience are considered when committees are established. Each committee has its own terms of reference, which it reviews and approves every year. Terms of Reference are posted on our website.

Board compensation

Our director compensation is designed to attract and retain the most-qualified people to serve on our board. It recognizes the size and complexity of the power industry, director compensation paid by a comparator group of companies, and the importance of share ownership to align the interests of directors and shareholders.

Director compensation includes annual retainers, attendance fees, and a modest travel allowance if a director cannot travel to or from a board or committee meeting within the same day. The annual equity retainer is paid in deferred share units (DSUs) to promote share ownership and align the interests of directors and shareholders.

Brian Vaasjo does not receive any director compensation because he is an employee of Capital Power and is compensated in his role as President and Chief Executive Officer.

Donald Lowry did not receive any compensation as a director or Capital Power's board chair during the time he was a member of the board and also was employed, nominated, and elected by EPCOR. However, as of October 1, 2013, Mr. Lowry was no longer compensated by EPCOR and he began receiving compensation from Capital Power.

Share ownership

The board believes in aligning the interests of directors and shareholders. In 2009, the Corporate Governance, Compensation and Nominating Committee instituted share ownership guidelines requiring directors to hold at least three times the total value of their annual cash and equity retainer. They must meet the requirement within five years of the date they were appointed or elected to the board. As of March 10, 2014, eight of the nominated directors met the requirement.

More details about our Board of Directors are available in our comprehensive Corporate Governance Policy, our Board Terms of Reference and our Management Proxy Circular, including:

- Terms of Reference for each board committee
- Board committee membership
- Board director profiles
- Compensation and attendance for each board member
- Mechanisms for shareholder input

Governance

Responsible Governance

We believe that effective governance is a major contributor to long-term performance and investor confidence.

Governance practices

Our corporate governance practices are consistent with the following, as adopted by the Canadian Securities Administrators:

- National Policy 58-201 — Corporate Governance Guidelines (NP 58-201)
- National Instrument 58-101 — Disclosure of Corporate Governance Practices (NI 58-101)
- National Instrument 52-110 — Audit Committees (NI 52-110)
- National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings (CSox)
- Form 58-101F1 — Corporate Governance Disclosure (58-101F1)

Governance highlights

✓	Voting is for individual director. We have a majority voting policy and we disclose the voting results on all items of business within five business days of a shareholder meeting.
✓	We maintain separate chair and CEO positions so the board can function independently and monitor management's decisions and actions and effectively oversee our affairs.
✓	The majority of our board (>81%) is independent.
✓	The chair of the board and the chair of the Capital Power nominated directors (chair of the non-EPCOR elected directors) are independent.
✓	The board has developed clear position descriptions for the chair of the board, chair of the non-EPCOR elected directors, each committee, and the CEO.
✓	Our Audit Committee is 100% independent.
✓	Four of the five members of our Corporate Governance, Compensation and Nominating Committee are independent.
✓	Directors must meet share ownership requirements within five years of joining the board (three times their annual cash and equity retainer in Capital Power deferred share units and/or common shares). Capital Power's executive officers must also meet share ownership requirements.
✓	Our board has a formal, written mandate.
✓	Directors meet regularly without management present (in-camera).
✓	We expect 100% attendance of our directors. The Corporate Governance, Compensation and Nominating Committee reviews the attendance record to ensure directors have attended at least 80% of board meetings and their respective committee meetings.
✓	The board has adopted a written code of business conduct and ethics and monitors our compliance with it.
✓	The board oversees strategic planning, risk management, succession planning, and leadership development.
✓	We conduct an advisory vote on executive compensation, to give shareholders a say on pay.
✓	We adopted an incentive clawback policy and anti-hedging policy to further align the interests of executives and shareholders.
✓	We have orientation and continuing education programs for our directors.
✓	We maintain a skills matrix to assist in planning, developing, and managing the skills and competencies of the board.
✓	Board and committee director assessments are conducted every year.

More governance details are available in our comprehensive Corporate Governance Policy and our Management Proxy Circular.

Halkirk Wind, AB.

Awards & Achievements

Awards

Corporate Knights “Best 50 Corporate Citizens in Canada" — 2011, 2012, 2013 & 2014

Corporate Knights magazine ranks the relative impact of companies’ carbon, water, waste, and energy use and compiles a list of the Best 50 Corporate Citizens in Canada. Corporate Knights magazine named Capital Power to its 2014 list of the Best 50 Corporate Citizens in Canada. Capital Power was also named to the list in 2011, 2012, and 2013.

The report measures corporations on their publicly-available information in the categories of Environment, Social, Governance, and Transparency.

Alberta Venture’s Award for Alberta’s Best Workplaces: Training and Development — 2014

Alberta Venture recognized Capital Power as one of "Alberta’s Best Workplaces for Training and Development". This award acknowledges a company dedicated to providing learning and development opportunities to not only strengthen the skills of its employees but to further their engagement in the workplace.

Employee Campaign Chair of the Year, United Way of the Alberta Capital Region — 2014

In recognition of Capital Power’s 2013 United Way campaign, United Way of the Alberta Capital Region nominated Capital Power for two Awards of Distinction: Outstanding Campaign Committee, and Employee Campaign Chair of the Year, Private Sector. Capital Power won the award for the Employee Campaign Chair of the Year, Private Sector.

Annual Mayor's Celebration of the Arts – Award for Innovative Support by a Business for the Arts – 2014

Capital Power received the Award for Innovative Support by a Business for the Arts at the Mayor's Celebration of the Arts. The Art Gallery of Alberta nominated us for our Capital Powered Art series. The Mayor's Celebration of the Arts honours outstanding Edmonton supporters of the arts and professional artists that excel in their fields.

Project of the Year honours – Project Management Institute (Northern Alberta chapter) – 2013

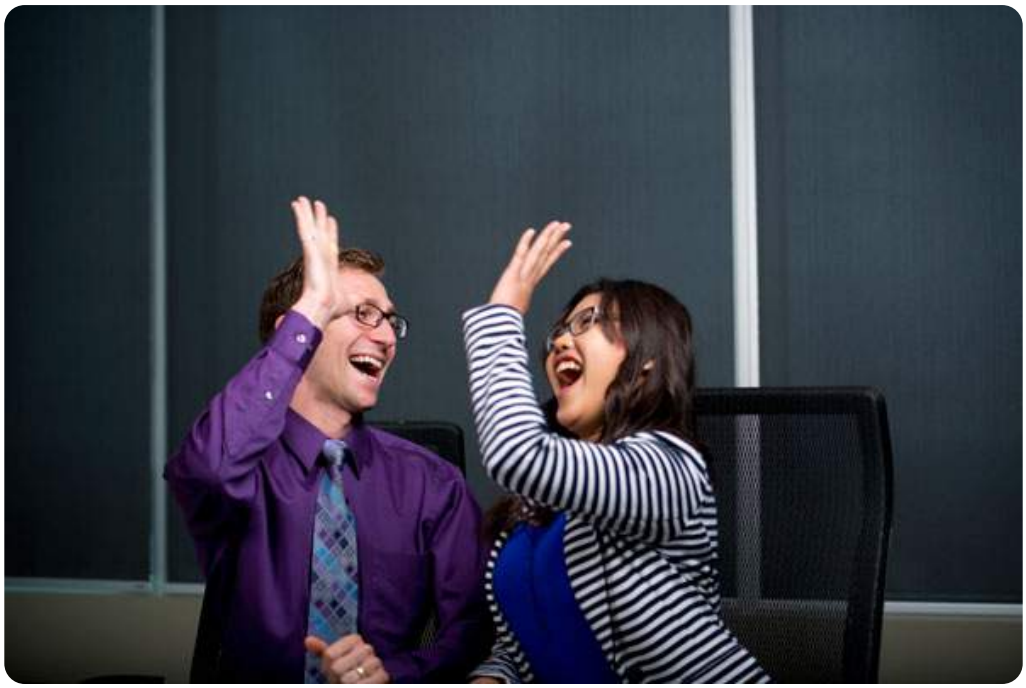
The Project Management Institute (Northern Alberta chapter) awarded our Oracle Enterprise Resource Planning (ERP) system implementation with Project of the Year, in recognition of work completed from 2011 to early 2013. The Project Management Institute Project of the Year Award recognizes, honours, and publicizes a successful project and the achievements of the project team for superior project management performance.

Capital Awards – International Association of Business Communicators (IABC) – 2012, 2013 & 2014

Our 2010 and 2011 corporate responsibility reports received Capital Awards of Excellence from IABC Edmonton in 2012 and 2013. The Halkirk and Quality Wind blade-signing events also received an Award of Excellence at the 2013 Capital Awards ceremony.

Our 2013 corporate responsibility report received an Award of Merit in 2014.

The Capital Awards recognize communicators in Edmonton and are judged by a panel of communications professionals from across North America.



Affiliations

Capital Power and its employees are members of the following organizations:

Agroforestry and Woodlot Extension Society	Air and Waste Management Association
Alberta Chamber of Resources	Alberta Construction Safety Association
American Chamber of Commerce in Canada	Association of General Counsel of Alberta
Association of Power Producers of Ontario	Association of Professional Engineers and Geoscientists of Alberta (APEGA)
Association of Science and Engineering Technology Professionals of Alberta (ASET)	Business Council of British Columbia
Canadian Chamber of Commerce	Canadian Clean Power Coalition
Canadian Electricity Association	Canadian Industrial Relations Association
Canadian Wind Energy Association	Catalyst Canada Inc.
Centre for Energy Advancement through Technological Innovation	Certified General Accountants Association of Alberta (CGA)
Certified Management Accountants of Alberta (CMA)	Chartered Accountants of Alberta (CA)
Chartered Financial Analyst (CFA)	CIO Association of Canada
Clean Air Strategic Alliance	Clean Energy Association of British Columbia
Clean Energy Group	Conference Board of Canada
Construction Owners Association of Alberta	Corporate Executive Board
Decentralised Energy Canada	Edison Electric Institute
Edmonton Oracle Application User Society	Energy Policy Institute of Canada
Huron Manufacturing Association Inc.	Independent Power Producers Society of Alberta
International Association of Business Communicators (IABC)	International Emissions Trading Association
Law Society of Alberta	Leduc Regional Chamber of Commerce
Ontario Energy Association	Pacific Northwest Economic Region Foundation
Strathcona District Mutual Assistance Program	Strathcona Industrial Association
Tax Executives Institute	West Central Airshed Society
Western Electricity Coordinating Council	

Contact Us

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Overview

2013 Performance

Performance guided by values

We are guided by our values:

- Putting safety first for our employees, contractors, and surrounding communities
- Building and operating power generation facilities that are modern and well maintained
- Supporting the local economy by hiring our neighbours and using local businesses
- Managing our emissions

Inside the Genesee Generating Station, AB.

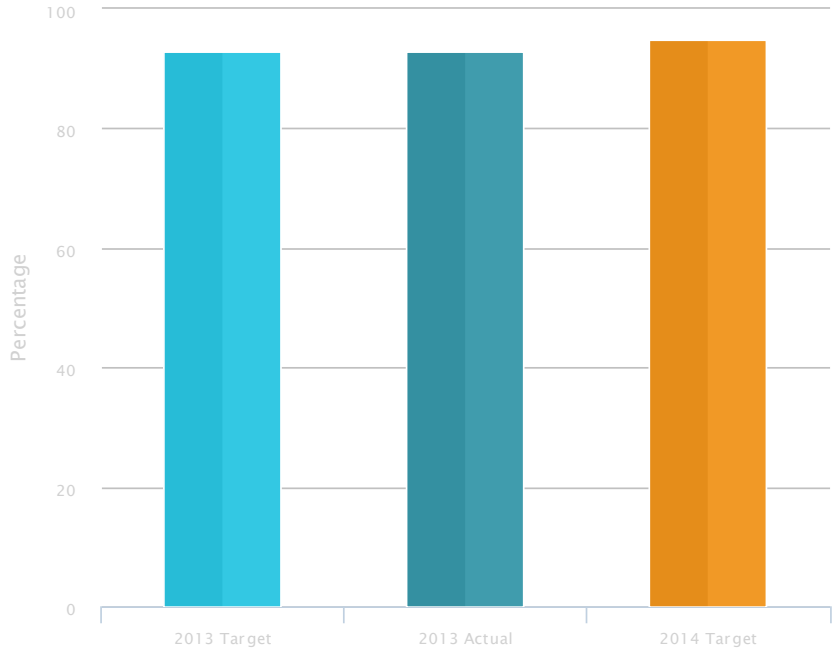
Overview

Setting and delivering on targets

Our 2013 results met or exceeded our operational excellence and financial targets.

Operational excellence

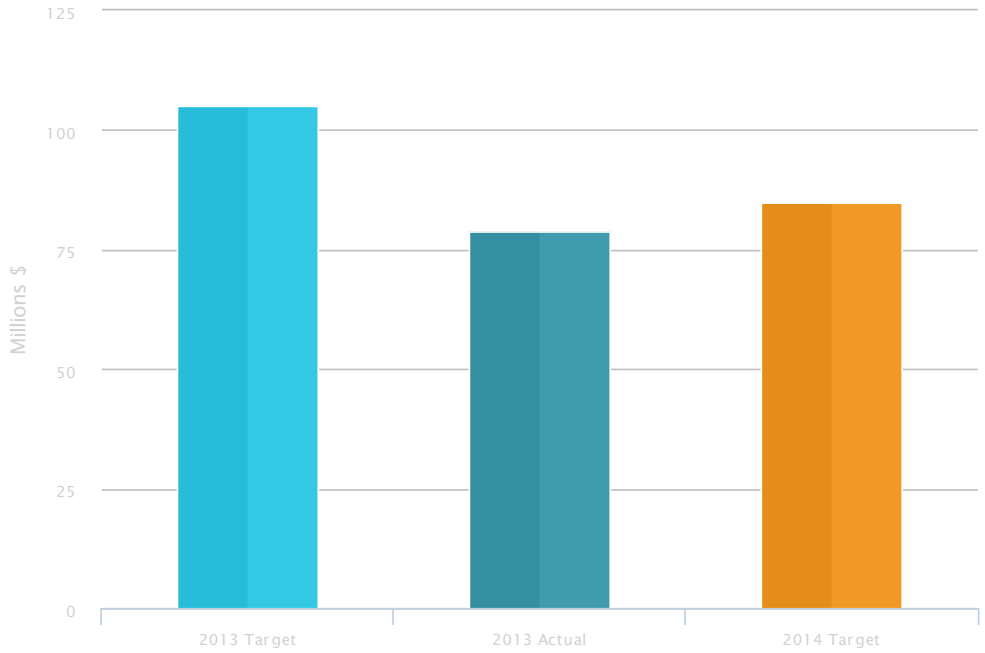
Plant availability average



	2013	2013	2014
	Target	**Actual Results**	**Target**
	Operational excellence		
Plant availability average[1]	93% or greater	93%	95% or greater
Capital expenditures for plant maintenance, Genesee mine extension and other (sustaining capital expenditures)	$105 million or lower	$79 million	$85 million
Plant operating and maintenance expenses	$225 million to $245 million	$192 million	$165 million to $185 million

[1]2013 target and actual results include New England plants, which were sold in November 2013.

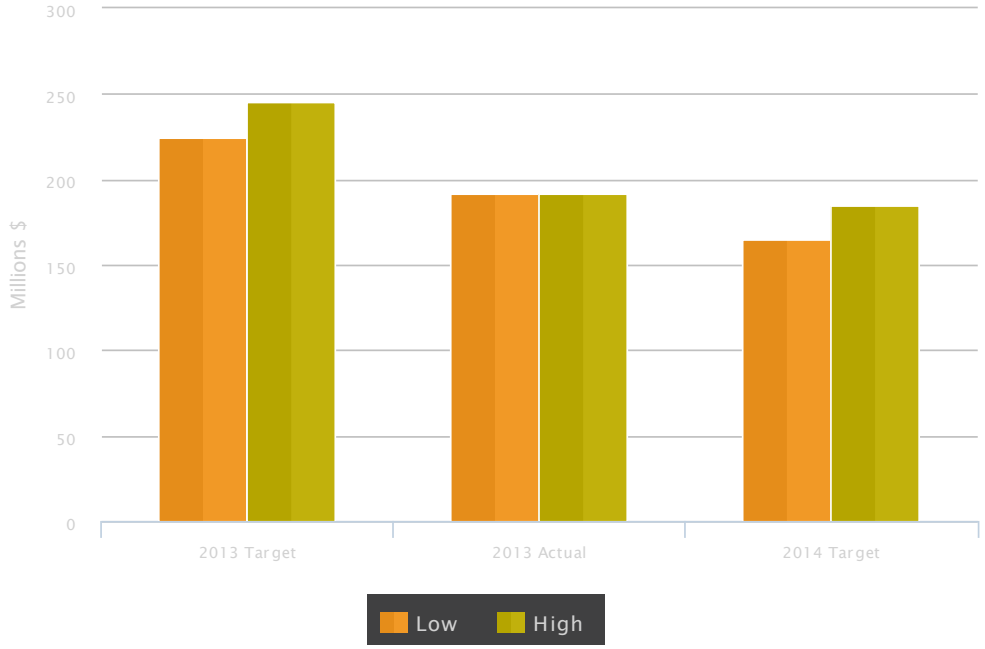
Sustaining capital expenditures for plant maintenance, Genesee mine extension and other



	2013	2013	2014
	Target	**Actual Results**	**Target**
	Operational excellence		
Plant availability average[1]	93% or greater	93%	95% or greater
Capital expenditures for plant maintenance, Genesee mine extension and other (sustaining capital expenditures)	$105 million or lower	$79 million	$85 million
Plant operating and maintenance expenses	$225 million to $245 million	$192 million	$165 million to $185 million

[1]2013 target and actual results include New England plants, which were sold in November 2013.

Maintenance and operating expenses



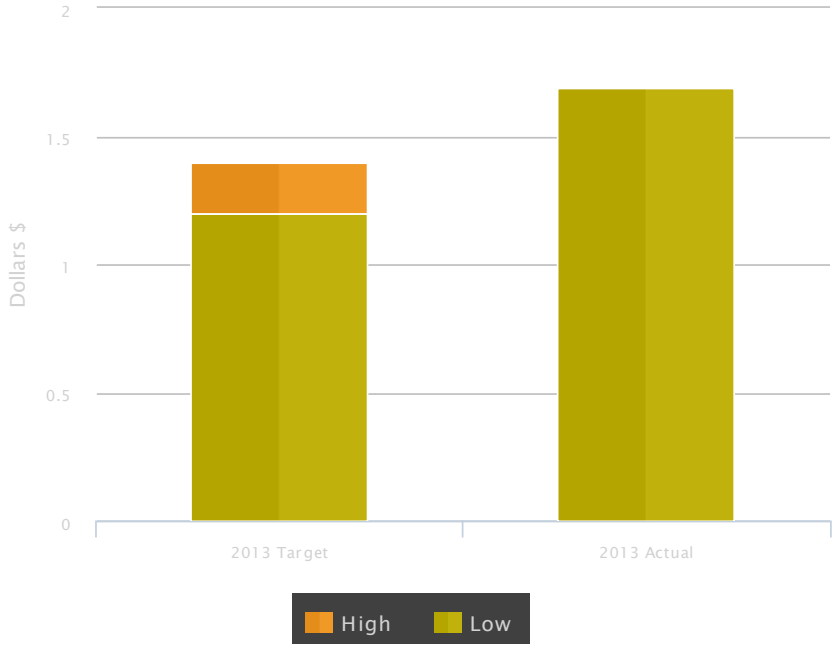
	2013 Target	2013 Actual Results	2014 Target
	Operational excellence		
Plant availability average[1]	93% or greater	93%	95% or greater
Capital expenditures for plant maintenance, Genesee mine extension and other (sustaining capital expenditures)	$105 million or lower	$79 million	$85 million
Plant operating and maintenance expenses	$225 million to $245 million	$192 million	$165 million to $185 million

[1]2013 target and actual results include New England plants, which were sold in November 2013.

We achieved or exceeded our three targets for operational excellence in 2013. Our foundation is based on a young, modern fleet with an average age of 12 years and high maintenance and operating standards.

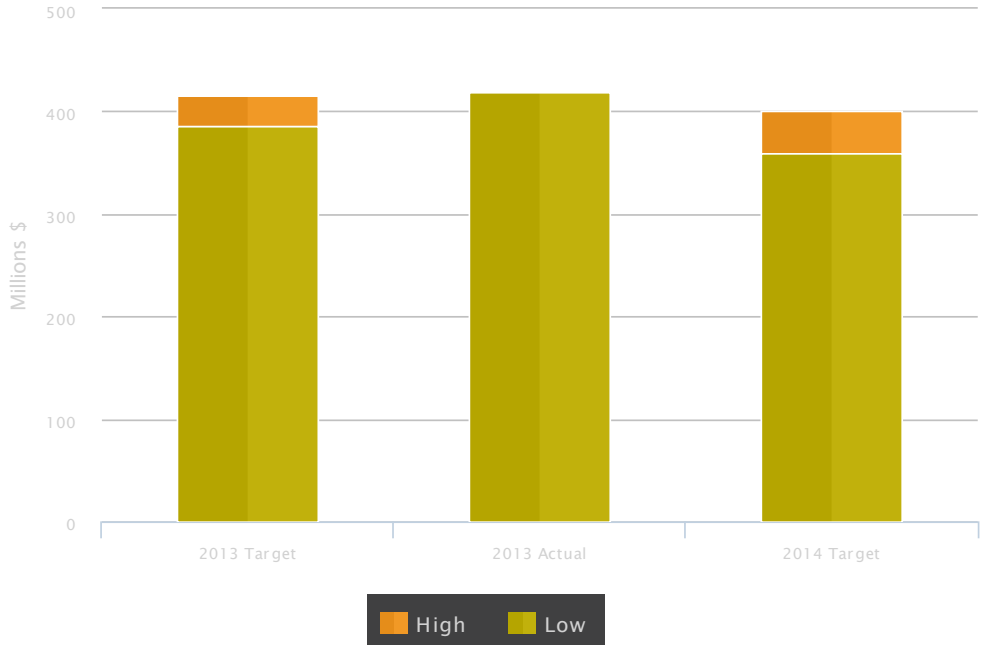
Financial stability and strength

Normalized earnings per share



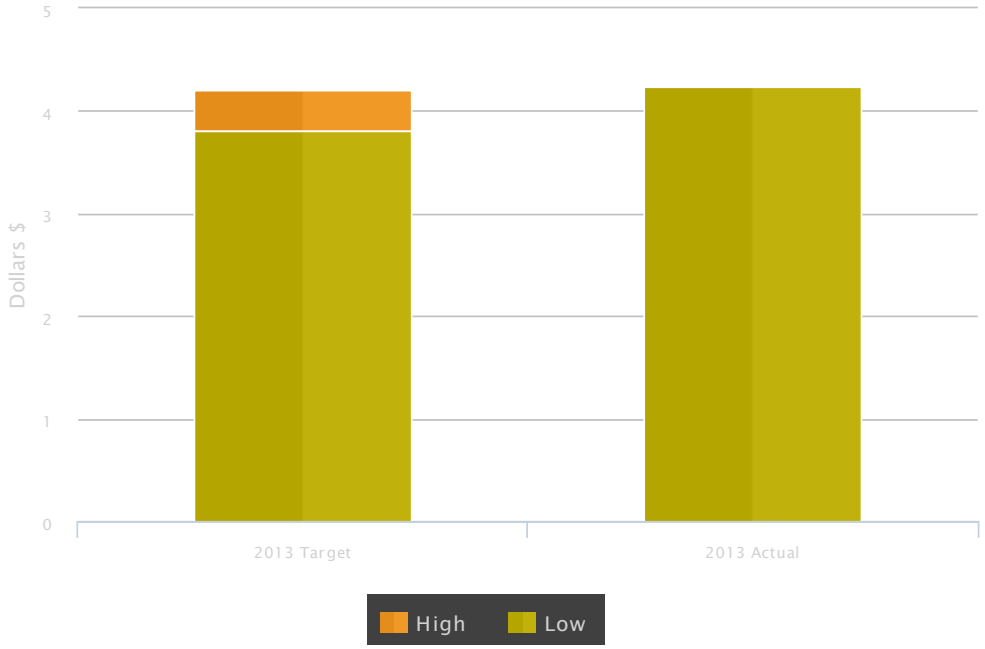
	2013	2013	2014
	Target	**Actual Results**	**Target**
	Financial stability and strength		
Normalized earnings per share	$1.20 to $1.40	$1.69	n/a
Funds from operations	$385 million to $415 million	$419 million	$360 million to $400 million
Cash flow per share	$3.80 to $4.20	$4.24	n/a

Funds from operations



	2013	2013	2014
	Target	**Actual Results**	**Target**
	Financial stability and strength		
Normalized earnings per share	$1.20 to $1.40	$1.69	n/a
Funds from operations	$385 million to $415 million	$419 million	$360 million to $400 million
Cash flow per share	$3.80 to $4.20	$4.24	n/a

Cash flow per share



	2013	2013	2014
	Target	**Actual Results**	**Target**
	Financial stability and strength		
Normalized earnings per share	$1.20 to $1.40	$1.69	n/a
Funds from operations	$385 million to $415 million	$419 million	$360 million to $400 million
Cash flow per share	$3.80 to $4.20	$4.24	n/a

We generated strong financial results in 2013 and exceeded our financial targets. Normalized earnings were $1.69 per share that exceeded our target range of $1.20 to $1.40 per share. Cash flow per share was $4.24 that exceeded the $3.80 to $4.20 per share target. The strong financial results were mainly due to a higher Alberta power price that averaged $80 per megawatt hour (MWh) for the year compared to our forecast of $58/MWh.

	2013	2013	2014
	Target	**Actual Results**	**Target**
		Enhancing shareholder value	
Port Dover & Nanticoke wind project	Continue on budget of $340 million and on time with commercial operation date in the fourth quarter of 2013	Achieved commercial operation date on November 7, 2013 with final capital costs forecast to be $300 million	n/a
K2 wind	Environmental approvals received in 2013	Environmental approvals were received in July 2013	Commence construction and complete project financing
Shepard Energy Centre	Continue on budget of $860 million	On track with revised budget of $821 million	Complete construction with commercial operation date in early 2015
Genesee 4 and 5	n/a	n/a	Continue on track for first quarter 2015 permitting approval

Financial Highlights

2013 Financial Highlights

Financial Highlights *(millions of dollars except shares and per share amounts)*	2012	**2013**
Revenues	$ 1,296	$ 1,393
Adjusted EBITDA[1,2]	$ 441	$ 509
Net Income	$ 90	$ 228
Net Income attributable to shareholders of the company	$ 62	$ 175
Basic earnings per share	$ 0.84	$ 2.13
Diluted earnings per share	$ 0.84	$ 2.08
Normalized earnings per share [2]	$ 1.29	$ 1.69
Dividends declared per common share	$ 1.26	$ 1.26
Net cash flows from operating activities	$ 242	$ 497
Funds from operations [2]	$ 381	$ 419
Purchase of property, plant and equipment and other assets	$ 598	$ 943

(1) *Adjusted EBITDA is earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, and gains on disposals.*

(2) *Adjusted EBITDA, normalized earnings per share and funds from operations are non-GAAP (Generally Accepted Accounting Principles) financial measures and do not have standardized meanings prescribed by GAAP, and are therefore unlikely to be comparable to similar measures used by other enterprises. See "Non-GAAP Financial Measures" in the company's Management's Discussion and Analysis for the year ended December 31, 2013, which is available on the company's website at www.capitalpower.com and on SEDAR at www.sedar.com.*

The Island Generation Facility is the single largest power generation facility on Vancouver Island. The 275 megawatt, gas-fired combined cycle power plant has an excellent operating history and was the first addition to the company's fleet via acquisition.

Economic Contributions

We support and hire locally

We want to contribute to the sustainability of the communities where we operate. In 2013, we spent $1,015 billion (2012 - $579 million) with our top 25 suppliers of goods and services. Of this amount, $163 million, or 16%, (2012 - $75 million or 13%) was defined as local spending, in which the shipping destination and supplier site were both in the same jurisdiction.

Local ranchers care for cattle that graze on Capital Power-owned land near the Genesee Generating Station in Alberta.

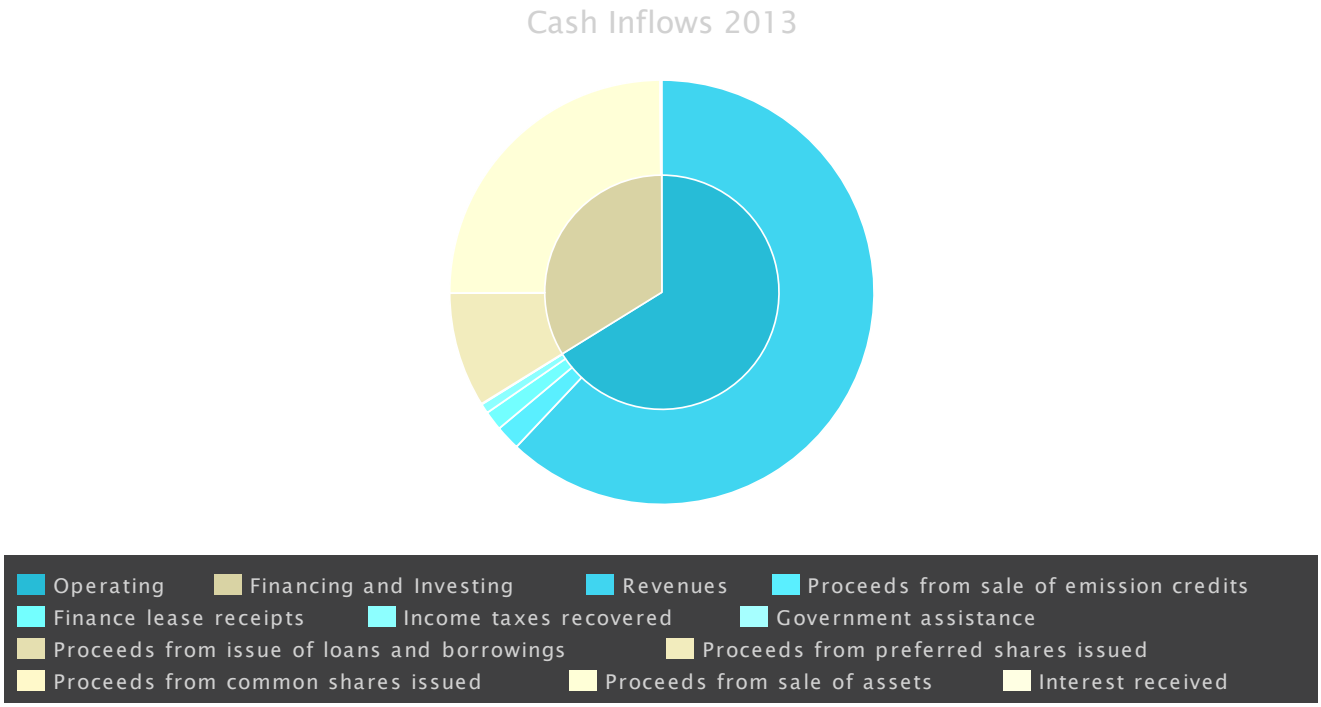
Contributing to the economy

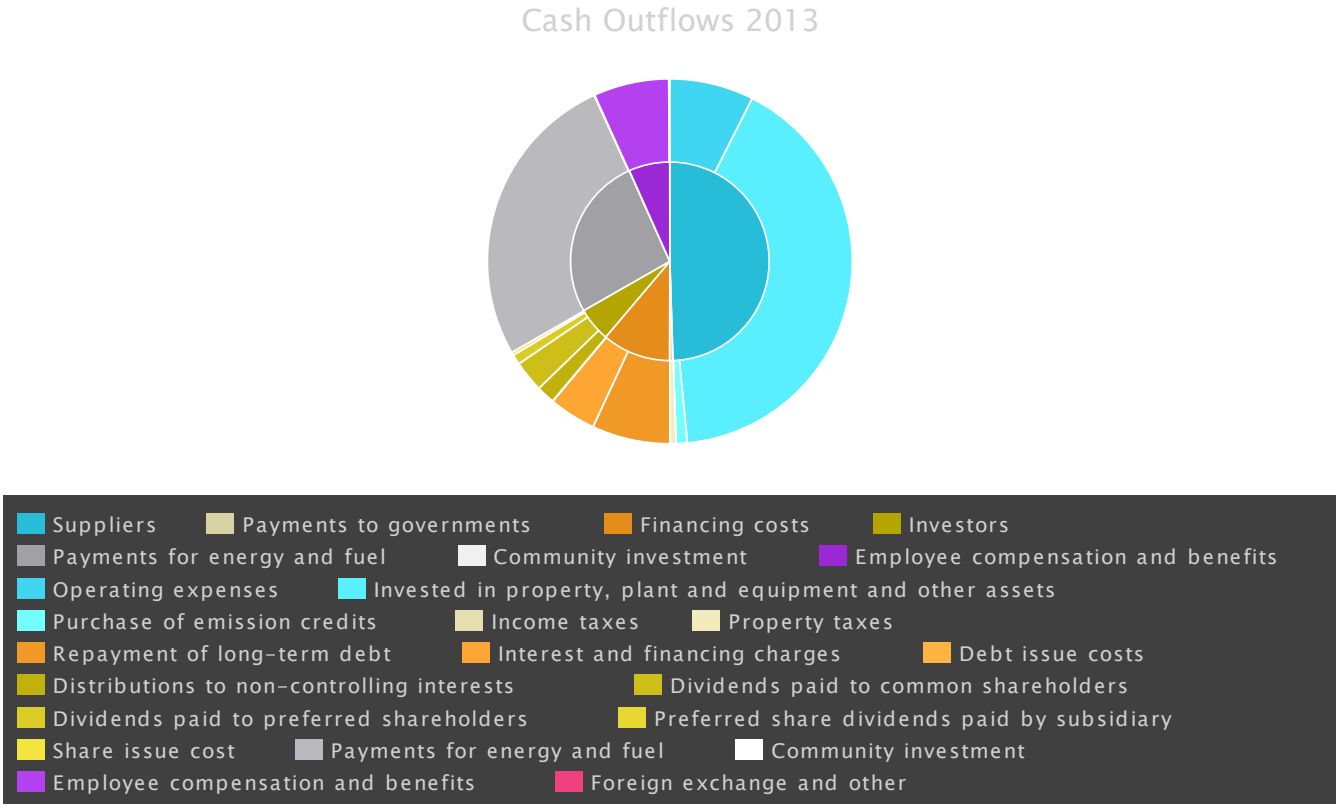
Economic benefits from our business touch thousands of individuals and companies across North America and beyond, including equity and debt holders, local suppliers, governments, employees, energy producers, and investment banks.

The following interactive graphs paint a picture of the economic contributions made (and received) by Capital Power in 2013.

Cash Inflows and Outflows

All data in millions of dollars. This information is based on information from Capital Power's 2013 financial statements but is not a substitute for them. Financial statements can be found online at www.capitalpower.com and www.sedar.com.
View table for footnotes.





$millions	2011	2012	2013
Cash Inflows:			
Operating			
Revenues	1,911	1,197	1,416
Proceeds from sale of emission credits	20	42	43
Finance lease receipts	-	-	34
Income taxes recovered	-	-	17
Government assistance [1]	1	1	1
Total	**1,932**	**1,240**	**1,511**
Financing and Investing			
Proceeds from issue of loans and borrowings	604	250	-
Proceeds from preferred shares issued	-	150	200
Proceeds from common shares issued	469	8	-
Proceeds from sale of assets	131	116	569
Interest received	2	7	3
Total	**1,206**	**531**	**772**
Cash Inflows to the company	**3,138**	**1,771**	**2,283**
Cash Outflows:			
Payments for energy and fuel	980	560	593
Suppliers			
Operating expenses	219	196	167
Invested in property, plant and equipment and other assets	438	563	917
Purchase of emission credits	21	35	22
Total	**678**	**794**	**1,106**
Community investment	1	1	1
Business acquisitions[2]	647	-	-
Employee compensation and benefits[3]	155	143	149
Payments to governments			
Income taxes	14	7	-
Property taxes	21	16	12
Total	**35**	**23**	**12**
Financing costs:			
Repayment of long-term debt	293	62	155
Interest and financing charges	122	89	93
Debt issue costs	5	3	1
Total	**420**	**154**	**249**

Investors			
Distributions to non-controlling interests	110	42	36
Dividends paid to common shareholders	51	62	62
Dividends paid to preferred shareholders	6	6	20
Preferred share dividends paid by subsidiary	11	-	-
Share issue cost	20	5	6
Total	**198**	**115**	**124**
Foreign exchange and other	7	1	2
Cash Outflows to the company's stakeholders	**3,121**	**1,791**	**2,236**

(1) We receive approximately $1 million per year from the Government of Canada through the Wind Power Production Incentive program, which was created to encourage the development of wind energy capacity. The incentive is approximately $0.01 per kilowatt hour of production from our Kingsbridge Wind Power Project. Eligible recipients can receive the incentive on the first 10 years of production.

(2) Business acquisitions net of acquired cash.

(3) Includes $17 million (2012 - $5 million) for share-based equity payments and other pension amounts.

Overview

Safety is more than a priority. It's a value.

Zero injuries by 2015 is our target, and top-of-mind safety for everyone is our goal.

"Zero Means Everything" came to life at Capital Power in 2013. The unique internal safety brand and social marketing strategy is designed to change the way Capital Power employees talk and think about safety. The strategy focuses on both workplace and lifestyle safety, with the underlying message that zero can mean a lot of things, but it ultimately means getting everyone home from work, safely, every day.

Our approach to safety includes:

- Establishing clear goals and monitoring performance
- Working and living a zero-injury culture
- Promoting healthy and balanced lifestyles
- Proactively identifying and managing health, safety, and environment-related risks within operations, maintenance, and construction activities
- Complying with all applicable laws and regulatory requirements
- Continuous review and improvement of the policy
- Aligning our contractors with company policy

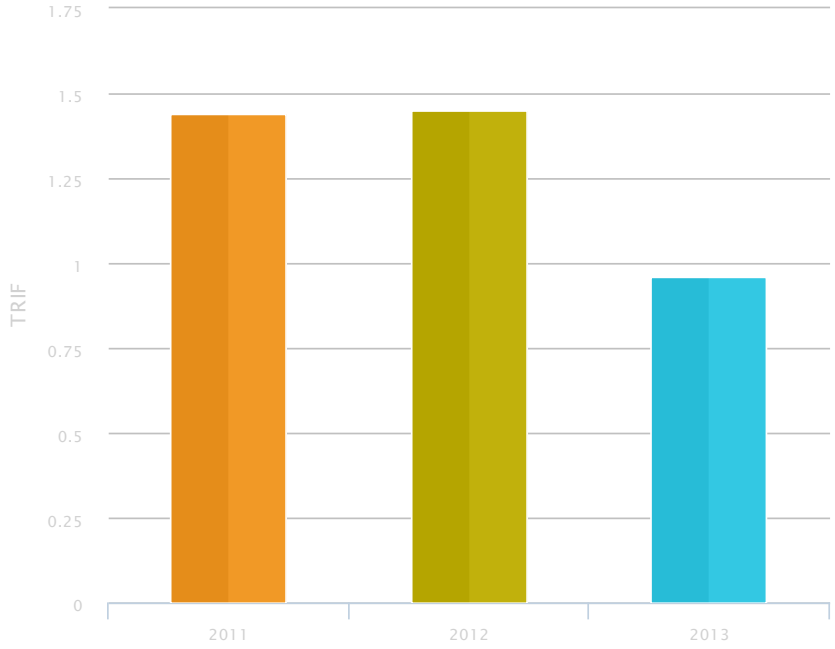
2013 Safety Performance

We surpassed our company-wide safety target in 2013 and almost met our stretch target with a Total Recordable Injury Frequency (TRIF) of 0.96 against a target of 1.04. This is a significant accomplishment and is a positive step in the right direction to achieving a "zero lost-time injuries" goal by 2015.

We are striving for a "zero injury" workplace for everyone. In total, 14 individuals, six contractors, and eight employees were injured seriously enough that they required medical attention in 2013. This is a 60% improvement compared to 2012.

Two of the 14 incidents resulted in lost time, for a total of 131 lost days. The number of lost-time injuries continues to decline year-over-year. In addition to fewer lost-time incidents, the severity of injuries was less than the previous year, which resulted in fewer days lost to injuries.

Total Recordable Injury/Illness Frequency (TRIF)*



	2011	2012	2013
Capital Power	1.44	1.46	0.96

**TRIF includes contractors and employee.*

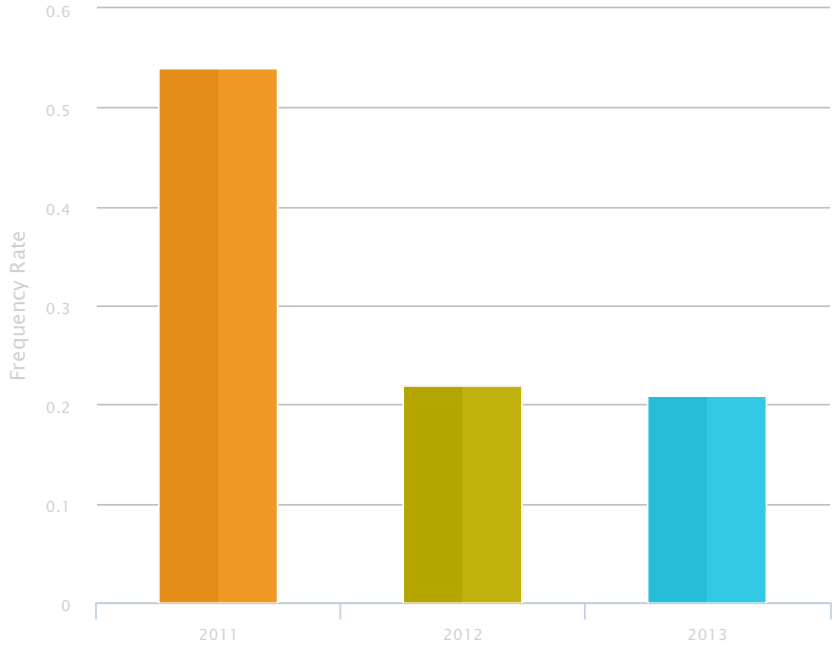
TRIF = (total recordable injuries / total exposure hours) x 200,000, where recordable injuries include medical treatment, lost time injury, fatality, and other recordable incidents (restricted work and loss of consciousness).

The industry standard of calculating a normalized injury/illness rate is used to compare our safety performance year-over-year. Total Recordable Injury Frequency (TRIF) normalizes rates based on the number of hours worked and allows an "apples-to-apples" comparison to other companies and industry sources, such as the Canadian Electricity Association. The formula uses 200,000 work hours as a normalizing factor, representing a hypothetical workforce of l00 full-time employees who work 40 hours per week for 50 weeks (assuming two weeks for vacation and holidays).

We surpassed our company-wide safety target in 2013 and almost met our stretch target with a Total Recordable Injury Frequency (TRIF) of 0.96 against a target of 1.04.

*View table for footnote

Lost Time Injury Frequency (LTIF)*



	2011	2012	2013
Capital Power	0.54	0.22	0.21

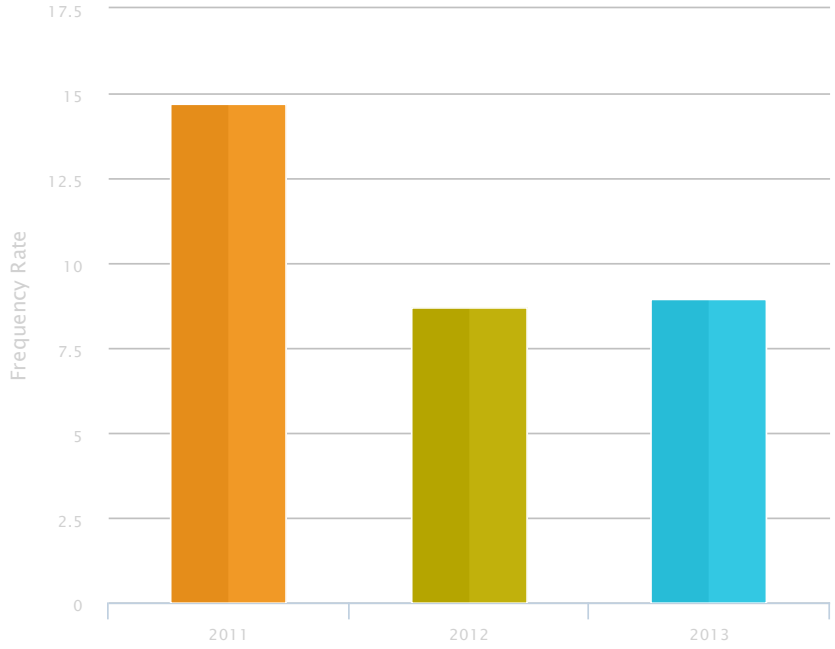
**Numbers includes contractors and employees.*

The injury rate is commonly referred to as the "frequency rate" and the lost work-day rate as the "severity rate". The severity rate measures the more serious injuries involving lost work days.

The frequency rate is limited because it gives equal weighting to both major and minor injuries.

*View table for footnote

Lost Time Injury Severity (LTIS)*



	2011	2012	2013
Capital Power	14.7	8.7	8.96

**Numbers includes contractors and employees.*

The injury rate is commonly referred to as the "frequency rate" and the lost work-day rate as the "severity rate". The severity rate measures the more serious injuries involving lost work days.

The frequency rate is limited because it gives equal weighting to both major and minor injuries.

*View table for footnote

Construction Safety Performance

More than 845,000 construction hours (equivalent to 869 full-time employees) were recorded in 2013.

All contractors must comply with our safety policies and procedures by managing their health, safety, and environment risks in a manner consistent with our policy. We monitor safety performance as part of contractor selection and approval to perform or continue work.

Contractors constructing Capital Power's Port Dover & Nanticoke wind project reported zero restricted work incidents, two medical treatments, and zero lost-time injuries in 2013.

This safety improvement can be partially attributed to changes we have made to our policies and procedures for working with contractors, including implementing a Contractor Prequalification Standard in 2013 whereby all contractors are prequalified and preference given to those graded A, B, or C.

Prequalification is conducted by a third party system, ISNetworld. ISNetworld collects, reviews, and verifies data that contractors provide to ensure they meet Capital Power requirements as well as jurisdictional legislative requirements.

Celebrating safety – The President's Safety Award

In 2012, we implemented the President's Safety Awards (for 2011 achievements) to recognize and celebrate those plants, projects, and support services that achieve exceptional safety performance each year and to recognize consecutive years of achievement. (First year achievements is bronze, second year silver, and gold for three or more years of exceptional performance.) Award criteria are based on the number of hours worked in the period and are intended to recognize the size and risk diversity across the Capital Power fleet. Six awards were celebrated for 2013 achievement.

President's Safety Award 2013 Recipients

- Clover Bar – Silver
- Island Generation – Bronze
- Quality Wind – Bronze
- Genesee – Bronze
- Corporate and Commercial Offices – Gold

Practices & Initiatives

Every day starts with safety.

Keeping safety top of mind

We want every day to start and end with safety - at work and at home. To keep safety top of mind:

- We believe that zero injuries is possible. Zero means everything.
- We have robust safety programs and procedures.
- We plan to be safe. The process of safe work planning facilitates hazard identification, actions and controls for the noted hazard, and a process for hazard mitigation.
- We set and continuously monitor safety targets.
- Crews hold daily safety planning meetings.
- Steps are taken to ensure that:
    - employees receive the necessary safety training with mandatory ongoing safety training for employees in field and operating positions.
    - employees have the right tools and equipment to complete their work in a safe manner.

Strong Corporate Programs

The Capital Power Health, Safety, and Environment Policy, implemented in 2009, is built to International standards, and includes 15 key elements outlined in our policy document. These elements are the framework to a fully functional and effective safety program that includes standards to address critical tasks as well as Incident Management, Hazard Assessment, and Personal Protective Equipment

Health and safety committees in 2013

Our plants and offices have active health and safety committees that involve employees in health and safety and help monitor and advise on occupational health and safety issues. Forty-seven Capital Power employees served on six committees in 2013 — a decrease from 2012 due to consolidating committees across the fleet for better effectiveness.

Safety walk abouts

In addition to regular inspections conducted by employees, management, and safety professionals throughout the year at all operational and construction sites, safety inspections are conducted by executives with the assistance of a site employee and health and safety team member. In addition, office health and safety committees conducted quarterly inspections of their offices and reporting areas for improvement.

Choosing smarter – Contractor Safety Prequalification standard

A Contractor Safety Prequalification Standard was implemented in 2013, whereby all contractors are prequalified and preference given to those graded A, B, or C.

Using a third-party international company, ISNetworld, to support our internal standard ensures all contractors are evaluated and graded on the same scale in determining if they are a safe organization. ISNetworld collects contractor data and documents, reviews them to Capital Power requirements and jurisdictional legislation, and verifies they meet the minimum requirements and do not pose unnecessary health and safety risk. The tool and process have been effective in several circumstances where process and statistical data showed that additional requirements were needed to ensure the health and safety of our employees and contractors on site.

Health and safety on and off the job – ongoing communication

We want our employees safe – everywhere. Throughout 2013, we increased communication with employees on health and safety well-being to increase awareness and reduce unsafe occurrences. Many communications were the result of our internal data and trending of near misses (near injuries) and incidents.

In addition to messages received at site, we sent over 15 targeted safety communications in 2013 on a range of topics for work and home. Some examples include:

- Slips, Trips, Falls
- Genesee Emergency Response Exercise
- Launch of Zero Means Everything

- Emergency Preparedness Week
- Near miss reporting
- First aid training
- Roxboro celebrates two years without a lost time incident
- Spill awareness
- Safety matters: Safe winter driving, Tips to keep office space collision free, Safety tips for the first long weekend of the summer

Living and working safely – Safety training for employees

Capital Power worked throughout 2013 in the development of position-specific Health, Safety, and Environment (HSE) training requirements for all positions at our operating facilities. This ensures:

- Capital Power is meeting regulated HSE training requirements in all of our jurisdictions
- Employees are receiving the correct HSE training for their job tasks
- Training that is not related to a position is not assigned to an employee, saving time and training costs

Globally Harmonized System was introduced throughout the United States in 2013. 100% of our U.S. employees completed Global Harmonization training and met the Occupational Safety Health Association regulated deadline to complete the training.

Facility Safety Milestones

Our solid fuels facility located in Roxboro, North Carolina celebrated two years without a lost-time incident. A lost-time incident is any work-related injury or illness that causes an employee to miss their next scheduled shift.

“The Roxboro facility has experienced great change in the area of safety over the last several years,” said Frank Hayward, Roxboro’s Plant Manager. “A mind-shift fostered by a constant focus on all of the details of our safety program and several good initiatives from our corporate Health, Safety and Environment department have led to a greatly heightened sense of awareness of personal safety and the safety of coworkers and contractors.”

Prior to achieving this milestone, Roxboro had an impressive record of 10 years without a lost time incident. “It will take eight more years of hard work, not becoming complacent, and very close management and oversight of contractors working at the site, but we’re on the right path,” Frank added.

In 2013, Capital Power’s 275-MW Island Generation facility located in Campbell River, BC also achieved a significant safety milestone: one-year without a lost-time incident. Employees focus on performing their jobs safely and have the attitude that a zero-harm culture is possible. Daily job-hazard assessments and morning safety meetings before shifts have contributed to their success.

Emergency Preparedness

Emergency preparedness is a key component to our safety program.

Keeping people safe

Company-wide and site-specific contingency planning is designed to prepare our people, offices, and facilities for emergencies. By ensuring the safety of our team and surrounding communities, we contribute to our plants' ability to operate responsibly during and after an emergency.

Our contingency planning includes:

- **Emergency Management Program,** which includes:
  - **Crisis Management,** which engages our senior executive at times of crisis, when our operations, profitability, or reputation is at significant risk due to a real or perceived threat to our employees, the environment, the community, our contractors, our assets (offices, facilities and systems) and/or our industry and partners.

    A Crisis Management Plan was created and in 2013:
    - an audit was conducted of the Crisis Management Plan by an external auditor, resulting in a plan that provides better integration with site Emergency Response Plans
    - a virtual Crisis Management Centre communications exercise was conducted in conjunction with a provincial security exercise
  - **Emergency Response** includes activities, tasks, programs, and systems addressing all efforts to preserve life and protect property and the environment. In 2013:
    - audits of several plants' Emergency Response Plans were conducted, and areas of improvement were identified. An action plan was developed and implemented.
    - Genesee Power Plant conducted an exercise to test the use of the new Genesee Emergency Operations Centre (EOC) in response to a simulated emergency at Genesee. The emergency scenario required immediate information gathering/sharing and required coordination of the Genesee EOC and a simulated emergency site at Genesee. This exercise also provided an opportunity to practice utilizing the Incident Management System and Incident Command System during a simulated emergency at Genesee.
- **Threat Response** facilitates the orderly application of security measures for critical infrastructure facilities in response to changing threat alert levels.
- **Disaster Recovery** ensure strategies and plans are in place for the recovery of technology-based infrastructure and products.
- **Business Continuity** provides timely, targeted recovery of business critical services after life, health, safety, property and environment issues are resolved.

Testing our Emergency Preparedness — Genesee Emergency Response Exercise

As part of our continual focus on safety, it's essential that we have solid emergency response plans in the event of an emergency.

On September 4, 2013, we undertook an emergency response drill at the Genesee Generating Station to:

- test our ability to safely evacuate the facility
- ensure our emergency response procedures are working
- ensure our employees are prepared and know how to respond in the event of an actual emergency situation

The drill was also an opportunity to test, refine, and improve emergency management processes over the short and long term.

The exercise involved over 200 staff including Capital Power's own fire brigade, emergency response team, and medical responders, in addition to the RCMP and local fire and medical responders. In the case of an actual emergency, Genesee would require the assistance of external support resources. This exercise is an important test of the coordinated efforts between Capital Power's operations at Genesee and the valuable first responders we rely on.

Capital Power completes a full-scale test of its emergency response plan involving emergency service providers every three years and practices its emergency response plan annually through tabletop exercises and drills to ensure adequacy.

Mandatory first aid training at our facilities

Our facilities have a legislated requirement to have a specific number of employees trained in first aid. The number of employees trained depends on total number of employees at each location. In 2013, 21 site-employees were trained in first aid. A large number of employees completed the training in 2012 and did not require further training in 2013.

First aid for employees and their families

In 2013, 13 participants completed free-of-charge first aid courses offered by Capital Power to employees and their family members.

Available first aid courses:

- Standard First Aid – Level C CPR & AED training for employees
- Emergency First Aid – Level A CPR & AED for families of employees in Alberta
- The Babysitter course to employees' children in Alberta

First aid training helps a citizen in distress

Whether it's in the workplace or the community, "zero means everything" is woven into the lives of Capital Power employees and their families. **Brittni**, a payroll clerk at Capital Power, is a stellar example.

When Brittni was shopping at a Walmart, a woman fell to the ground during an epileptic seizure. Although nervous, it didn't take long for Brittni's first aid training to kick in. She placed her jacket under the seizing woman's head and proceeded to call 911, providing them with the "who, what, why, when, and where". Brittni remained with the woman until she became coherent and provided first aid care until the ambulance arrived.

"You never think you're going to need to use it," says the now two-time first aid responder; her first call-to-action was at fifteen, with her grandmother.

This "be prepared" mantra, along with the "karmic mentality of 'What if I was the one who needed help?'" are the reasons why Brittni continues to keep her certification up-to-date.

Brittni keeps her first aid training up-to-date through Capital Power's first aid courses, offered free of charge to employees.

Overview

Our fleet

Our power generation fleet of 14 facilities (as of December 31, 2013) is well maintained and modern with an average age of 12 years. Our young fleet helps deliver high plant availability and reduces the risk of unplanned outages.

We undertook some significant activities in 2013, including:

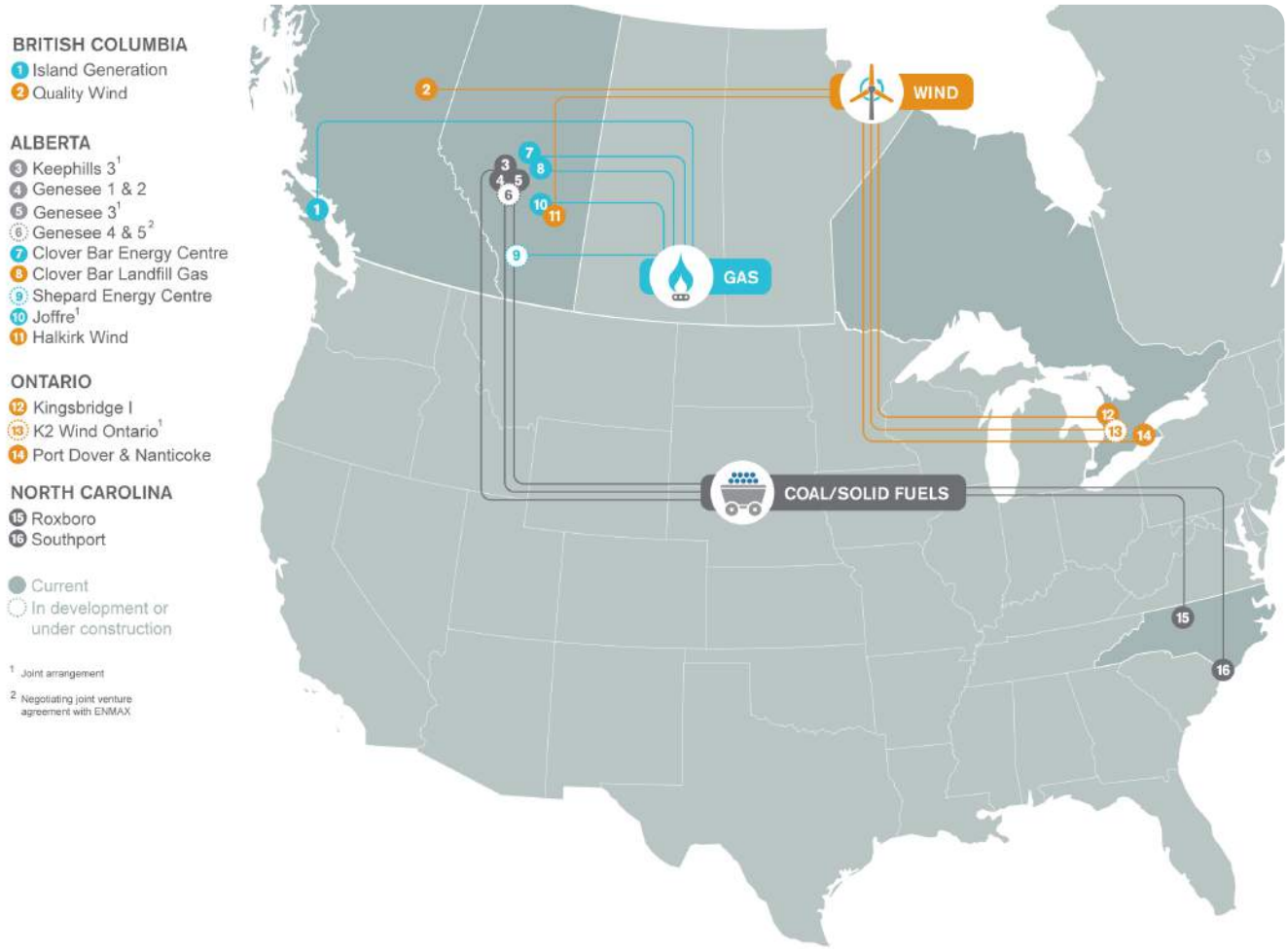
Adding 105 megawatts (MW) to our fleet with the successful commissioning, on time and under budget, of the Port Dover and Nanticoke wind project.

Completing the purchase of 50% ownership in the 800-MW Shepard Energy Centre.
Construction of this modern and highly-efficient natural-gas-fueled facility, co-owned with ENMAX, is tracking early and under budget with planned commercial operations in early 2015.

Announcing a joint venture agreement with ENMAX to develop, construct, own and operate Genesee 4 & 5, a state-of-the-art natural-gas-fueled facility with up to 1,050 MW of capacity. This facility will provide the best peaking responsiveness and coal reliability, offer the lowest environmental impact and cost, and be the most competitive natural-gas combined-cycle facility in Alberta. Capital Power will lead construction and operate the facility, which is expected to be complete between 2018 and 2020.

Starting construction of K2 Wind, a partnership between Capital Power, Samsung Renewable Energy, and Pattern Renewable Holdings. This 270-MW project is expected to begin commercial operations in the second quarter of 2015.

Completing the sale of our three New England, natural-gas-fueled power generation facilities to primarily fund our joint investment in the Shepard Energy Centre.



Market rule contraventions in 2013

Our energy-trading operations in Alberta are monitored by the Alberta Electric System Operator (AESO) and the Market Surveillance Administrator (MSA). We respond to all potential contraventions of market rules. The MSA will review suspected contraventions to make a determination of compliance and issue forbearance or a fine.

In 2013, there were four specified penalties for contraventions of AESO ISO Rules issued to Capital Power. The incidents occurred at the Sundance C Unit on March 5, 2013 and on June 28, 2013, and at the Clover Bar Energy Centre on September 21, 2013 and on November 13, 2013. The total penalties for the incidents were $3,000. These incidents involved missed dispatches and directives and were primarily a result of human error, although operational issues contributed to the contravention.

The Corporate Ethics and Compliance team is active in working with our operations staff and other internal stakeholders to identify opportunities for process improvements. Incidents, non-compliance, or potential non-compliance, are taken very seriously. We continue to be diligent in adhering to the spirit, as well as the letter, of the law.

Product responsibility

Our employees are required to be aware of and comply with all legal and regulatory requirements applicable to their jobs. In 2013, the company reports:

- Zero incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services
- Zero incidents of non-compliance with labelling requirements
- Zero customer satisfaction practices or survey results as we do not have a retail power business and, therefore, no retail customer accounts
- Zero legal actions for anti-competitive or monopolistic behaviour
- Zero complaints to a Human Rights Commission
- Zero incidents of non-compliance marketing and advertising codes
- Zero injuries or fatalities to members of the public due to incidents involving our facilities
- Zero substantiated complaints regarding breaches of customer privacy or losses of customer data

The 46 MW Roxboro solid fuels facility, located in Roxboro, North Carolina.

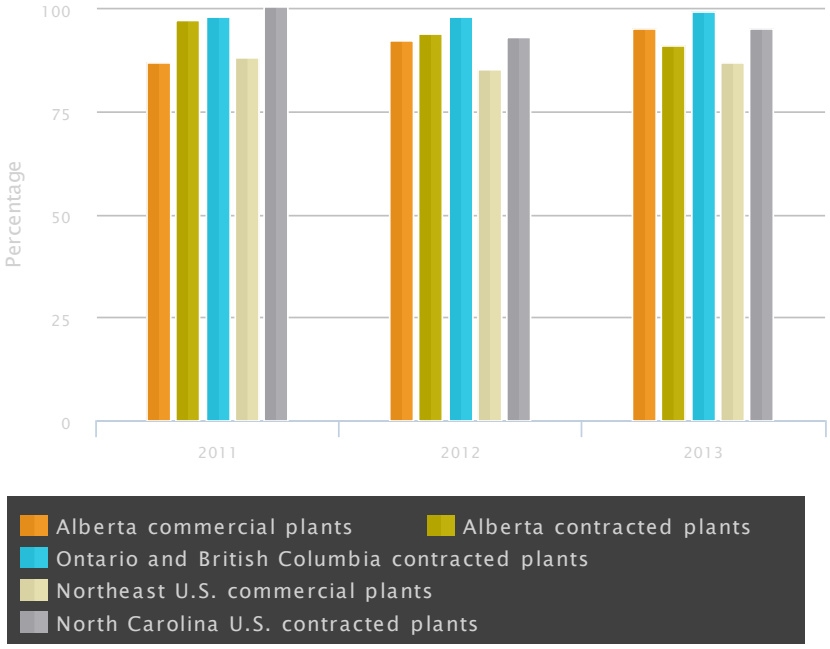
Plant Availability

Operational excellence

We continue to demonstrate operational excellence with high plant availability averaging 93% in 2013. Since 2009, Capital Power's maintenance standards have resulted in high plant availability averaging over 90%. Our power generation fleet is well maintained, modern, and focused on three main energy sources: natural gas, coal, and wind.

Operating performance – Plant availability represents the percentage of time in the period that the plant was available to generate power, regardless of whether or not it was running. Plant availability by plant category was:

Plant Availability



	Year ended December 31		
	2011	**2012**	**2013**
Alberta commercial plants	87%	92%	95%
Alberta contracted plants	97%	94%	91%
Ontario and British Columbia contracted plants	98%	98%	99%
Northeast U.S. commercial plants[1]	88%	85%	87%
North Carolina U.S. contracted plants	100%	93%	95%

[1]Includes New England plants, which were sold in November 2013.

Our average plant availability was 93% in 2013. Since 2009, we've averaged 90%.

*View table for footnote

More detailed plant availability by facility can be found in our 2013 Annual Report.

The Genesee Generating Station provides 1,266 MW of base load power to the Alberta electricity grid, which is enough energy to supply approximately 1.1 million homes (based on average household energy use).

Energy Production

Our power generation fleet is well maintained, modern, and focused on three main energy sources: natural gas, coal, and wind. In 2013, we completed construction on our Port Dover and Nanticoke wind project in Ontario, which added 105 megawatts (MW) to our fleet. We also completed the sale of our three New England natural-gas facilities. Capital Power owns more than 2,600 MW of power generation capacity at 14 facilities across North America, and owns 371 MW of capacity through a power purchase agreement. An additional 490 megawatts of owned generation capacity is under construction in Alberta and Ontario.

The data

The data below represents the entire plant – not our financial share of the operation. This includes Genesee 3, co-owned with TransAlta, and Genesee 1 and 2, whose capacity and output is sold under an Alberta Power Purchase Agreement to the Alberta Balancing Pool. Capital Power holds the operating permit for these facilities.

Data from Keephills 3, Joffre, and our Sundance Units 5 and 6 power purchase agreement are not included because we do not hold the operating permits.

Data provided in the below section is for the facilities for which we held the operating permit for as of December 31.

Our net power generation in 2013

- 81% was from coal generation
- 5% was from natural gas
- 14% was from renewables (wind, biomass, tire-derived fuel, and landfill gas)

The net generation from our wind assets has increased by 425% from 2012 to 2013. Since November 2012, Capital Power has invested over $1 billion in three wind projects, increasing our wind nameplate capacity by approximately 1000%.

Our fuel in 2013

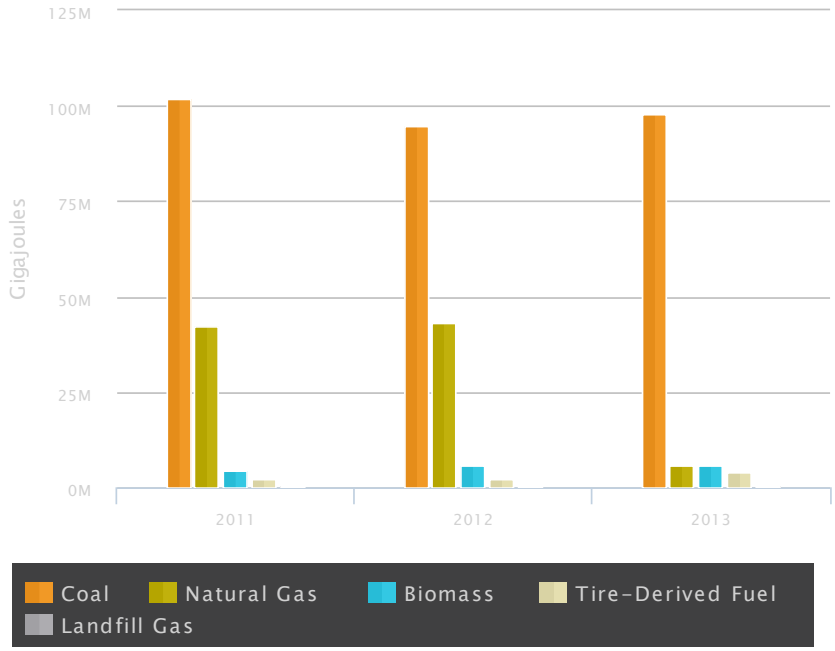
Year-over-year variance is primarily due to fuel mixture, the number of operating hours of each facility, the sales (hydro), acquisitions (natural gas) and developments (wind and natural gas) in 2011 and 2012, and the sale of the New England natural-gas facilities in 2013.

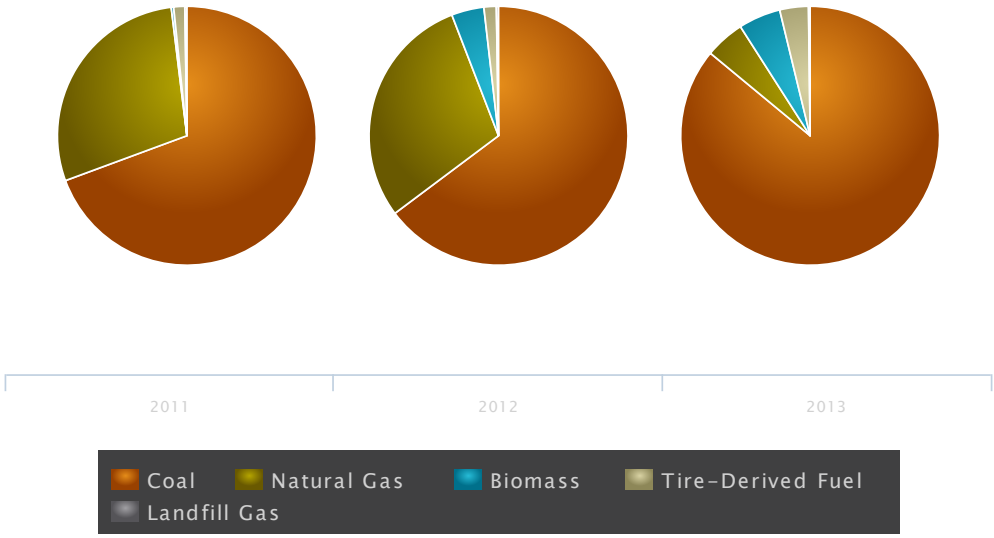
- **Coal consumption increased by 3%** between 2012 and 2013, mainly due to the length of maintenance outages at our Genesee 3 facility in Alberta in 2012.
- **Natural gas consumption decreased by 87%** due to the sale of the New England assets in 2013.
- **Tire-derived fuel consumption increased by 78%** due to optimization of our fuel mix at our Roxboro and Southport facilities in North Carolina. This increased consumption of tire-derived fuel resulted in less coal consumption.
- **Landfill gas consumption decreased by 37%** due to lower production in 2013.

For information on the production capacity, energy source, location, and ownership interests for Capital Power's 14 facilities, please see the tables provided in Capital Power's 2013 Annual Information Form, and the 2013 Annual Report.

The Clover Bar Energy Centre utilizes three highly-efficient natural gas turbines that power up from standstill to full load in 10 minutes, giving Capital Power flexibility to respond to sudden changes in supply and demand.

Energy Consumption (Gigajoules)

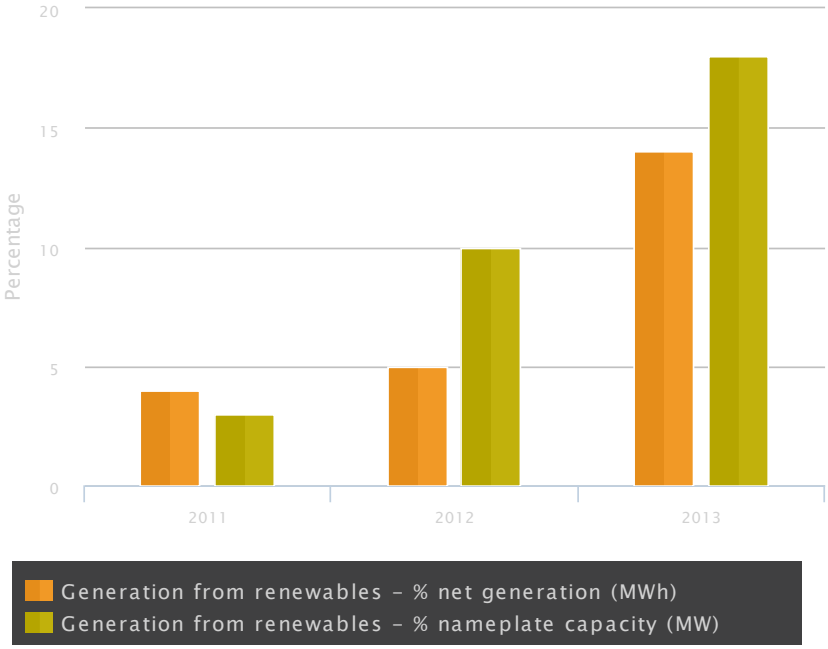




	2011	2012	2013
Coal	101,776,000	94,917,000	97,696,000
Natural Gas	42,096,000	43,021,000	5,621,000
Biomass	4,514,000	5,952,000	5,996,000
Tire-Derived Fuel	2,030,000	2,279,000	4,050,000
Landfill Gas	360,000	371,000	233,000

Year-over-year variance is primarily due to fuel mixture, the number of operating hours of each facility, the acquisitions and developments in 2011 and 2012, and the sale of the New England facilities in 2013.

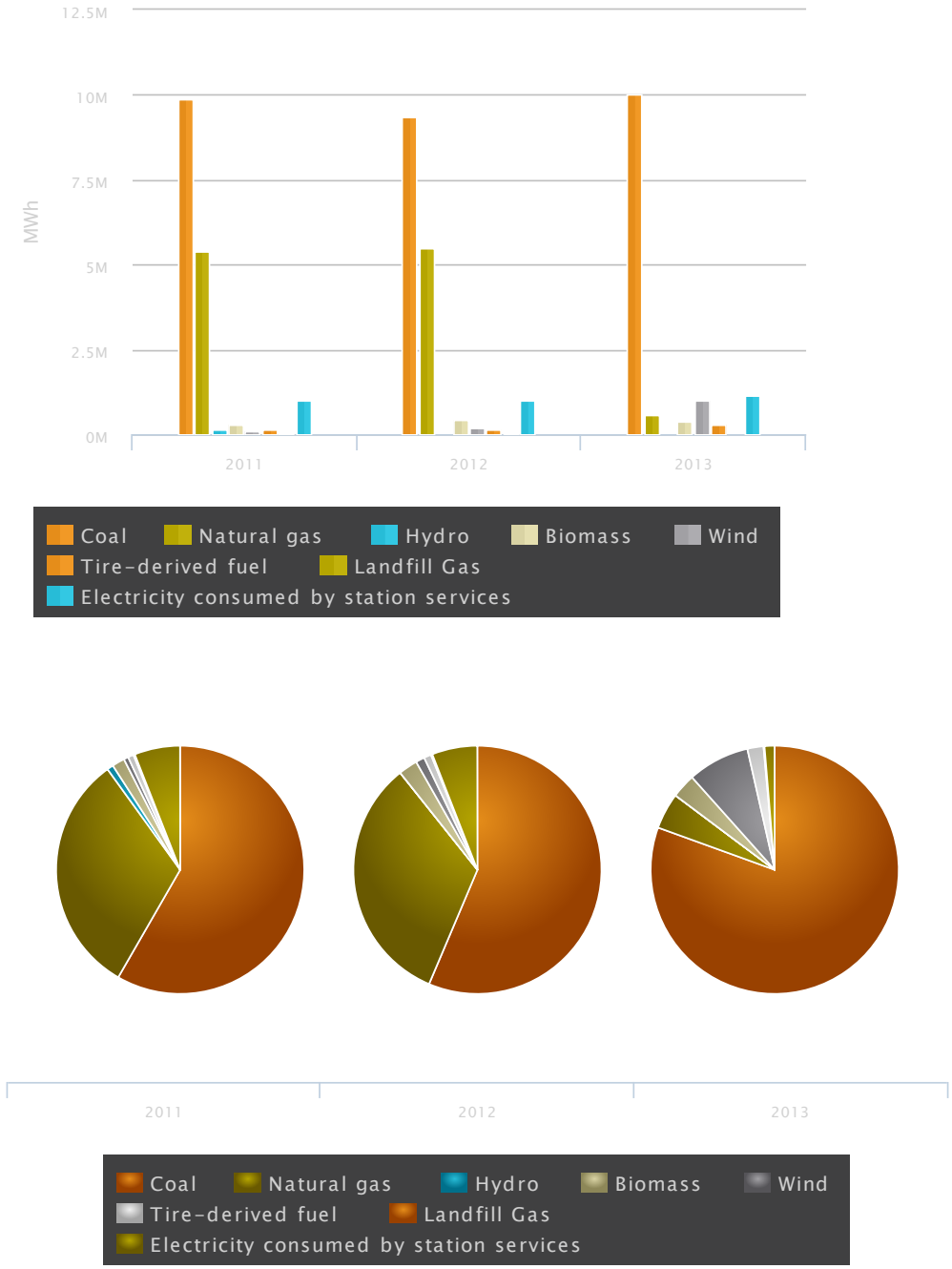
Generation from renewable energy



	2011	2012	2013
Generation from renewables - % net generation (MWh)	4%	5%	14%
Generation from renewables - % nameplate capacity (MW)	3%	10%	18%

The net generation from our wind assets has increased by 425% from 2012 to 2013. Since November 2012, Capital Power has invested over $1 billion in three wind projects, increasing our wind nameplate capacity by approximately 1000%.

Net Production by Energy Source



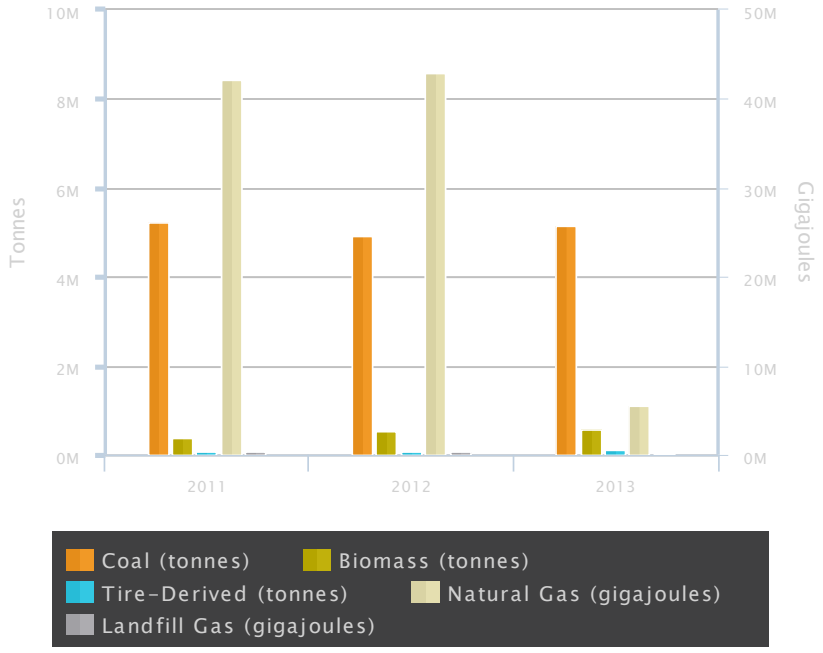
	2011	2012	2013
Coal (MWh)	9,887,000	9,366,000	10,034,000
Natural gas (MWh)	5,375,000	5,468,000	588,000
Hydro (MWh)	139,000	0	0
Biomass (MWh)	279,000	412,000	392,000
Wind (MWh)	102,000	192,000	1,005,000
Tire-derived fuel (MWh)	125,000	157,000	263,000
Landfill Gas (MWh)	32,000	32,000	15,000
Net production (MWh)	15,939,000	15,626,000	12,297,000
Gross production (MWh)	16,949,000	16,610,000	13,461,000
Electricity consumed by station services (MWh)	1,010,000	984,000	1,164,000

The conversion of steam (GJ) to an electricity equivalent (MWh equivalent) assumes several ideal conditions, which results in an approximate number. Production statistics differ from other published statistics due to differences in reporting scope.

- The net generation from our wind assets has increased by 425% from 2012 to 2013. Since November 2012, Capital Power has invested over $1 billion in three wind projects, increasing our wind nameplate capacity by approximately 1000%.
- Due to the sale of our two hydroelectric facilities in 2012, we no longer generate electricity from hydro.
- Electricity generated from natural gas in 2013 decreased from 2012 due to the sale of the New England facilities in November 2013.

Fuel

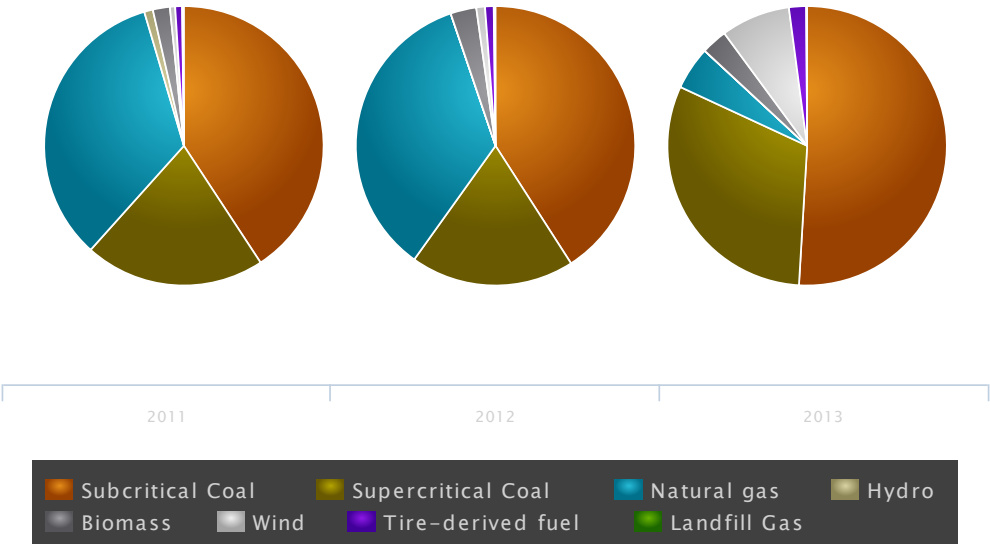
Materials used



	2011	2012	2013
Coal (tonnes)	5,215,000	4,916,000	5,152,000
Natural Gas (gigajoules)	42,096,000	43,021,000	5,621,000
Biomass (tonnes)	395,000	532,000	576,500
Tire-Derived Fuel (tonnes)	59,000	72,400	125,000
Landfill Gas (gigajoules)	360,000	371,000	233,500

- Coal is used at our Genesee, Roxboro, and Southport facilities. Coal usage at Roxboro and Southport has decreased over the past three years as the fuel mix has been optimized to increase the consumption of biomass and tire-derived fuel.
- Coal usage at our Genesee facility has varied slightly over the past three years, mainly due to the length of maintenance outages at our Genesee 3 facility in 2012. In 2013, coal handling optimizations and other efficiency upgrades occurred at the Genesee facility.
- Natural gas has decreased due to the sale of the New England assets.

Net generation by energy source (%)



	2011	2012	2013
Subcritical Coal	41%	41%	51%
Supercritical Coal	21%	19%	31%
Natural gas	34%	35%	5%
Hydro	1%	0%	0%
Biomass	2%	3%	3%
Wind	0.6%	1%	8%
Tire-derived fuel	0.8%	1%	2%
Landfill Gas	0.2%	0.2%	0.1%

Production (%) includes both electricity and exported steam. Steam production was converted from GJ to MWh using a conversion factor of 3.6 GJ/MWh to allow aggregation. Production statistics differ from other published statistics due to differences in reporting scope.

- Subcritical coal is used at Genesee 1& 2, Roxboro, and Southport. Supercritical coal is used at Genesee 3.
- With the sale of the New England natural-gas facilities, the relative percentages for coal and natural gas have changed: subcritical coal increased by 10%, supercritical coal increased by 12%, and natural gas decreased by 30%. Even though the coal percentages have increased, actual generation in 2013 from coal only increased by 7%, whereas generation from natural gas decreased by 89%.
- Coal handling optimizations and other efficiency upgrades occurred at the Genesee facility in 2013.
- Hydro has decreased due to the sale of our hydro facilities in 2012.
- Biomass and tire-derived fuel have increased over the past three years. Our Roxboro and Southport facilities optimized their fuel mix for increased consumption of biomass and tire-derived fuel and decreased consumption of coal.
- The net generation from our wind assets has increased by 425% from 2012 to 2013. Since November 2012, Capital Power has invested over $1 billion in three wind projects (Halkirk, Quality Wind and Port Dover and Nanticoke), increasing our wind nameplate capacity by approximately 1000%.

Thermal efficiency from fossil-fuel facilities

Genesee 1 & 2 (subcritical coal)	36%
Genesee 3 (supercritical coal)	40%
Island Generation (combined cycle)	46%
Clover Bar Energy Centre (simple cycle)	34%

Measuring the thermal efficiency of a power plant provides a way to benchmark against other power plants. It compares how much energy an operator gets out of a plant to how much energy is put in. Clover Bar Energy Centre is a peaking facility (running only on high demand) and therefore has frequent startups and shutdowns. Base loaded facilities generally have higher efficiencies due to their constant operation.

Discovering Capital Power's landfill gas facility

Profiled by Green Energy Future TV

In February 2013, Green Energy Future's host and producer David Dodge visited Capital Power's 4.8-MW Clover Bar Landfill Gas facility at the City of Edmonton's Waste Management Centre. Green Energy Futures is an online multimedia series that tells stories of green energy projects and pioneers across Canada.

His mission: to discover how methane is recovered from the landfill and utilized to generate renewable electricity. The result: Episode 33 - Landfill gas: How old garbage can generate electricity.

Landfill gas - created when organic material naturally decomposes in a landfill - creates methane, which is captured and burned to produce electricity. Methane is 21 times more powerful a greenhouse gas than carbon dioxide, and transforming it into electricity allows it to be used as resource rather than being released into the atmosphere. Although there are 64 landfill gas recovery projects in Canada, Capital Power's Clover Bar Landfill Gas facility is unique in that it's the only facility in Alberta that recovers landfill gas and uses it to generate electricity. Commissioned in 2005, the facility produces enough power to supply 4,600 homes annually. The unique facility is also an important source of registered and retired offsets in Alberta, which enables Capital Power to offset a portion of its greenhouse gas emissions.

Environmental management principles

Environmental Management Principles

We consider greenhouse gases (GHGs) and other environmental issues within the context of a broader risk management framework. Our approach to risk management is to identify, monitor, and manage the key controllable risks we face, and to consider appropriate actions to respond to uncontrollable risks.

We use an Enterprise Risk Management (ERM) Program to identify, evaluate, report, and monitor key risks. The ERM Program aligns with the International Organization for Standardization's standard for risk management, ISO 31000. Management is carried out at three levels, with risk assessments carried out in conjunction with core corporate processes.

Our principal risk factors - including environmental risks - are described in detail on pages 38 to 46 of our 2013 Annual Report. While each of the principal risks is discussed individually, we also make clear our view that risks should be considered as interdependent, and both understood and managed holistically.

We consider environmental risk from many perspectives: political, legislative, and regulatory implications; impacts on technology; physical dimension - such as impacts from weather; and the potential for environmental matters to give rise to litigation or changes in reputation.

The Role of Governments and Regulators

Our operations are subject to extensive laws, regulations and guidelines relating to the following: generation and transmission of electricity; pollution, and protection of the environment; health and safety; air emissions; water usage; wastewater discharges; hazardous material handling and storage; treatment and disposal of waste and other materials; remediation of sites; and land-use responsibility.

We believe that a fundamental responsibility of governments and regulators is to establish policy targets and regulatory requirements that protect the physical environment and human health and reflect society's consensus about its priorities. We look to corporations, scientists, and civil society to advise decision makers about their targets and the best policies and regulations through which they can be achieved.

Once enacted, our duty as a corporation is to comply with the laws, regulations and guidelines - and, by doing so, help achieve national, provincial, and state environmental and health objectives. We also can, and do, take action that goes beyond existing legal requirements, and we take into account the Precautionary Principle when appropriate.

Strategies Managing Environmental Risk

Comply

We work to comply with all applicable laws, regulations, and guidelines, and we monitor compliance by performing environmental compliance audits with corrective actions as necessary.

Consult

We consult with all levels of government regarding policy development and current and potential legislation.

Proactively identify

We proactively identify environmental risks within operations, maintenance, and construction activities, and we promote awareness throughout the company.

Ensure

We ensure that employees and contractors align with our environmental policies and procedures.

Kingsbridge I is located on privately-owned leased lands in the Township of Ashfield-Colbourne-Wawanosh in southwestern Ontario. The 39.6 MW facility is one of the best-performing wind farms across the Vestas global footprint due to its high availability and reliability.

Greenhouse Gas Emissions

We are managing GHG emissions for the near, medium, and long term. Near-term practices focus on:

- **Renewables:** We are investing in the development of renewable power sources:
  - Capital Power has invested over $1 billion in three wind projects that have been commissioned between November 2012 to November 2013.
  - Capital Power, in partnership with Pattern Renewable Holdings Canada ULC and Samsung Renewable Energy Inc., is currently constructing the 270 MW K2 Wind facility in Ontario.
  - Our facilities in Southport and Roxboro, North Carolina, produce Renewable Energy Certificates (RECs). Both facilities blend a fuel made from recycled tires, biomass, wood waste, and coal. Our North Carolina RECs are generated from a portion of the tire-derived fuel and all of the biomass. North Carolina has a mandatory renewable portfolio standard, and the RECs are marketed to state compliance buyers.
  - Our Cloverbar Landfill Gas facility, one of our carbon offset projects, uses decomposing organic material which produces methane gas that is captured and burned to produce electricity. Methane is 21 times more powerful a greenhouse gas than carbon dioxide, and transforming it into electricity allows it to be used as resource rather than as a pollutant in the atmosphere.
- **Compliance:** Many of our facilities are already required to reduce or offset their greenhouse gas emissions. In Alberta, nearly 650,000 tonnes of Capital Power's GHG emissions were offset in 2013. Capital Power is also developing new sources of power generation to replace older coal-fired units that will be retired due to Canadian federal regulations. By capacity, the regulation will close 14% of Alberta's coal fleet by 2019, rising to 28% in 2027 and 59% by 2029.
- **Offsets:** We are investing in a portfolio of carbon offset projects and participating in the development of carbon markets to meet current and future requirements. In 2013, Capital Power invested $2.6 million in emission offsets. Since 2007, Capital Power has registered nearly 10 million tonnes of carbon offsets for the Alberta market.
- **Efficiency:** We seek continuous improvement in the efficiency of our power generation fleet.

To lay the groundwork for medium- and long-term transition to lower-emission and zero-emission technologies, we also pursue:

- **Scientific and engineering research:** We support university scientists and engineers in both basic and applied research, including through our partnership in the University of Alberta's Canadian Centre for Clean Coal/Carbon and Mineral Processing Technologies.

Capital Power's Greenhouse Gas Emissions

Across our North American operations, greenhouse gas (GHG) emissions were 9.74 million tonnes carbon dioxide equivalent (tCO2e) in 2013 compared to 11.40 million tCO2e in 2012. Gas-fired generation has about half the greenhouse gas intensity of coal-fired generation. Due to the sale of the New England natural-gas facilities, our overall GHG emissions and net generation were lower, but we sustained a higher coal-to-gas ratio in our fleet resulting in a higher emission intensity in 2013.

Year-over-year changes in GHG emissions, emission intensity, and offsets are generally caused by:

- Changes in power production volume (the length of maintenance outages at thermal facilities can have a significant impact on single-year results from individual facilities)
- The introduction of new technologies that increase efficiency or decrease emissions
- Changes in emission reduction or offset requirements
- Changes in our generating fleet (the development and acquisition of cleaner facilities add to emission volumes while decreasing emission intensity (i.e. natural gas, biomass, and tire-derived fuel facilities), while the addition of non-emitting sources (wind energy) leaves emission volumes unchanged and decrease emission intensity)

Our emissions profile

The fuel mix of our fleet includes coal, solid fuel (tire-derived fuel and biomass), natural gas, and wind. Generation from coal and solid fuel creates higher and more types of emissions than natural gas, while wind has zero emissions. The most obvious determinant of emissions is the generation output, or how many hours per year the facilities operate.

The data

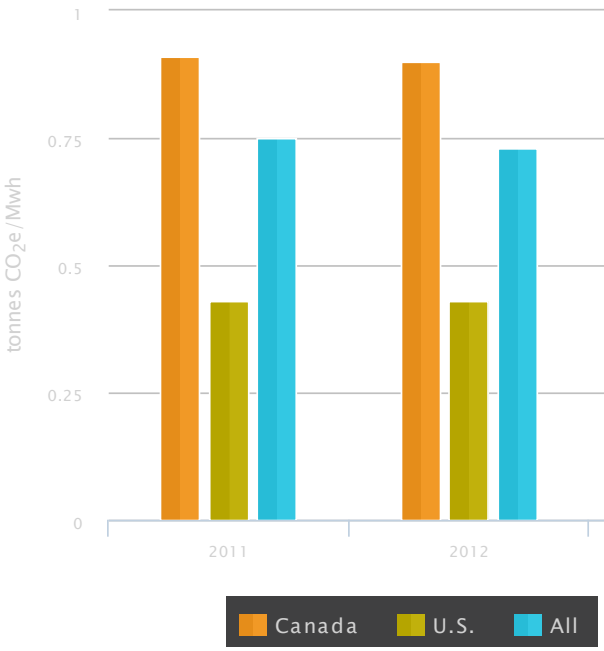
The data below represents the entire plant - not our financial share of the operation. This includes Genesee 3, co-owned with TransAlta, and Genesee 1 and 2, whose capacity and output is sold under an Alberta Power Purchase Agreement to the Alberta Balancing Pool. Capital Power holds the operating permit for these facilities.

Data from Keephills 3, Joffre, and our Sundance Units 5 and 6 power purchase agreement are not included because we do not hold the operating permits.

Data provided in the below section is for the facilities that we held the operating permit for as of December 31 of each respective year.

The Genesee Generating Station provides 1,266 MW of base load power to the Alberta electricity grid, which is enough energy to supply approximately 1.1 million homes (based on average household energy use).

Emissions Intensities - Greenhouse Gases [1]



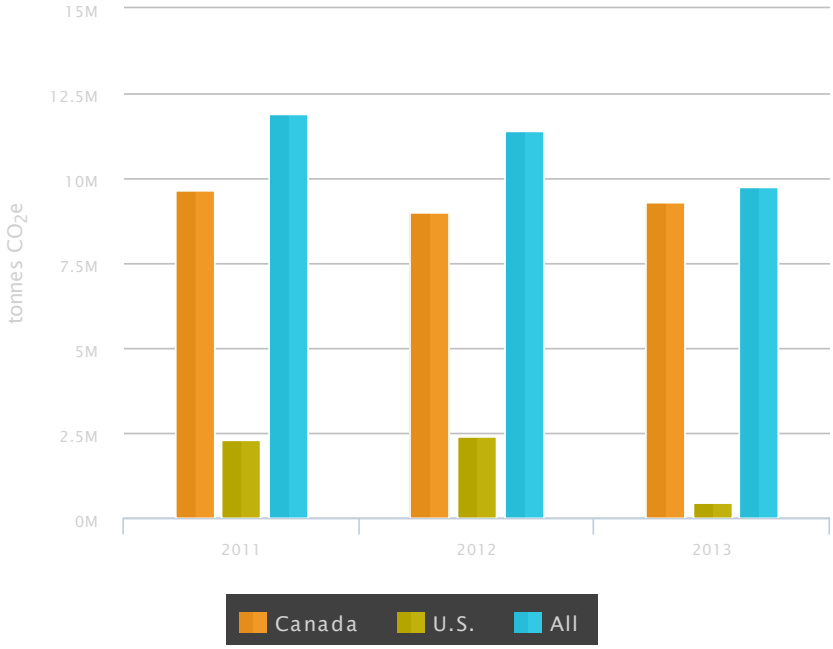
By Country	Greenhouse Gases[2,3] (tonnes CO_2e/MWh)		
Year	2011	2012	2013
Canada	0.91	0.90	0.81
U.S.	0.43	0.43	0.59
All	0.75	0.73	0.79

1. Emissions intensities include only power generation operations. Emissions intensities do not include emissions from indirect sources, such as those resulting from electricity usage at our offices. Intensity is calculated using the net production (MWh) from all Capital Power facilities based on operating permit, including all renewable and fossil fuel facilities.
2. In accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard [World Resources Institute and World Business Council for Sustainable Development (2004)], carbon dioxide released at facilities from combustion of biomass and landfill gas are not included in emissions totals and intensities.
3. GHG emissions intensities are stack emissions only and do not reflect the impact of offsets.

- Since 2011, the Canadian emission intensity has decreased, due in part to our wind energy developments between November 2012 and November 2013, length of maintenance outage at our Genesee 3 facility, and facility optimizations.
- The U.S. emission intensity increased in 2013 as a result of the sale of the New England natural-gas facilities.
- Gas-fired generation has about half the greenhouse gas intensity of coal-fired generation. Due to the sale of the New England natural-gas facilities, our overall GHG emissions and net generation were lower. We sustained a higher coal-to-gas ratio in our fleet resulting in a higher emission intensity in 2013.

*View table for footnote

Total Air Emissions - Greenhouse Gases



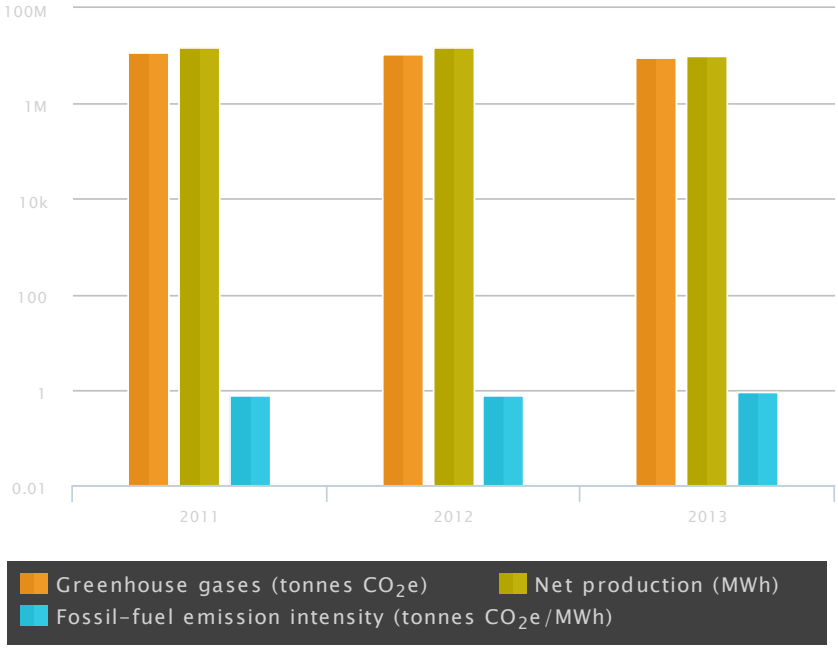
By Country	Greenhouse Gases (tonnes CO_2e)		
Year	2011	2012	2013
Canada	9,626,000	8,997,000	9,278,000
U.S.	2,293,000	2,400,000	466,000
All	11,919,000	11,397,000	9,744,000

Values represent direct emissions from power generation operations.

The decrease of our U.S. and total greenhouse gas emissions between 2012 and 2013 is due to the sale of the New England natural-gas assets in November 2013. Year-over-year variance in the Canadian greenhouse gas emissions is primarily due to the length of maintenance outages at our Genesee 3 facility in 2012.

Greenhouse gas emissions

Greenhouse gas emissions and intensity from FOSSIL FUEL facilities

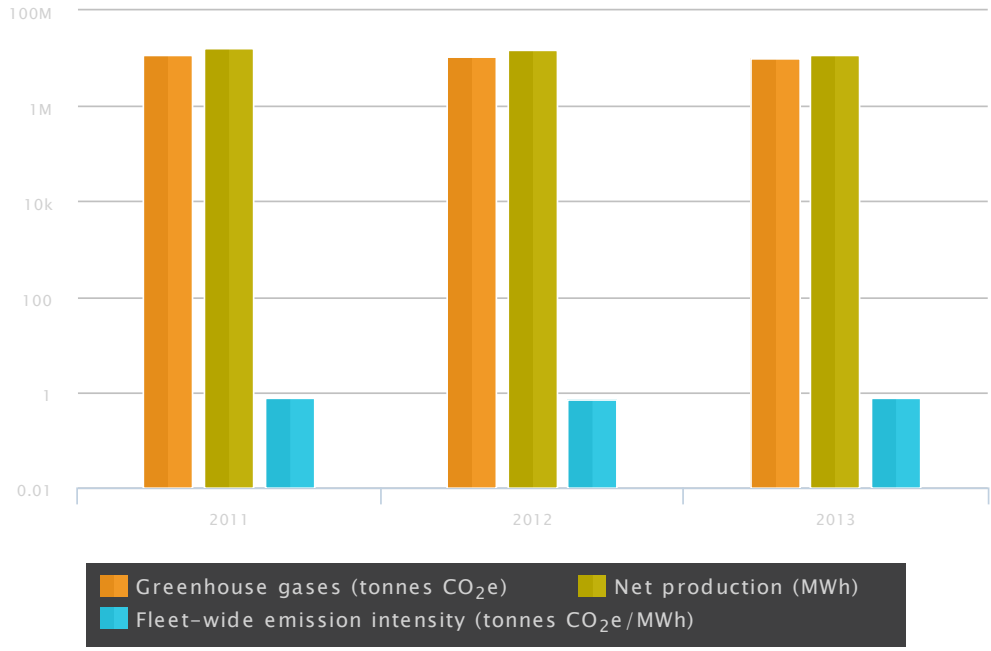


	2011	2012	2013
Greenhouse gases (tonnes CO_2e)	11,529,000	10,906,000	9,277,000
Net production MWh	15,108,000	14,633,000	10,494,000
Fossil-fuel emission intensity (tonnes CO_2e/MWh)	0.76	0.74	0.88

Values represent direct emissions from power generation operations.

The following graph includes only the emissions and generation from our fossil fuel facilities. This includes Island Generation, Clover Bar Energy Centre, and Genesee. The overall fossil-fuel emission intensity increased for 2013 because of the divestiture of the New England natural-gas facilities, which resulted in an overall decrease in net production and an increase in the coal-to-gas fuel mix ratio.

Greenhouse Gas emissions FLEET-WIDE and intensity from Canadian and U.S. facilities



	2011	2012	2013
Greenhouse gases (tonnes CO_2e)	11,977,000	11,397,000	9,744,000
Net production MWh	15,939,000	15,626,000	12,297,000
Fossil-fuel emission intensity (tonnes CO_2e/MWh)	0.75	0.73	0.79

The overall fleet emission intensity increased for 2013 because of the divestiture of the New England facilities. Gas-fired generation has about half the greenhouse gas intensity of coal-fired generation, therefore, due to the sale of the New England natural-gas facilities, our overall GHG emissions and net generation were lower but we sustained a higher coal-to-gas ratio in our fleet resulting in a higher emission intensity in 2013.

Reducing emissions through offsets and licensing

Offsetting emissions in Alberta

Our Alberta plants are subject to the Specified Gas Emitters Regulation (SGER) under the Climate Change and Emissions Management Act (Alberta). SGER requires companies that emit more than 100,000 metric tonnes of carbon dioxide equivalent (metric tCO_2e) to reduce the emission intensity of a facility by 2% per year to a maximum of 12%, compared to the calculated baseline intensity for the specific facility. These companies may choose to purchase carbon offsets equal to their reduction requirements as one of four compliance mechanisms. Alternative compliance strategies would be to purchase Emission Performance Credits from other companies, implement performance improvements, or pay $15/tonne into the Climate Change and Emissions Management Corporation's Technology Fund, widely referred to as the "Tech Fund". As the risk-free compliance option, the price of a Tech Fund contribution sets a cap on the market price for SGER reductions. In 2013, Capital Power paid into the Tech Fund to meet compliance.

The baseline emission intensity for Genesee 1 and Genesee 2 is the average emissions intensity from 2003-2005. However, for new facilities, such as our Clover Bar Energy Centre, the baseline emission intensity is based on the facility's third full year of commercial operation. In 2013, under SGER, Genesee 1 and Genesee 2 were subjected to a CO_2e intensity reduction target of 12%, and Genesee 3 had a CO_2e intensity reduction target of 10%. 2013 was the second year that our Clover Bar Energy Centre was subjected to SGER GHG reduction targets of 4%.

In addition to SGER, we are also required to reduce our share of Genesee 3's GHG emissions by approximately 53%, which is to the level of a natural-gas combined-cycle plant. Offsets have been retired every year since commissioning in 2005 and will continue to be retired to meet future obligations. **In 2013, Capital Power retired 641,466 tonnes of GHG offsets in Alberta, which were created primarily from coal mine methane projects.**

Capital Power also retired 8,280 Canadian renewable energy credits against our power consumption for the Edmonton and Calgary offices for 2013, and we retired 663 Canadian-based offsets against our gas consumption for the Edmonton and Calgary offices for 2013, resulting in a total of 2,679 metric tonnes of CO_2e being offset. We plan to continue the practice of offsetting our carbon footprint for our office space in Edmonton and Calgary in subsequent years.

Leading Emission Offset Practices

- In 2013, Capital Power invested $2.6 million in emission offsets. Since 2007, Capital Power has registered nearly 10 million tonnes of carbon offsets for the Alberta market.

We have been acquiring offsets for almost a decade and have entered into more than 35 offset purchase agreements.

We have expertise in the origination, purchase, and sale of verified emission offsets. We also developed two of the Alberta Offset System Quantification Protocols.

Capital Power has been active in the Alberta SGER emissions offset market since 2007 and has used offsets for 100% compliance for 2008-2012. Capital Power continues to be active in the Alberta offset market and anticipates continuing to use offsets to meet future compliance obligations. Emission offsets are audited and verified by independent third parties.

We continue to invest in emission offset markets and have become an active buyer of Climate Reserve Tonnes (CRT) offsets. We are also an active member of the International Emissions Trading Association.

We have purchased offsets from a variety of Alberta and CRT projects in 2013. Some of these project types include composting, ozone-depleting substances, forestry, agricultural methane, no-tillage agriculture, and landfill gas.

Future emission reductions from coal unit retirements

- Canadian regulations will close 14% of Alberta's coal-fired generation by 2019, rising to 28% in 2027 and 59% by 2029, which will significantly reduce future greenhouse gas emissions.

Capital Power has long supported Canadian targets and regulations to mandate emission reductions from coal-fired power generation, including national and provincial regulations that would significantly reduce GHG and air emissions from coal-fired electricity plants, to help Canada achieve its Copenhagen commitment to lower GHGs.

The Canadian federal regulation mandates the closure of coal-fired generation facilities in Canada once they have reached a defined end of life and prohibits new coal-fired generation after 2015, unless units are either retrofitted or constructed to achieve carbon capture and storage. In the near to medium term, it is anticipated that units will be retired and replaced with alternative forms of generation, including natural-gas-fired generation.

The Canadian regulation mandating orderly coal unit retirements provides certainty for generators, accelerates carbon reduction, avoids stranded investment, and facilitates planning of cleaner replacement generation.

In Alberta, for example, the regulation signals the timing and volumes of replacement baseload generation that will be required and provides certainty about greenhouse gas reduction. By capacity, the regulation will close 14% of Alberta's coal fleet by 2019, rising to 28% in 2027 and 59% by 2029.

Replacement generation for all the pre-2025 coal unit retirements is already in development, and includes the proposed Genesee Generating Station Units 4 and 5 - a baseload gas-fired facility.

1. See Report Scope for an explanation of which facilities and offsets are included in these totals. For example, no emissions or offsets are included with respect to Capital Power's 50% ownership interest in Keephills 3 because Capital Power does not hold the operating permit; however, 100% of emissions and offsets are included from Genesee 3, where Capital Power is the operator, despite Capital Power owning only 50% of Genesee 3. This approach also aligns with Canadian federal reporting requirements, where operators report 100% of facility emissions rather than emissions based on their proportional ownership interest.

Other Air Emissions

Our emissions profile

The fuel mix of our fleet includes coal, solid fuel (tire-derived fuel and biomass), natural gas, and wind. Coal and solid-fuel generation creates higher and more types of emissions than natural gas, while wind has zero emissions. The most obvious determinant of emissions is the generation output, or how many hours per year the facilities operate.

The relative size of each generation facility makes it challenging to compare our facilities across the fleet. Specifically, Genesee dominates both generation output and emissions.

Eighty-one percent of our net generation comes from coal, five percent comes from natural gas, and fourteen percent comes from renewables (wind, biomass, tire-derived fuel, and landfill gas). The combustion of any fuel emits greenhouse gas (GHG) and oxides of nitrogen (NO_x). The combustion of coal, biomass, or tire-derived fuel (TDF) releases sulphur dioxide (SO_2), metals, and other compounds to the atmosphere.

The most significant emissions from fuel-fired generation, excluding GHG, include NO_x, SO_2, particulate matter (PM), and mercury.

Mercury emissions decreased

Genesee Units 1, 2, and 3 completed its third year with the Activated Carbon Injection (ACI) system, which is used to lower mercury concentration in flue-gas emissions.

In 2013, Genesee 1 and Genesee 2 had a capture rate of 80% and Genesee 3 had a capture rate of 84% versus a 2013 requirement of 80% capture. We will continue to monitor and adjust injection rates to meet future targets.

Oxides of nitrogen, sulphur dioxide, and particulate matter

Our Genesee 1 and 2 facilities are the main contributors of NO_x, SO_2 and particulate matter (PM) emissions in our fleet. Genesee 3, co-owned with TransAlta, has much lower NO_x and SO_2 emissions due to the addition of pollution-control equipment such as low NO_x burners and flue-gas desulfurization.

Genesee Unit 3, as a transitional unit, must meet the Clean Air Strategic Alliance Electricity Project Team (CASA EPT) NO_x (0.69 kg/MWh) and SO_2 (0.80 kg/MWh) standards for new thermal generation units by December 31, 2015. Capital Power already meets, and has been consistently below, the NO_x standard.

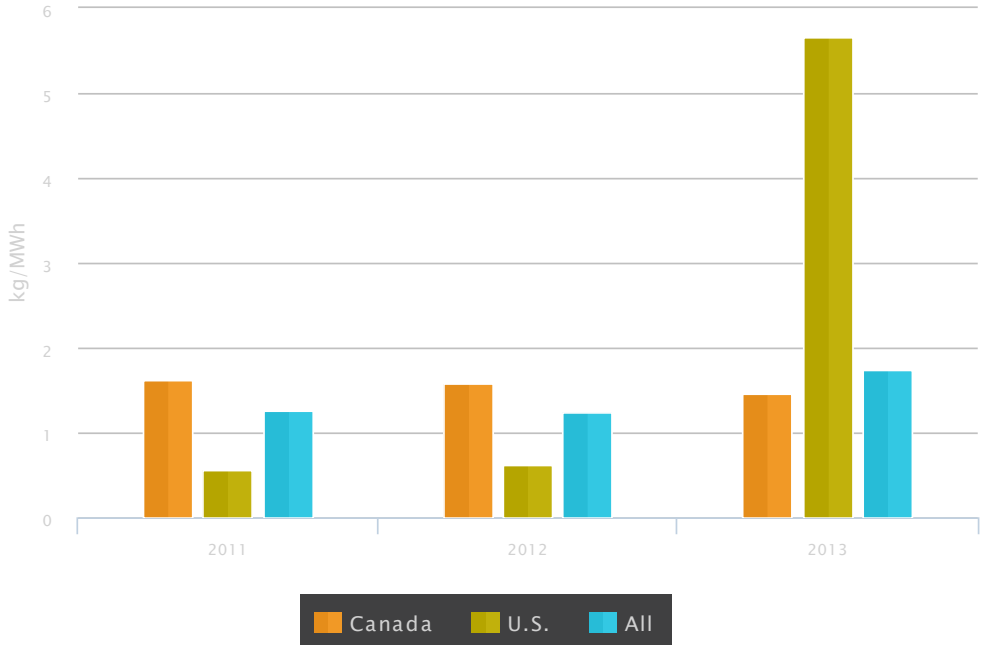
Capital Power submitted a CASA Implementation Plan for Genesee Unit 3 to Alberta Environment and Sustainable Resource Development (ESRD) on December 21, 2012, and expects to meet the emissions intensity limits for SO_2 by the December 31, 2015 deadline. SO_2 emissions are expected to decrease by 37% to meet the limit.

In general, natural-gas facilities have low NO_x, SO_2 and PM emissions and no mercury emissions. Due to the sale of the New England facilities, the U.S.-specific emissions intensities for NO_x, SO_2, PM, and mercury have increased.

Capital Power's 150 MW Halkirk Wind facility located near Halkirk in east-central Alberta began commercial operation on December 1, 2012, ahead of schedule and under budget.

Emissions Intensities

Emissions Intensities[1] - Sulphur dioxide

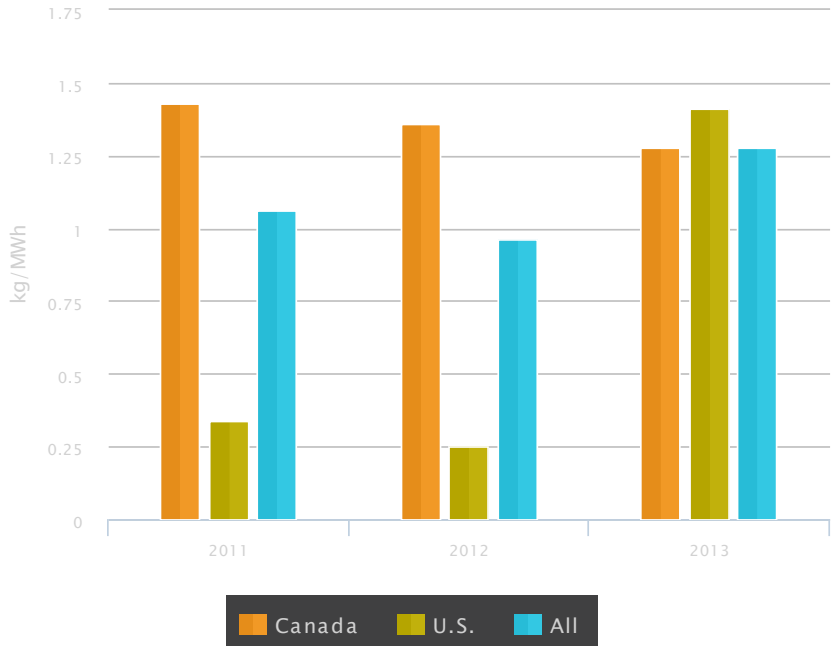


Emissions Intensities [1]

By Country	Sulphur dioxide (kg/MWh)		
	2011	2012	2013
Canada	1.62	1.59	1.47
U.S.	0.57	0.63	5.67
All	1.27	1.25	1.74

1. Emissions intensities include only power generation operations. Emissions intensities do not include emissions from indirect sources, such as those resulting from electricity usage at our offices. Intensity is calculated using the net production (MWh) from all Capital Power facilities, including all renewable, waste heat, and fossil fuel facilities.

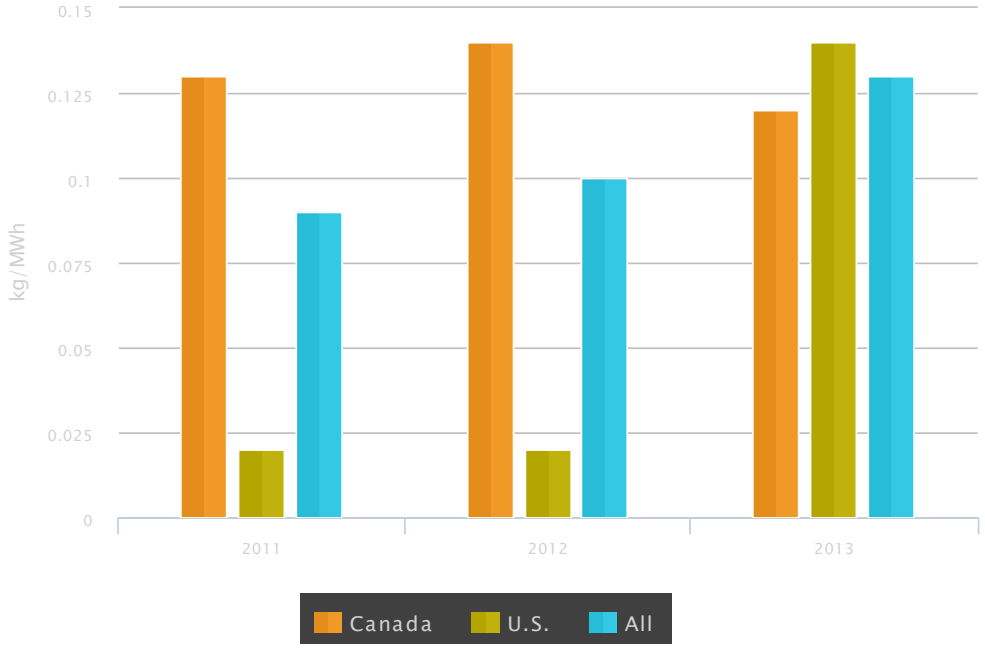
Emissions Intensities[1] - Oxides of nitrogen



By Country	Oxides of nitrogen (kg/MWh)		
	2011	2012	2013
Canada	1.43	1.36	1.28
U.S.	0.34	0.25	1.41
All	1.06	0.96	1.28

1. Emissions intensities include only power generation operations. Emissions intensities do not include emissions from indirect sources, such as those resulting from electricity usage at our offices. Intensity is calculated using the net production (MWh) from all Capital Power facilities, including all renewable, waste heat, and fossil fuel facilities.

Emissions Intensities[1] - Total particulate matter

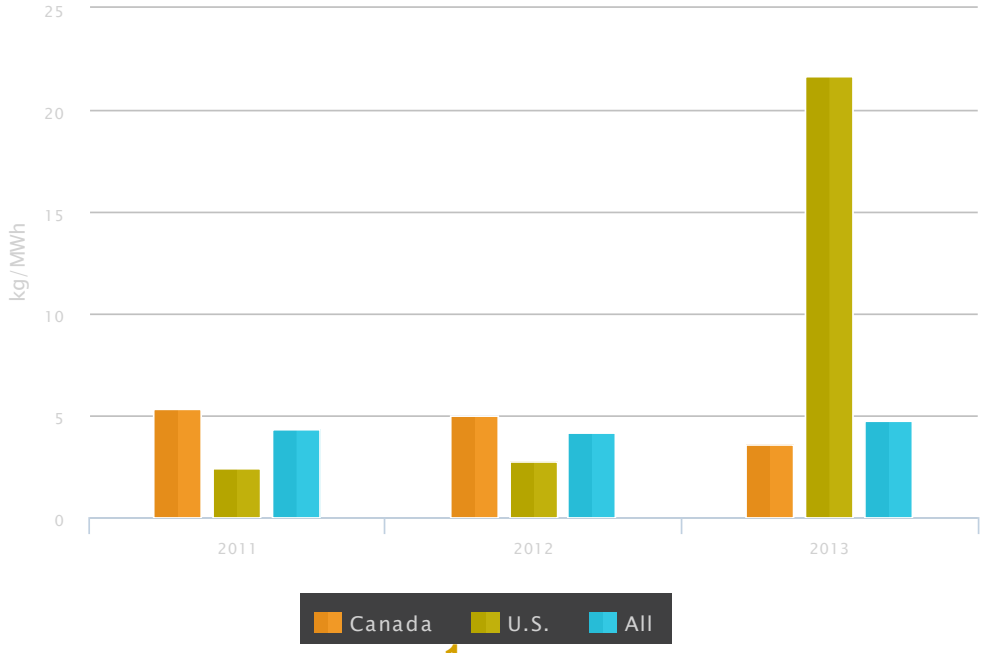


Emissions Intensities [1]

By Country	Total particulate matter (kg/MWh)		
	2011	2012	2013
Canada	0.13	0.14	0.12
U.S.	0.02	0.02	0.14
All	0.09	0.1	0.13

1. Emissions intensities include only power generation operations. Emissions intensities do not include emissions from indirect sources, such as those resulting from electricity usage at our offices. Intensity is calculated using the net production (MWh) from all Capital Power facilities, including all renewable, waste heat, and fossil fuel facilities.

Emissions Intensities[1] - Mercury



Emissions Intensities [1]

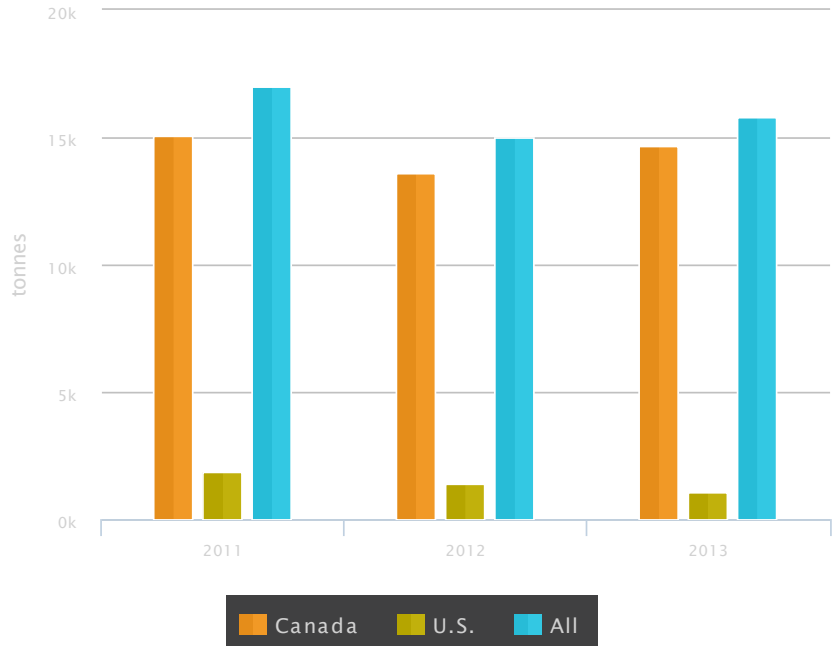
By Country	Mercury (kg/MWh)		
	2011	2012	2013
Canada	5.33	4.98	3.6
U.S.	2.42	2.71	21.64
All	4.34	4.16	4.75

1. Emissions intensities include only power generation operations. Emissions intensities do not include emissions from indirect sources, such as those resulting from electricity usage at our offices. Intensity is calculated using the net production (MWh) from all Capital Power facilities, including all renewable, waste heat, and fossil fuel facilities.

Natural gas facilities have low NO_x, SO_2, and PM emissions and no mercury emissions. Due to the sale of the New England natural-gas facilities, the U.S.-specific emissions intensities for NO_x, SO_2, PM, and mercury have increased.

Total Air Emissions

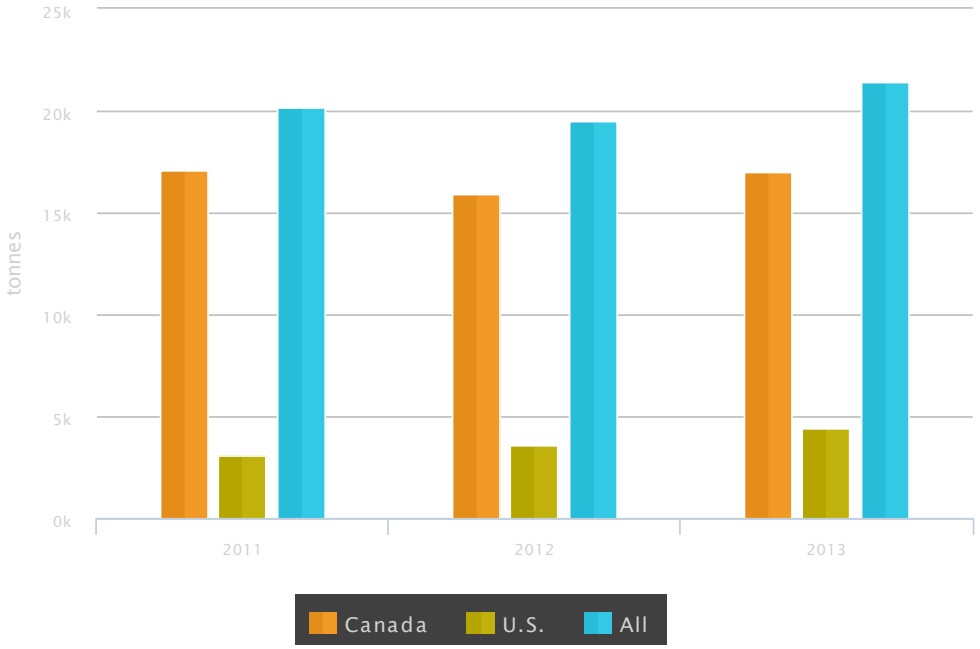
Total Air Emissions - Oxides of nitrogen



By Country	Oxides of nitrogen (tonnes)		
	2011	2012	2013
Canada	15,100	13,600	14,700
U.S.	1,900	1,400	1,100
All	17,000	15,000	15,800

Values represent direct emissions from power generation operations.

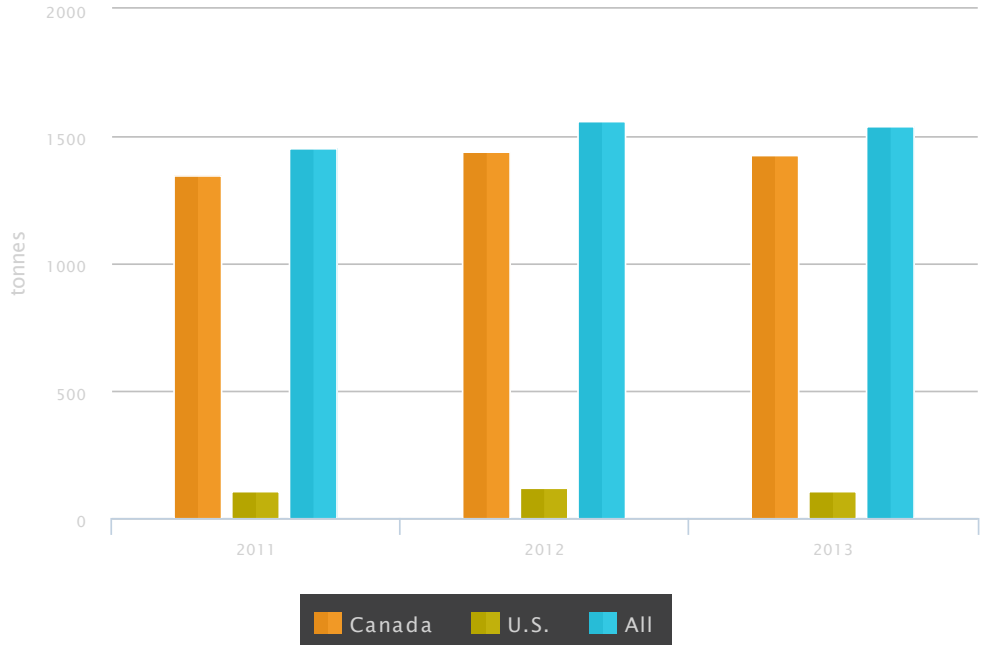
Total Air Emissions - Sulphur dioxide



By Country	Sulphur dioxide (tonnes)		
	2011	2012	2013
Canada	17,100	15,900	17,000
U.S.	3,100	3,600	4,400
All	20,200	19,500	21,400

Values represent direct emissions from power generation operations.

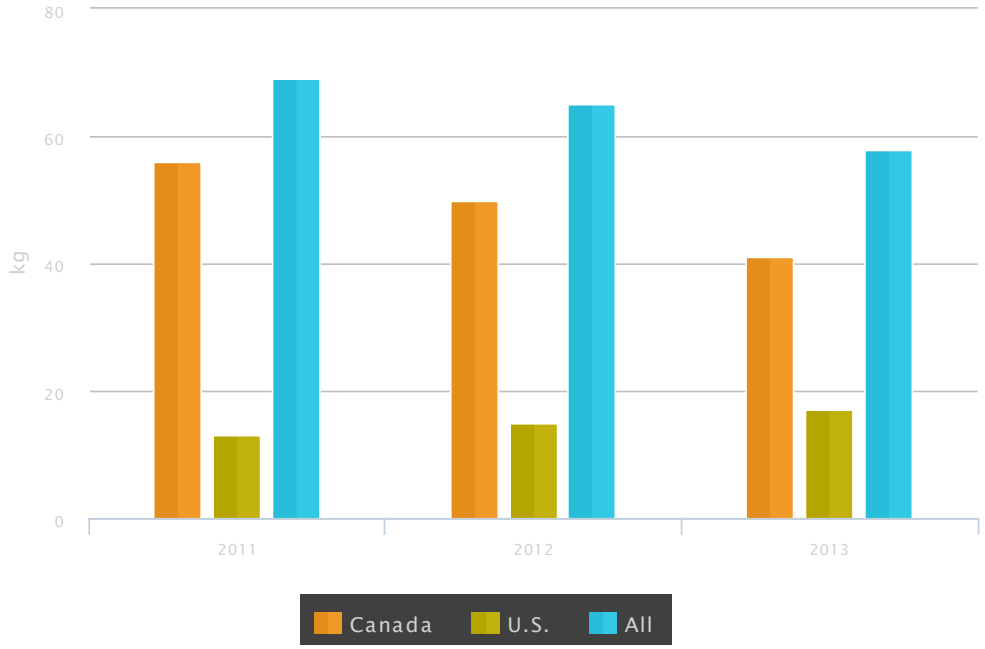
Total Air Emissions - Total particulate matter



By Country	Total particulate matter (tonnes)		
	2011	2012	2013
Canada	1,350	1,440	1,430
U.S.	105	120	110
All	1,455	1,560	1,540

Values represent direct emissions from power generation operations.

Total Air Emissions - Mercury



By Country	Mercury (kg)		
	2011	2012	2013
Canada	56	50	41
U.S.	13	15	17
All	69	65	58

Values represent direct emissions from power generation operations.

- Year-over-year variance is primarily due to fuel mixture, the number of operating hours of each facility, the acquisitions and developments in 2011 and 2012, and the sale of the New England natural-gas facilities in 2013.
- In 2013, tire-derived fuel consumption increased by 78% at Southport and Roxboro. Increased usage of tire-derived fuel displaced the burning of coal and increased SO_2 emissions. The difference in U.S. mercury emissions is primarily attributed to the variability in the coal used at Southport and Roxboro.

Water Use

Responsible water use

Water use at our generation facilities serves two major purposes: making steam and cooling. For the most part, steam systems are close-looped, i.e. the water is heated into steam, and subsequently condensed back into water and reused. Cooling water systems are similar but may draw from an external source and discharge back into that source. Some water is lost in the process through natural evaporation into the atmosphere, remaining in the water cycle.

Approximately 92% of Capital Power's water is drawn from the North Saskatchewan River in Alberta and 72% is returned back to the river. Other water sources include municipal water and recycled water. Most facilities return water to their source in relatively the same quantity and quality as it was when taken from that source.

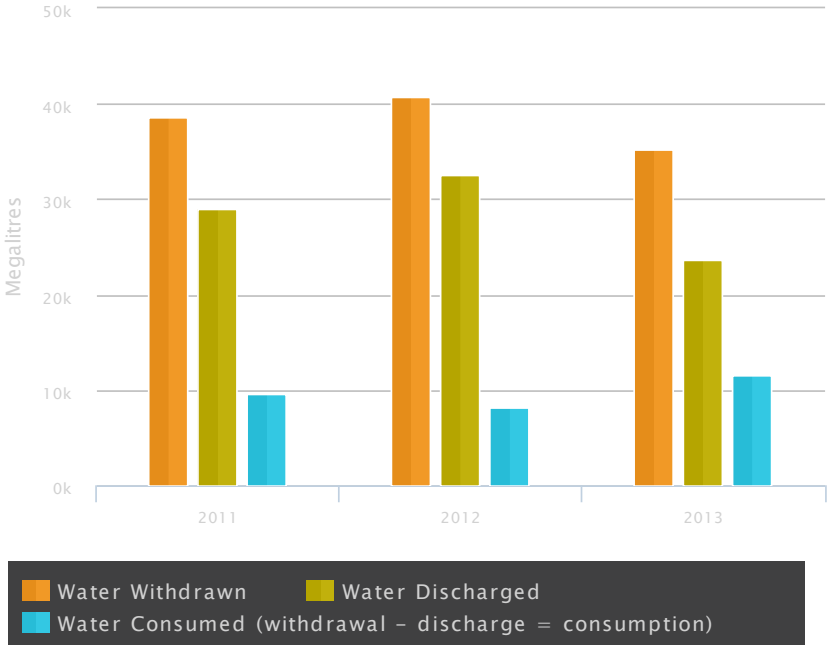
We are a member of the North Saskatchewan Watershed Alliance - part of the Alberta Government's Water for Life initiative.

Water withdrawals for plant operations

Our water withdrawals decreased in 2013 as a result of the sale of the New England natural-gas assets.

The Island Generation Facility is the single-largest power generation facility on Vancouver Island. The 275 MW, gas-fired combined-cycle power plant has an excellent operating history and was the first addition to the company's fleet via acquisition.

Approximate Water Withdrawals and Discharges (Megalitres)



	2011	2012	2013
Water Withdrawn	38,600	40,800	35,200
Water Discharged	29,000	32,600	23,600
Water consumed (withdrawal-discharge=consumption)	9,600	8,200	11,600

2011 water withdrawal and discharge statistics do not include water displaced by hydroelectric facilities. As of December 31, 2012, Capital Power did not own or operate any hydroelectric facilities.

*View table for footnote

Environmental Indicators

Tracking diligently

Ozone-depleting substances

No ozone-depleting substances were released in 2013.

Hazardous waste

We did not transport hazardous waste in 2013.

Clean air alliance

We are participating with industry, government and, non-government organizations in the five-year review of the Clean Air Strategic Alliance Alberta Electricity Framework.

Environmental compliance

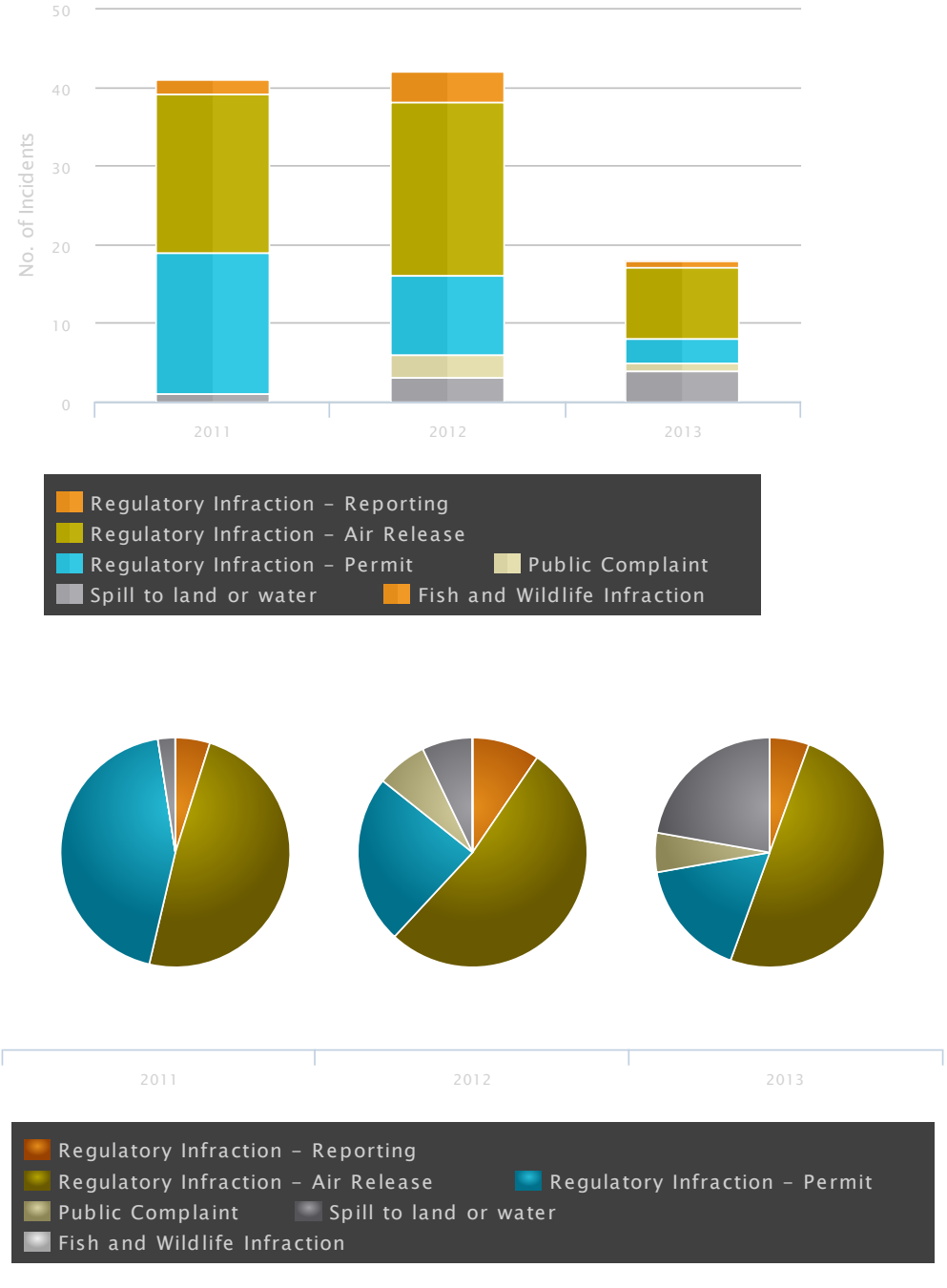
Capital Power recorded a total of 18 environmental incidents in 2013, a reduction of 57% from the 42 incidents reported in 2012. Four of the 18 incidents had no environmental impact and the remaining incidents were minor in nature. Two Notice of Violations were issued to Roxboro in 2013. Neither of the incidents resulted in a fine or penalty. All incidents were reported to the regulators and closed with no further action required.

A Provincial Officer's Order was issued to the Port Dover and Nanticoke Wind site due to a technical discrepancy modelled from the substation transformer during the Renewable Energy Approval (REA) process in 2012. All conditions were met by the required dates specified in the Provincial Officer's Order.

The continued reduction of environmental incident rates is due to the strong emphasis Capital Power's Environmental management systems place on continuous improvement and learning from past incidents. Prompt and transparent reporting of all incidents, regardless of their magnitude, heightens employee awareness and attitudes, which drives performance and environmental responsibility in the workplace.

Capital Power's 142 MW, Quality Wind facility located near Tumbler Ridge, British Columbia began commercial operation on November 6, 2012, on time and under budget.

Reportable Environmental Incidents



	2011	2012	2013
Regulatory Infraction - Reporting[1]	2	4	1
Regulatory Infraction - Air Release[2]	20	22	9
Regulatory Infraction – Permit[3]	18	10	3
Public Complaint[4]	0	3	1
Spill to land or water	1	3	4
Fish and Wildlife Infraction	0	0	0
TOTAL	41	42	18[5]

[1]Incidents that are administrative in nature such as unauthorized late report submissions, lapsed certifications, or failures to report.

[2]Regulatory Infraction – Air Release are incidents which contravene a regulation or other applicable law, a site permit/licence, or site operating approval specifically to air emissions (i.e. opacity, NO_x, CO_2, SO_2).

[3]Regulatory Infraction – Permit are incidents which contravene a regulation or other applicable law, a site permit/licence, or site operating approval (i.e. exceed temperature, Total Suspended Solids (TSS), pH limit, or failure to collect required samples.)

[4] Public Complaint incidents are those which are attributable to Capital Power operations.

[5] Five incidents occurred at the New England facilities in 2013. Due to the divestiture of the New England facilities, these five incidents were removed from the incident total.

*View table for footnotes

Genesee Environmental Monitoring

Caring for the environment.

Wabamun-Genesee Region Biomonitoring Program

The environmental biomonitoring in the Wabamun-Genesee region in west-central Alberta determines what environmental impacts, if any, have occurred as a result of power generation. We have been working with TransAlta Generation Partnership (TGP) on this comprehensive biomonitoring program since 2004.

The 2013 Capital Power biomonitoring program was limited to surface water quality monitoring at the Genesee cooling pond. The results collected up to the end of 2013 show no appreciable trends associated with contaminent concentrations of the sampled media.

The biomonitoring program measures and assesses potential changes in environmental concentrations of several chemicals of potential concern (COPC) associated with aerial and water emissions from power generation, in addition to the monitoring of wildlife populations and habitat. The program uses nine designated terrestrial sampling locations across the geographic area, four air monitoring stations, and obtains surface water samples from three local lakes, the cooling ponds and three locations on the North Saskatchewan River. Expert environmental consultants complete routine monitoring of environmental media, including air, soil, vegetation, small mammals, fish, lake and river water, groundwater, sediment and benthic invertebrates.

Arsenic, barium, cadmium, lead, manganese, mercury and selenium are the COPC selected for the purposes of special monitoring in the Wabamun- Genesee biomonitoring program. The COPC are relatively stable, have the potential to accumulate, and are measurable in environmental media, such as water, soil, sediment and biota (plant and animal life of a region).

The baseline for the Biomonitoring program was established in 2004; since that time there have been two monitoring series (2006 and 2010). The results from that program show that throughout the area there are no changes in metal concentrations since the inception of the program and that the results obtained from the program are within the range of concentrations expected in environmental media.

The 2013 programs comprised air and surface water quality monitoring. The results of all sampling and monitoring are submitted to Alberta Environment and Sustainable Resource Development, and the results of the Ambient Air Monitoring Program are posted on the website of the West Central Airshed Society.

Emissions from power generation, including nitrogen dioxide, sulphur dioxide, fine particulate matter (PM 2.5), ozone and mercury, are monitored through an Acid Deposition, a Mercury Assessment and an Ambient Air Monitoring Program associated with the biomonitoring program.

We have been working with the Mercury Deposition Network of North America in establishing, at the Genesee Air Monitoring Station, one of only two mercury wet deposition monitors in Alberta. We have also worked with Environment Canada to reconstruct a multi-species mercury deposition assessment.

We continue working with regulators to ensure the programs comprised within the biomonitoring program continue to fulfil the intent of assessing cumulative impacts.

Wildlife Surveys

Wildlife biologists survey local bird, ungulate and amphibian populations. Our 2013 annual wildlife report included a vehicle-wildlife collision count, a peregrine falcon study and overwintering waterbirds surveys to monitor the population of ducks and geese on the Genesee Cooling Pond. Six ungulate and three 'other wildlife' vehicle collisions were reported in 2013.

The overwintering waterbirds program followed similar patterns as noted since 2001 with high numbers of waterbirds in fall and spring and relatively low numbers during the winters. Fewer than 2,000 waterbirds have been present overwintering on the cooling pond since 2007.

- Every five years biologists compare the ungulate populations at Genesee to the surrounding Provincial Wildlife Management Units. In 2006 and 2010, the deer, elk and moose populations were found to be at comparable levels to those elsewhere in the region.

Falcons in the valley

As land services manager at our Genesee operations, George Greenhough is very familiar with the interplay of people and the environment.

George grew up on a farm near the Genesee facility, so he knows the land and its animals. One of these, the Peregrine falcon, was close to extinction; a breeding pair had not been seen in the North Saskatchewan River valley near Genesee since 1969.

The Genesee Generating Station has resident Peregrine falcons that return each year and breed. Many factors contributed to their successful return; one of these has been the partnerships the Genesee crews have cultivated with provincial wildlife experts. What started as the construction of a safe nesting area on the Genesee station's south stack has grown to include tracking, egg incubation and, in the summer of 2012, an opportunity to introduce chicks to two nearby river valleys. In 2013, four eggs were laid and hatched.

The story was captured for TV viewers by a crew from the Let's Go Outdoors program.

To watch the Genesee falcons in their nest box, check out www.capitalpower.com/falcons.

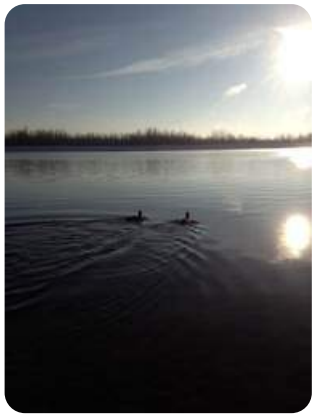
Wildlife monitoring

We monitor wildlife species composition and relative abundance, including species of management concern, to assist us in the responsible management of lands. Our operations do not affect any wildlife on the International Union for Conservation of Nature and Natural Resources Red List species list.

Peregrine falcons have been returning annually to the Genesee Generating Station to nest since 1995. Each year, the baby falcons are banded so the population can be monitored.

Ducks released on Genesee cooling pond

Last winter, six ducks were released onto the Genesee cooling pond by the staff from the Wildlife Rehabilitation Society of Edmonton. These ducks were found trapped in the ice on various lakes in the surrounding area during the first large snowstorm. There were one Bufflehead duck and five Lesser Scaup ducks. The cooling pond does not achieve 100% ice cover in the winter, which makes it a prime location to release rehabilitated waterfowl.



Reclamation

Returning land back

Innovative land reclamation

We protect and enhance biodiversity by diversifying natural landscapes in ways that can sustain multiple land uses, such as wetlands, cattle, and farming.

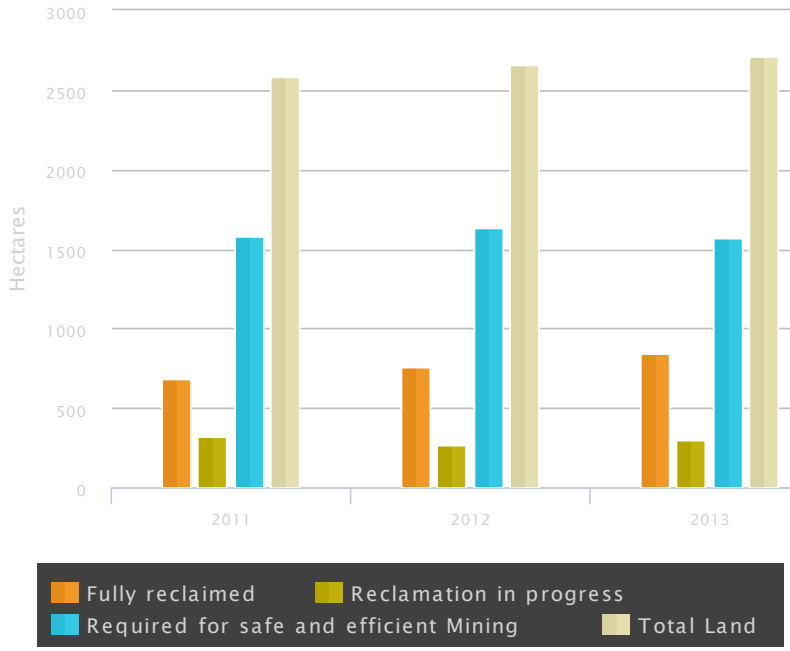
Land in the Genesee area is primarily farmland and, as such, reclamation efforts over the past 25 years have focused on reclaiming mined land back into farmland. In recent years, reclamation efforts and research have also included reforestation techniques and wetland development. This helps create a balance and diversity of landscape and land uses and provides habitat for the many species that populate the area.

To the end of 2013, environment work at the Genesee Mine has returned about 2,090 acres/846 hectares of previously-mined area into productive farmland and wildlife habitat.

In addition to reclaiming significant portions of land for agricultural purposes, Capital Power is also finding ways of increasing biodiversity and sustainability by establishing forested areas and by planning for wetlands that will provide important wildlife habitats. A number of unique research projects are established on land within the Genesee Mine including an aspen tree research project operated by the University of Alberta. The University is looking at reforestation of reclaimed mine land and to evaluate the effectiveness of high density planting (10,000 tees per hectare) in forest canopy development.

The Genesee Mine permit includes a comprehensive land reclamation plan, including the re-establishment of wetlands and natural creek bodies, and the development of wildlife corridors.

Genesee Mine area & reclamation summary (hectares)



	2011	2012	2013
Fully reclaimed*	680 (26%)	763 (29%)	847 (31%)
Reclamation in progress*	320 (13%)	264 (10%)	298 (11%)
Required for safe and efficient mining	1,581 (61%)	1,629 (61%)	1,566 (58%)
Total land	2,581 (100%)	2,656 (100%)	2,711 (100%)

* *Fully reclaimed* refers to land that is fully certified and land parcels that have been applied for and awaiting final certification from Alberta Environment and Sustainable Resource Development. *Reclamation in Progress* means reclamation activities are started but not finished - and no application for certification has been filed yet.

84 hectares reached fully reclaimed status in 2013.

Local cattle graze on Genesee land

There were 1,450 cattle belonging to 11 local farmers that grazed the community pasture at Genesee in 2013.

Reclaimed land and company-owned land not yet used for operations is leased to local farmers to bring their cattle to a well-managed grassland operated by professional range managers.

The annual cattle drive at our Genesee station is a tradition that pre-dates the plant itself. The difference today is that the cattle graze on reclaimed land.

Roger Gunsch has led the cattle drive for over 25 years. He also manages the herds throughout the grazing season - roughly May to October every year.

For a fee, the cattle are free to graze, are moved from field to field throughout the growing season, and are checked for general health. If there are signs of trouble, medication is provided and the owners are alerted. The grazing cattle help to control weeds in the pasture land surrounding our plant.

"This job has been a good fit for me," Roger says. "When I farmed, it gave me more time with my horses. As a rodeo rider, that's obviously something I really love."

Throughout the grazing season, Genesee's famous falcons are a regular feature in the skies overhead. Eagles are also common, but Roger is happy to report that coyotes have never been a problem in his 25-plus years on the job.

Round-up time - when owner's pick up their herd for wintering at home - means many hands make light work. "Any excuse to bring my horse to work," says Jennifer Linder, a member of the Genesee Land Management team.

In conjunction with the 2013 Canadian Finals Rodeo, hosted in Edmonton, AB, The Edmonton Journal captured the round up in photos.

Making a wetland

Initial steps were taken to create a man-made wetland in the reclaimed areas of the mine. In 2013, the ground was cultivated and prepared into seed bed condition. Tree planting is scheduled for spring 2014. This project will be a template for future wetland creation at Genesee.

Round up time. Reclaimed and company-owned land at our Genesee Generating Station in Alberta is leased to local farmers to bring their cattle to a well-managed grassland operated by professional range managers.

Fly Ash

Recycling fly ash at Genesee

Fly ash is produced as a byproduct from our facilities at Genesee, Roxboro and Southport. Fly ash from Genesee 1 and Genesee 2 can be used as an environmentally-friendly component in manufacturing concrete. Using one tonne of fly ash as a substitute for one tonne of Portland Cement in concrete reduces carbon dioxide emissions (a greenhouse gas) by approximately one tonne in the manufacture of Portland Cement.

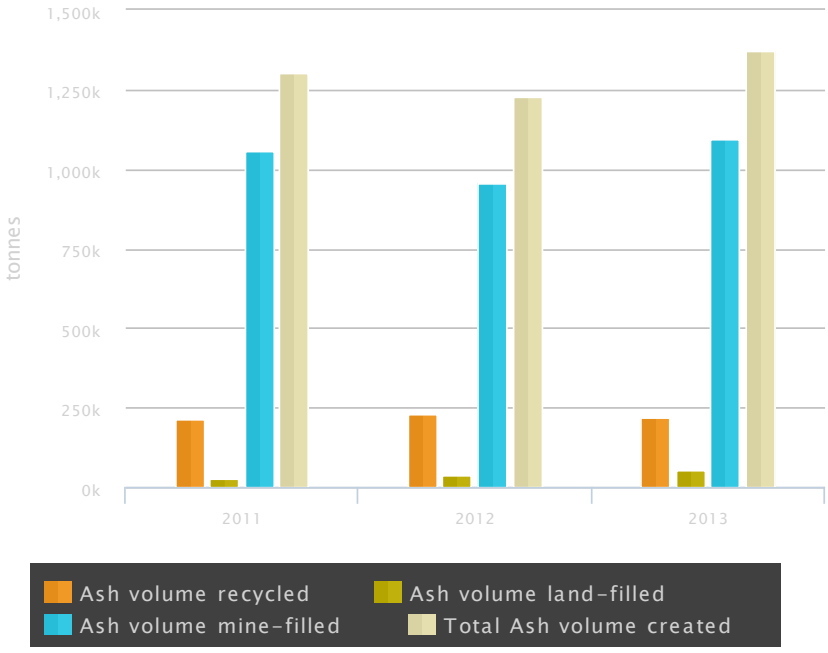
At Genesee in 2013, just under 50% of the fly ash produced from Units 1 and 2 was sold for use in concrete production across western North America. Our goal is to sell 60% of the fly ash produced from Units 1 and 2 in 2014.

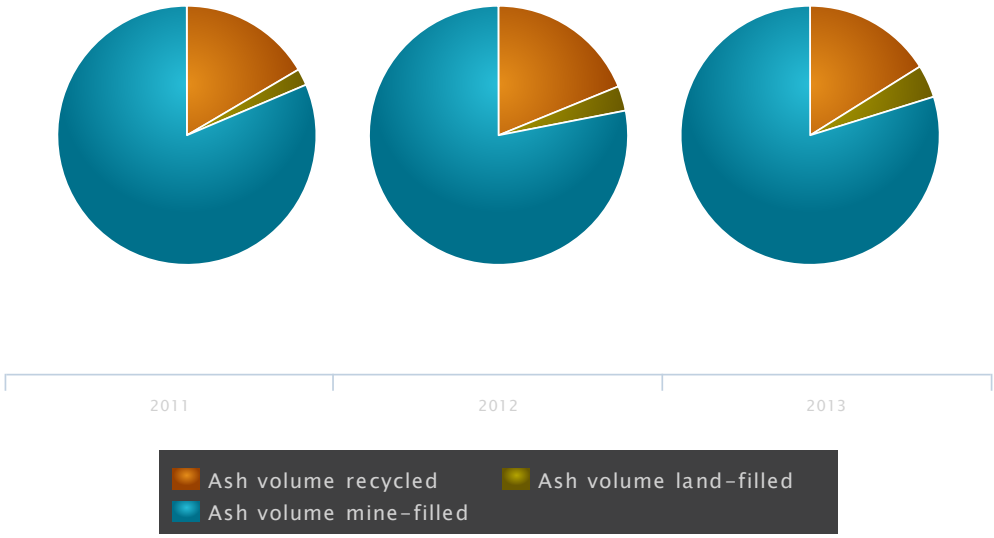
There was no sale of Genesee 3 fly ash in 2013. The concrete setting time is not adequate when using Genesee 3 fly ash due to the lime injection scrubber technology used to remove sulfur compounds. Work is underway to find a solution to this challenge. We believe a solution has been found and expect to sell about 10% of the total fly ash produced from Unit 3 in 2014.

Coal from the Genesee Mine generally contains more than 15% ash. Approximately 99.5% of the ash is recovered. Fly ash is sold to the cement industry for use as an additive in manufacturing of Portland Cement.

Ash Recycling and Disposal

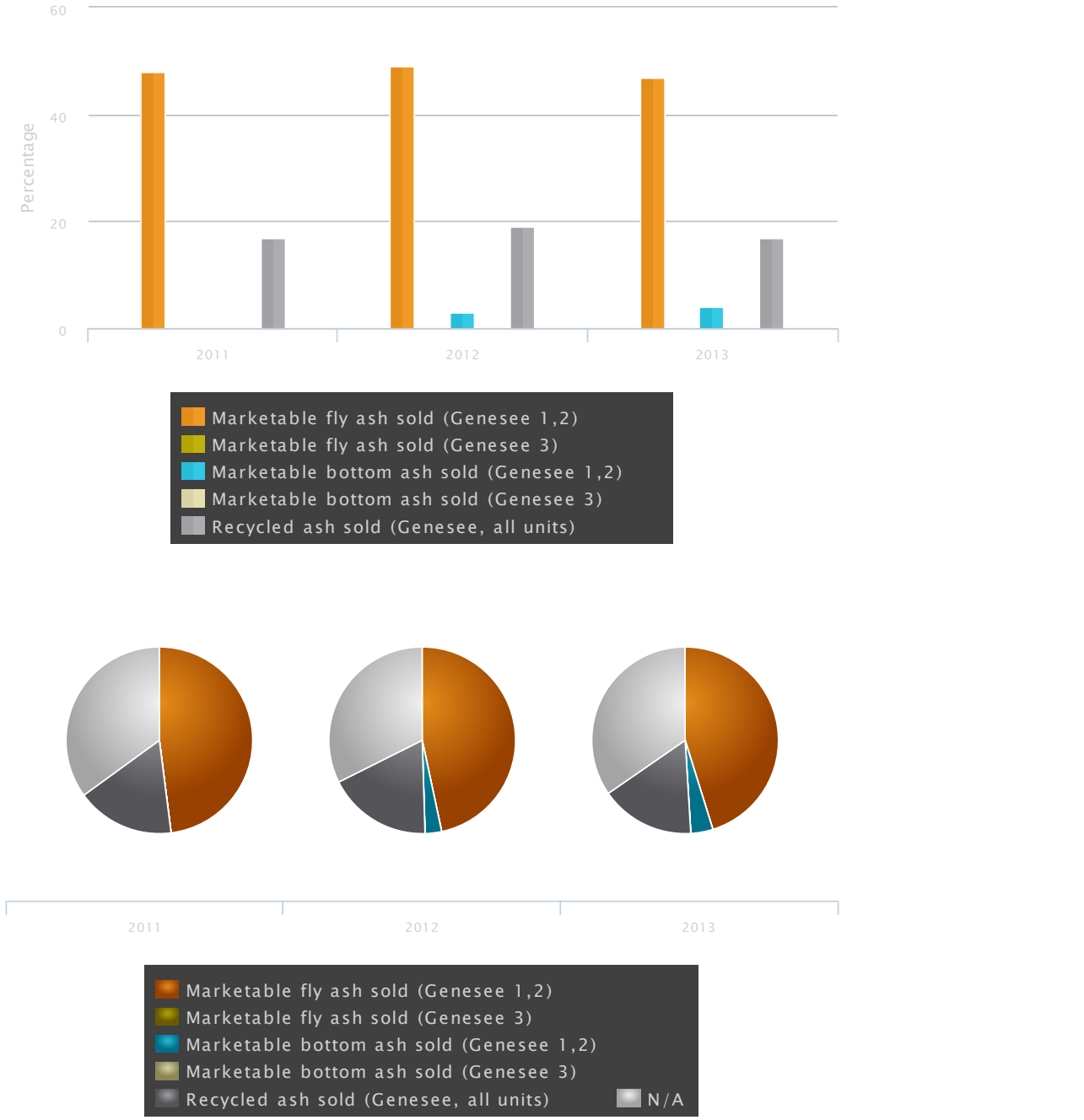
Ash Recycling and Disposal (tonnes) - Ash volume





	2011	2012	2013
Ash volume created	1,300,000	1,226,000	1,372,000
Ash volume recycled	215,000	231,000	221,000
Ash volume land-filled	27,000	38,000	56,000
Ash volume mine-filled	1,058,000	957,000	1,095,000

Ash Recycling and Disposal (%) - Ash sold



	2011	2012	2013
Marketable fly ash sold (Genesee 1,2)	48%	49%	47%
Marketable fly ash sold (Genesee 3)	0%	0%	0%
Marketable bottom ash sold (Genesee 1,2)	0%	3%	4%
Marketable bottom ash sold (Genesee 3)	0%	0%	0%
Recycled ash sold (Genesee, all units)	17%	19%	17%

In 2013, just under 50% of the fly ash captured from Genesee 1 and 2 was sold to concrete companies for cement production.

Overview

Our values guide our behaviour

- Passionate about our business and safety
- Acting with integrity
- Working together
- Being accountable
- Creating and enhancing shareholder value

Learning and Development

We align our Learning and Development programs with our business strategies, which include *making our people and culture a competitive advantage,* and *being an employer of choice*. Our goal is to be recognized as a top organization for developing and retaining our talent.

- We offer ***ongoing training throughout the organization***, starting with our on-boarding program for new employees. Our senior executives participate in our iLead Leadership Development program, which is offered to managers.
- We ***continue to develop, pilot, and offer training programs to build the skill sets*** that are essential for the success of our organization.
- We ***evaluate our courses for improvement*** using a robust course evaluation methodology to measure the impact of training on our employees' learning application and performance improvement.

Investing in our people

"Our drive is to create an exciting work environment, one where people will recommend us to their friends and one where we're recognized by word of mouth as an excellent employer."
- Brian Vaasjo, President & CEO

Capital Power School of Business

Capital Power School of Business is designed to create a strong learning and development culture. Core programs and courses, such as leadership development and professional business skills, are offered. A total of 522 employees went through Capital Power School of Business training in 2013.

New courses and initatives in 2013

The following new courses were offered in 2013:

- **Speak Strong** provides employees with the information they need to convey confidence, communicate clearly, and connect with any audience.
- **Diversity and Inclusion** eLearning.
- Several customized **team effectiveness workshops** covering topics such as:
    - managing conflict
    - building trust
    - communication
    - building team charters

Building diverse and inclusive teams

In late 2013, Capital Power launched a Diversity & Inclusion (D&I) initiative to recognize the importance and benefit of strong diversity of thought.

A D&I cross-functional committee was established to research, communicate, and create long-term momentum for the initiative.

“Creating teams of people with diverse perspectives and different but complementary strengths and tendencies makes the teams better able to solve complex problems and expedite innovation in the midst of a rapidly changing environment,” explained Kate Chisholm, Senior Vice President, Legal and External Relations. (Kate Chisholm was recognized as a 2012 Canadian Diversity Champion **[PDF]** by Women of Influence magazine.)

The initiative was introduced to employees at leadership meetings and all-employee site meetings by Brian Vaasjo, Capital Power’s President & CEO. Company-wide interactive eLearning was also conducted, a D&I component was incorporated into Strong Start/iLead, employee training and internal communications were shared by email, and information was added to our intranet. D&I remains a focused initiative in 2014.

Strong Start Orientation and on-boarding program

Our interactive Strong Start Orientation and on-boarding program welcomes new employees and gives them a foot forward in their first 100 days on the job. New employees complete an online e-learning course within their first week of employment, followed by the Strong Start – Connecting In Orientation.

In 2013, 69 participants completed either a classroom or virtual session.

Training to the top – iLead program

Strong leadership benefits everyone at Capital Power. This leadership development program builds Capital Power's competitive advantage by establishing a rich, broad, bench strength around the theory and practice of leadership within our company.

The custom iLead Leadership Development Program is a key business objective intended to establish a rich, broad bench-strength around the theory and practice of leadership. Through distinct courses, iLead offers interactive learning opportunities for leaders to share learning and insights and to grow with others in a similar role. A total of 170 employees attended 14 iLead courses in 2013.

MORE: Mentorship supporting women to succeed

We had another successful year of the MORE program (Mentoring, Opportunities & Real Experience), with 40 women participating in the 2013-2014 program year. Developed by Capital Power, the MORE program emerged to inspire up-and-coming professional women in Edmonton by connecting them with some of the most successful women in the city’s business community. Capital Power joined with other companies to inspire young professionals by providing individual mentorship relationships and six interactive group sessions for both mentees and mentors throughout the year.

Apprenticeships, technical and health and safety training

Technical training, apprenticeships, and health and safety training are managed and budgeted within each department or business unit based on occupational requirements

SWEP – Student Work Experience Program

Every career deserves a solid start. Twenty-three future leaders gained valuable work experience through the launch of Capital Power’s Summer Work Experience Program. The program selected the best and the brightest of the next generation to spend eight weeks of their summer in various areas of the company. They had the opportunity to network with employees and participate in several ‘Learning Days’, which covered resume writing, interview skills, public speaking, and career planning.

“I learned so much…the experience was so inspirational and helped me feel more comfortable with my people skills. I loved coming together with the larger group for the learning days.” Kristin Washington, SWEP Student.

“This experience blew my expectations out of the water. My supervisor was great, my other colleagues were fantastic, and I really enjoyed my summer." Steven Cousens, SWEP Student.

Self-development

The After-Hours Personal Development Program helps employees fund their certificates, diplomas and degrees, and individual courses. We provide up to $3,000 per year for full-time employees and $1,500 per year for part-time permanent employees.

In 2013, 62 employees took advantage of after-hours learning opportunities with reimbursements totaling more than $97,681 — an average of $1,575 per employee.

A taste of work life – grade nines came to experience

Grade nine can be tough. You're on top in your school, but you know you've got big challenges ahead. What better time than this for some life lessons outside the classroom? Capital Power employees certainly agreed with the idea. For participants in the “Take Your Grade Nine Student to Work” event, it’s a chance to expose kids to a positive work culture — a way to show pride in the place these parents call home five days a week. By sitting together through presentations and discussions throughout the day, it’s also a way to demonstrate the importance of life-long learning.

Seven moms, dads, aunts and uncles from the Edmonton office, along with their grade niners, visited our Genesee Generating Station to learn about its state-of-the art turbine technology. The tour was hosted by a Genesee senior manager and was followed by lunch with our Senior Vice President of Legal and External Relations, Kate Chisholm. The students had a chance to talk about their own goals and ambitions in response to the colourful lessons from Kate’s career.

The group also heard from a Human Resources representative who shared insights on what options, steps, and opportunities the students should consider during their high-school years and beyond. The day wrapped-up with students spending time alongside their adult, getting a feel for the dynamics of an office environment.

Instruction at an iLead course for employees, part of the Capital Power School of Business.

Ethics & Integrity

We work with honesty and integrity. We stand behind our word. We treat each other and our neighbours with respect. We openly report on our performance.

- We investigate all ethical complaints thoroughly and promptly.
- We will not allow or pursue retaliation of any kind against an employee who reports a violation or ethical concern.
- Every employee is required to certify upon hiring and biennially after that he or she has received, read, understands, and will comply with our Ethics Policy.
- All employees received web-based training on the Ethics Policy in late 2013.
- All new employees are required to sign the policy.
- Managers are accountable for ensuring their employees are aware of, understand, and adhere to our Ethics policy.
- We conduct an annual fraud risk assessment across the entire organization. It considers all areas of the business and includes potential fraud scenarios. If gaps are identified in control structures, remedial action plans are developed.

Employees are encouraged to raise potential violations of our ethics policies, laws or regulations.

To report a concern, employees can:

- Speak with their manager or any member of senior management.
- Anonymously report a concern by contacting the company's **Integrity Hotline**, which operates 24 hours, seven days a week and is staffed by an independent third party under strict confidentiality obligations.

We ACT on our word

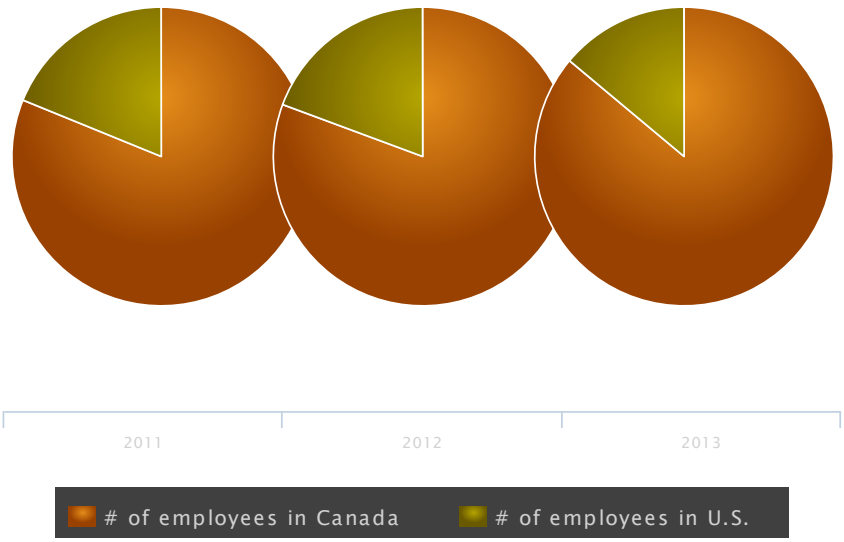
In 2013, we reviewed nine complaints on topics such as conflicts of interest, respectful workplace and inappropriate behavior, and seven complaints pertaining to vandalism, fraud, and misuse of company resources. These investigations and actions resulted in:

- coaching provided to employees
- three permanent- and five temporary-employee terminations

Workforce & Compensation

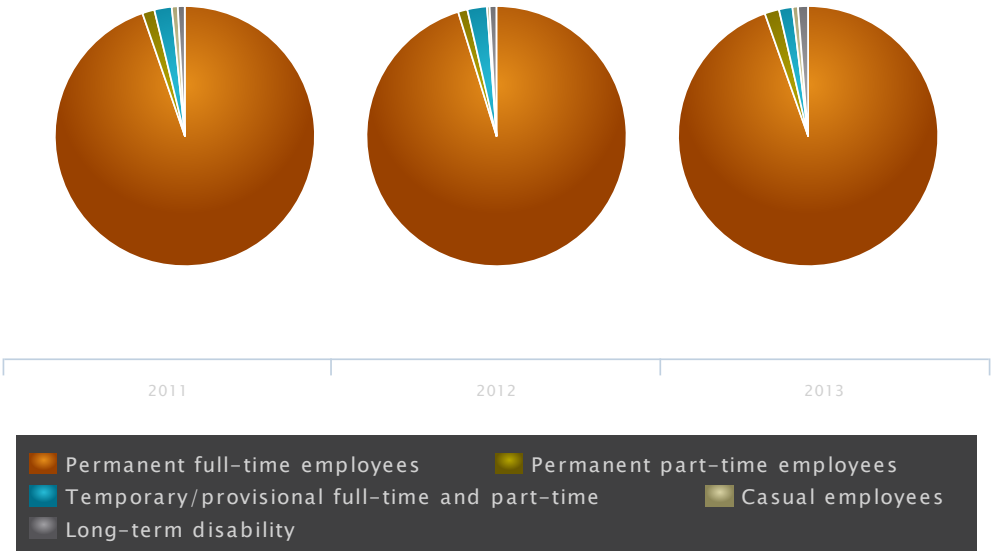
Workforce

Workforce – Employees Company-wide



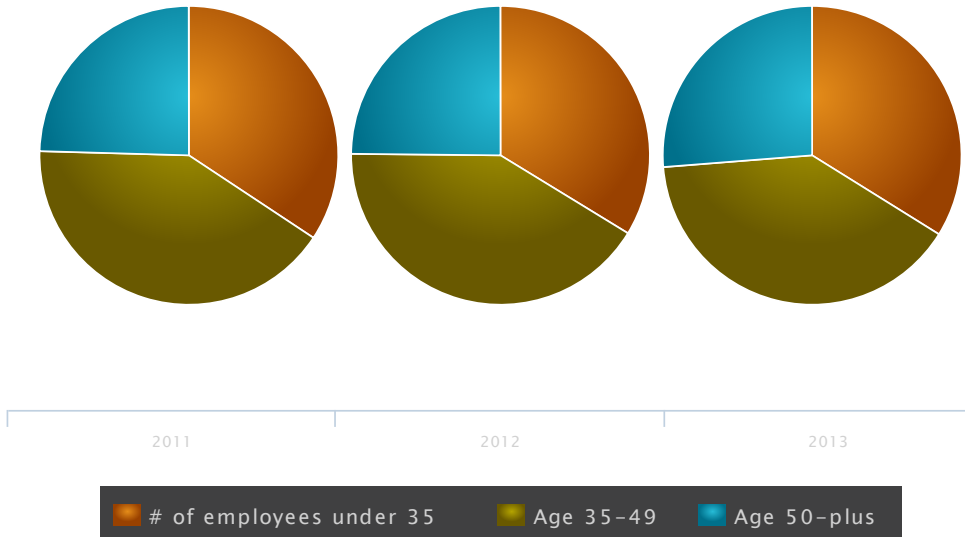
WORKFORCE	2011	2012	2013
Total number of employees company-wide	892	910	697
# of employees in Canada	724	734	600
# of employees in U.S.	168	176	97

Workforce – Status



WORKFORCE	2011	2012	2013
Permanent full-time employees	878	899	684
Permanent part-time employees	14	11	13
Temporary/provisional full-time and part-time	20	23	12
Casual Employees	7	3	5
Long-term disability	8	8	9

Workforce – Age



Age	2011	2012	2013
# of employees under 35	306	307	236
Age 35-49	367	377	278
Age 50-plus	219	226	183

Employee Volunteer Hours*	2011	2012	2013
# of hours that employees reported volunteering in their communities	13,500 hours	15,000 hours	12,000 hours

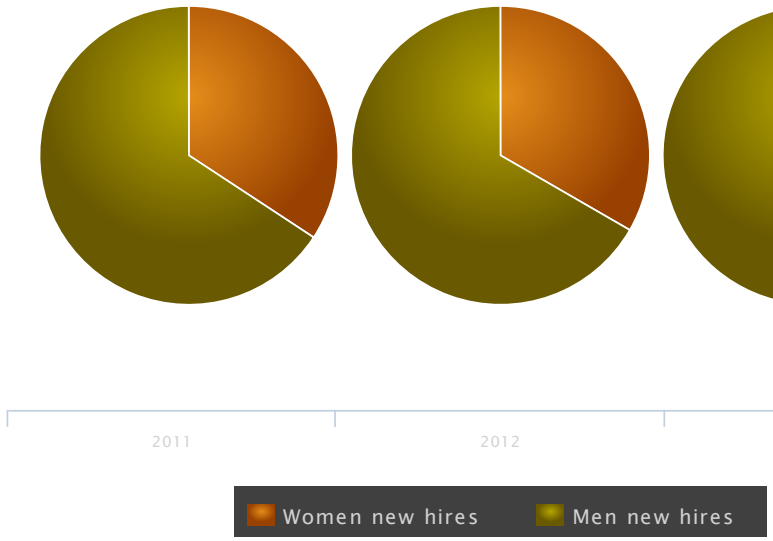
** These numbers include hours from our New England facilities. Capital Power's New England facilities were sold in November 2013.*

Employee New Hires

Employee New Hires – Location

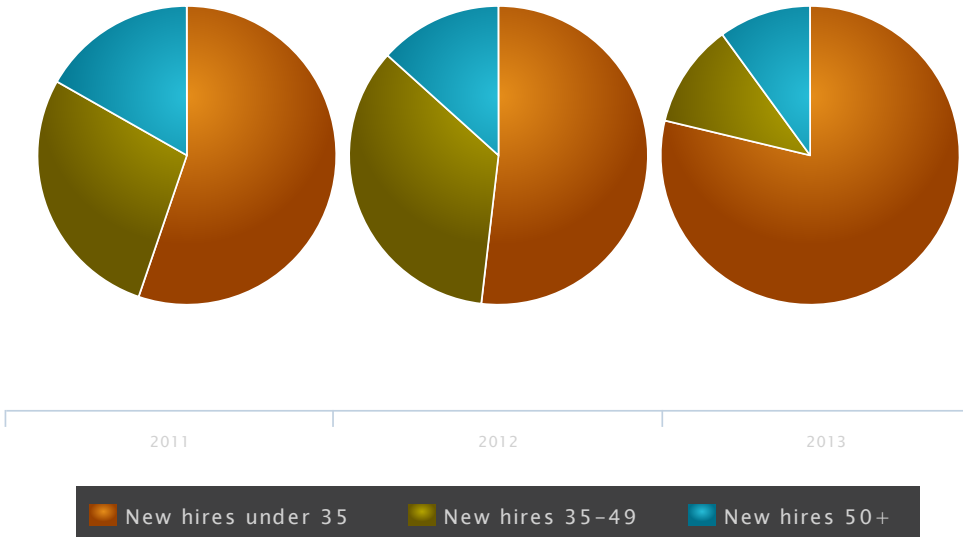
EMPLOYEE NEW HIRES	2011	2012	2013
Canada new hires (%)	115 (80%)	106 (78.5%)	69 (86.3%)
U.S. new hires (%)	28 (20%)	29 (21.4%)	11 (13.8%)

Employee New Hires – Gender



EMPLOYEE NEW HIRES	2011	2012	2013
Women new hires (%)	49 (34%)	45 (33.3%)	18 (22.5%)
Men new hires (%)	94 (66%)	90 (66.6%)	62 (77.5%)

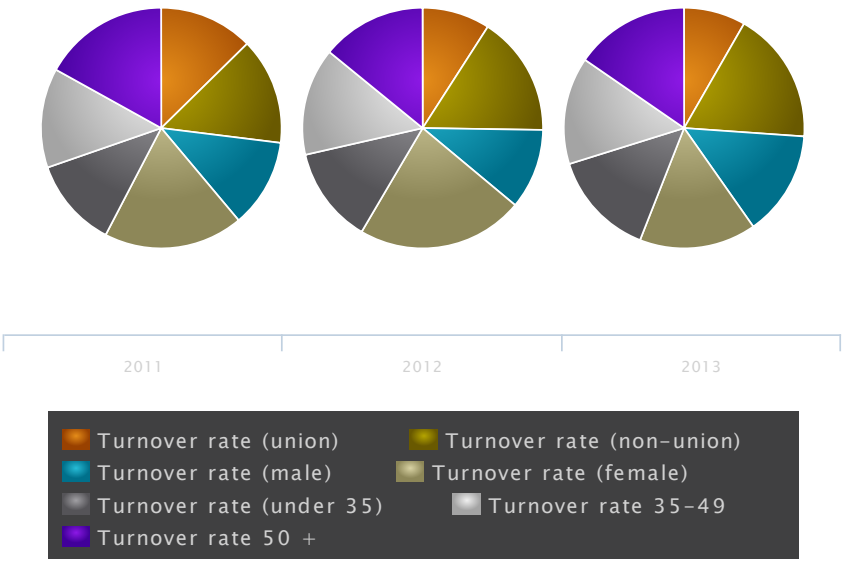
Employee New Hires – Age



EMPLOYEE NEW HIRES	2011	2012	2013
New hires under 35 (%)	79 (55%)	70 (51.8%)	63 (78.8%)
New hires 35-49 (%)	40 (28%)	47 (34.8%)	9 (11.3%)
New hires 50+ (%)	24 (17%)	18 (13.3%)	8 (10.0%)

Workforce Turnover

Workforce Turnover Rate

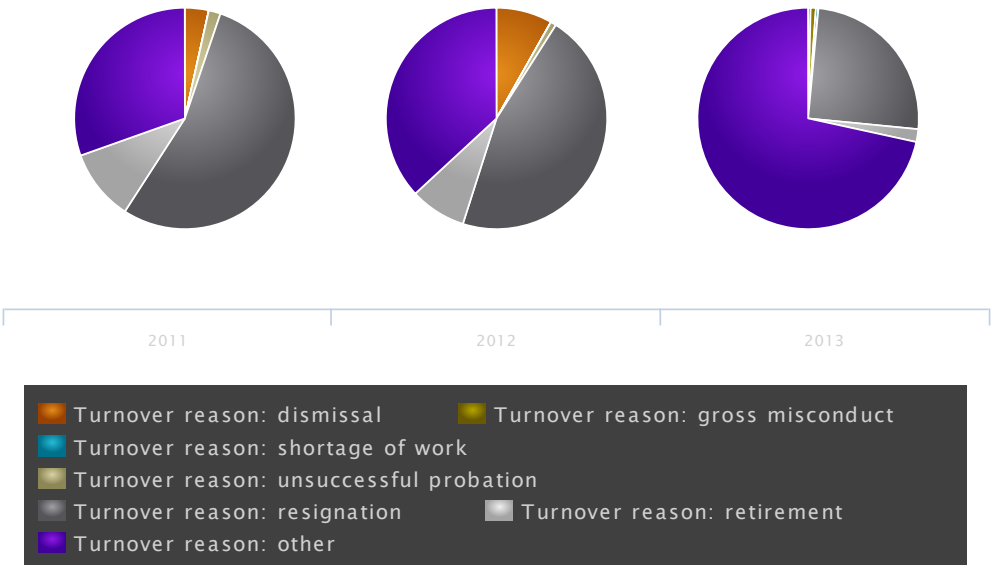


EMPLOYEE TURNOVER	2011	2012	2013
Company-wide turnover rate (%)	11.50%	12.20%	38.30%
Turnover rate (union) (%)	10.60%	8.00%	21.80%
Turnover rate (non-union) (%)	12.00%	14.20%	46.70%
Turnover rate (male) (%)	10.00%	9.50%	37.10%
Turnover rate (female) (%)	15.70%	19.70%	41.20%
Turnover rate (under 35) (%)	10.10%	11.40%	37.30%
Turnover rate 35-49 (%)	11.20%	12.70%	37.80%
Turnover rate 50 + (%)	14.20%	12.40%	40.40%

Employee turnover reason shows the contribution of each cause of turnover to the overall turnover rate on an additive basis. The employee turnover rate shows turnover rates within different segments of employees.

Capital Power completed a company reorganization in 2013, which resulted in a higher turnover rate. For 2013, 27.4% of the 38.3% turnover rate is due to the sale of assets and workforce reduction.

Workforce Turnover Reason



EMPLOYEE TURNOVER	2011	2012	2013
Turnover reason: dismissal (%)	0.40%	1.00%	0.14%
Turnover reason: gross misconduct (%)	-	-	0.29%
Turnover reason: shortage of work (%)	0.00%	0.00%	0.14%
Turnover reason: unsuccessful probation (%)	0.20%	0.10%	0.00%
Turnover reason: resignation (%)	6.20%	5.60%	9.60%
Turnover reason: retirement (%)	1.20	1.00	0.71
Turnover reason: other (%)	3.50%	4.50%	27.40%

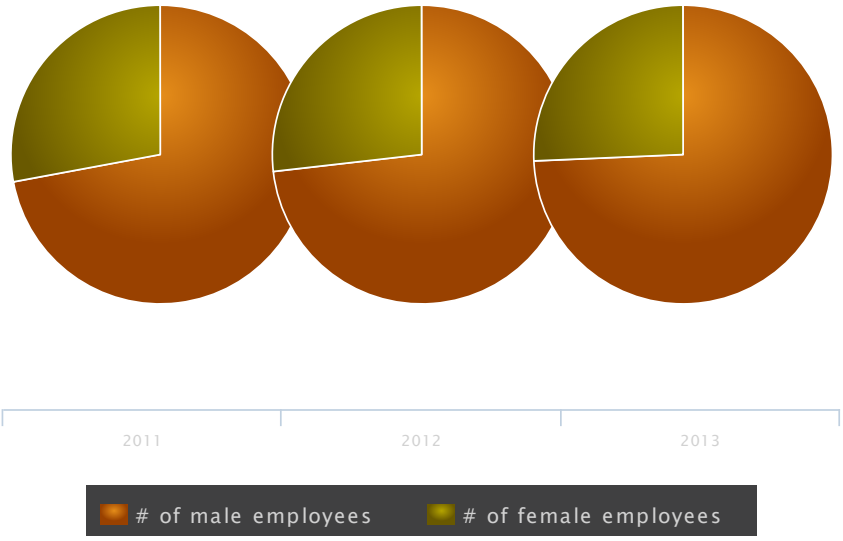
Employee turnover reason shows the contribution of each cause of turnover to the overall turnover rate on an additive basis. The employee turnover rate shows turnover rates within different segments of employees.

Capital Power completed a company reorganization in 2013, which resulted in a higher turnover rate. For 2013, 27.4% of the 38.3% turnover rate is due to the sale of assets and workforce reduction.

ABSENTEEISM	2011	2012	2013
Rates of absenteeism by region (%):	2.7% or less in all regions	1.6% or less in all	unavailable

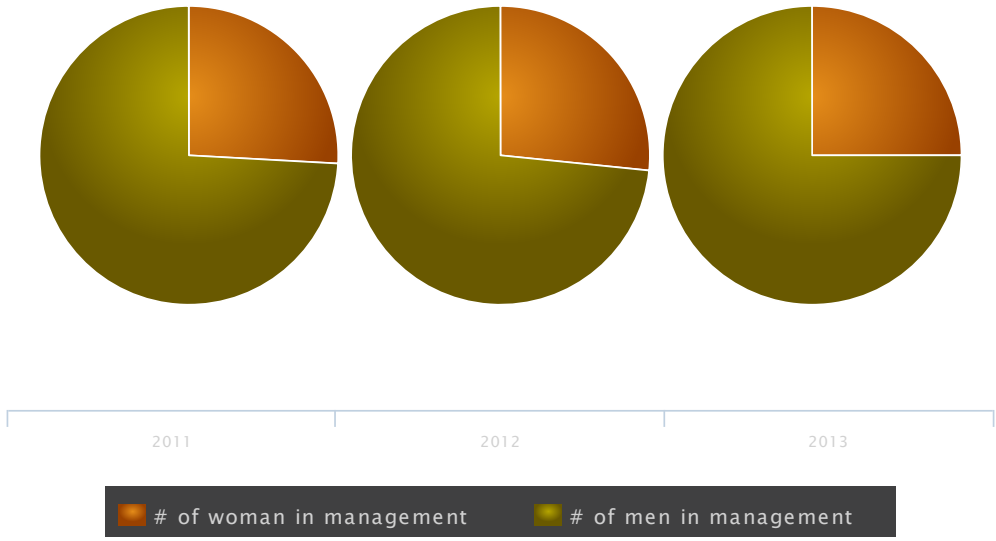
Gender Diversity

Gender Diversity – Totals



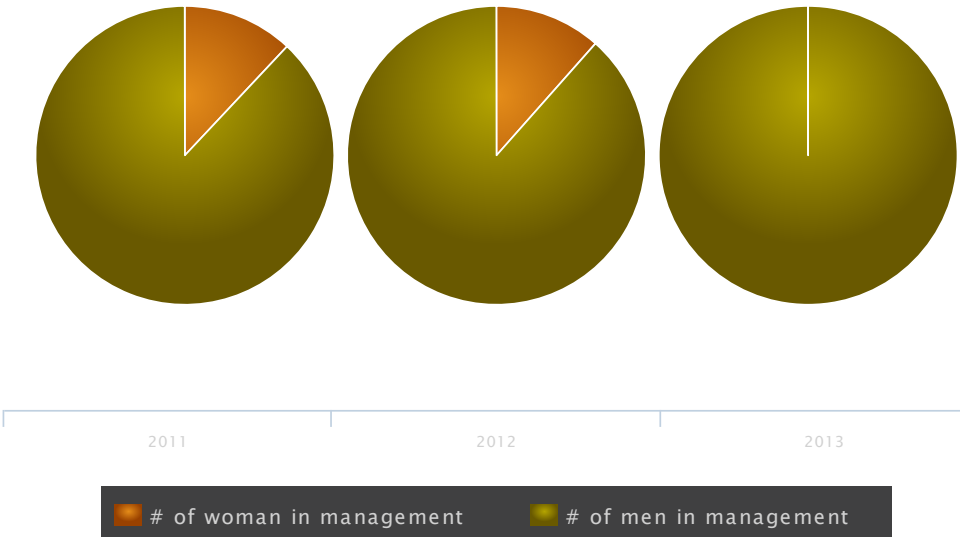
GENDER DIVERSITY	2011	2012	2013
Number and percentage of male employees	643 (72%)	666 (73.1%)	518 (74.3%)
Number and percentage of female employees	249 (27.9%)	244 (26.8%)	179 (25.7%)

Gender Diversity – Management Positions overall in Canada



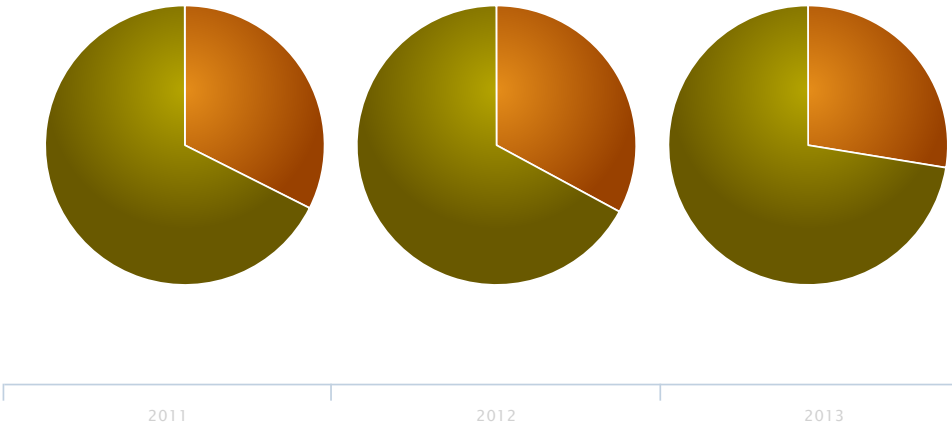
GENDER DIVERSITY	2011	2012	2013
Number of employees in management positions overall in Canada	170	169	84
- Number of women in management	44 (25.9%)	45 (26.6%)	21 (25.0%)
- Number of men in management	126 (74%)	124 (73.3%)	63 (75.0%)

Gender Diversity – Management Positions overall in U.S.



GENDER DIVERSITY	2011	2012	2013
Number of employees in management positions overall in U.S.	25	26	10
- Number of women in management	3	3 (11.5%)	0 (0%)
- Number of men in management	22	23 (88.4%)	10 (100%)

Gender Diversity – Entry-Level Management



GENDER DIVERSITY	2011	2012	2013
# of and salary comparison of women in entry-level management	24 women: $84 earned per $100 earned by men	25 women: $82 earned per $100 earned by men	8 women: $88 earned per $100 earned by men
# of and salary comparison of men in entry-level management	50 men	51 men	21 men

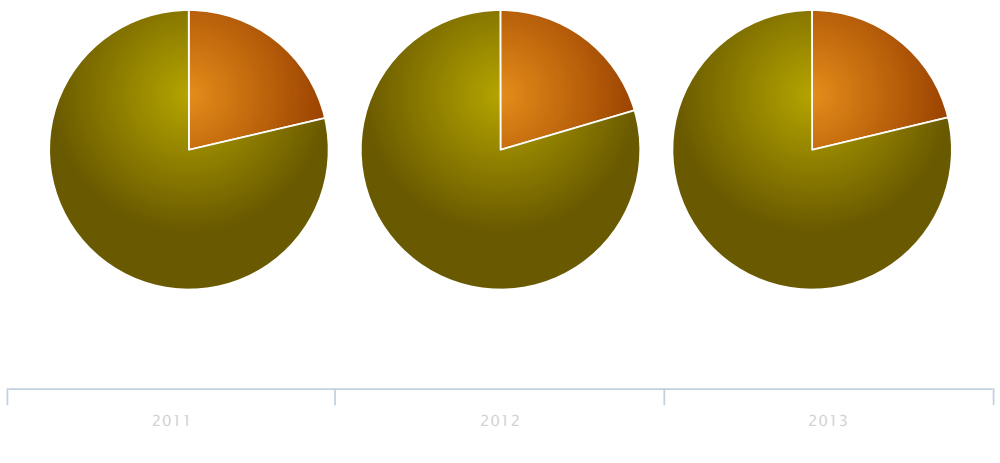
Salary Comparisons

2011 - 24 women: $84 earned per $100 earned by men

2012 - 25 women: $82 earned per $100 earned by men

2013 - 8 women: $88 earned per $100 earned by men

Gender Diversity – Mid-Level Management



GENDER DIVERSITY	2011	2012	2013
# of and salary comparison of women in mid-level management	19 women: $88 earned per $100 earned by men	18 women: $95 earned per $100 earned by men	10 women: $101 earned per $100 earned by men
# of and salary comparison of men in mid-level management	70 men	70 men	37 men

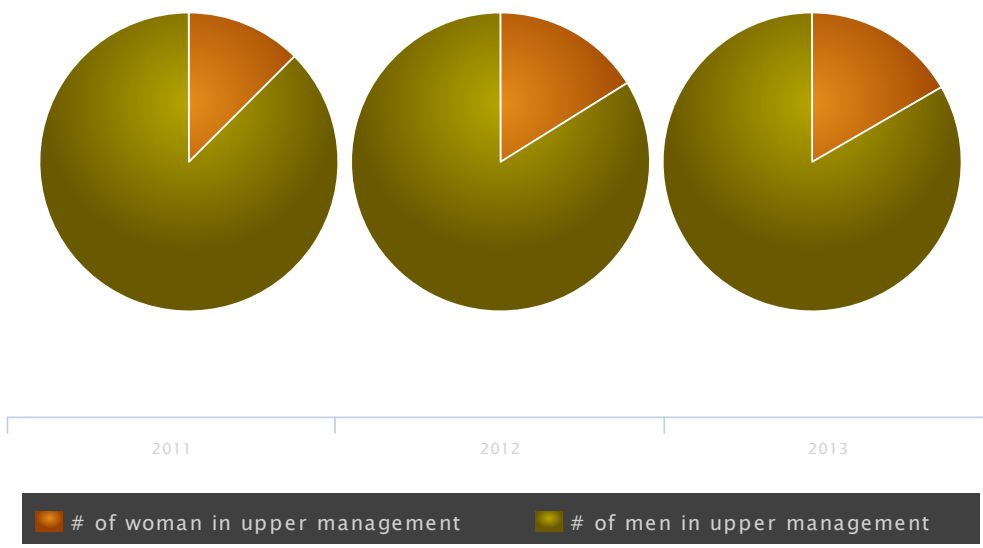
Salary Comparisons

2011 - 19 women: $88 earned per $100 earned by men

2012 - 18 women: $95 earned per $100 earned by men

2013 - 10 women: $101 earned per $100 earned by men

Gender Diversity – Upper Management



GENDER DIVERSITY	2011	2012	2013
# of and salary comparison of women in upper management	4 women: $93 earned per $100 earned by men	5 women: $87 earned per $100 earned by men	3 women: $87 earned per $100 earned by men
# of and salary comparison of men in upper management	28 men	26 men	15 men

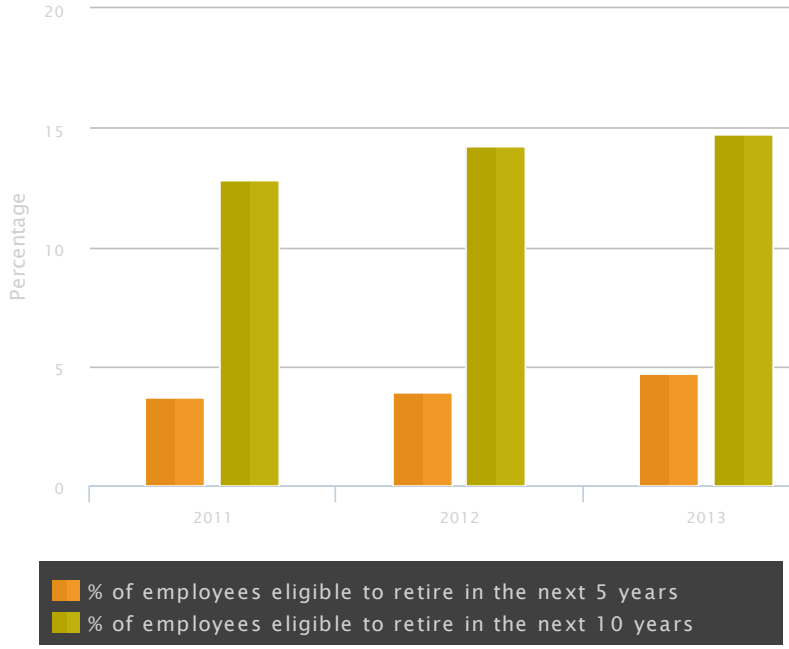
Salary Comparisons

2011 - 4 women: $93 earned per $100 earned by men

2012 - 5 women: $87 earned per $100 earned by men

2013 - 3 women: $87 earned per $100 earned by men

Retirement



Retirement	2011	2012	2013
Percentage of employees eligible to retire in the *next 5 years*			
TOTAL	3.70%	3.90%	4.72%
Percentage of employees eligible to retire in the *next 10 years*			
TOTAL	12.80%	14.20%	14.70%

Collective Agreements

We have positive work relations with three labour unions in Canada (one has two separate locals), which together represent approximately 40% of our labour force in Canada and approximately 34% of our overall workforce.

We have had zero days lost to strikes at Capital Power. In 2013, 16 grievances were filed: 15 individual grievances, and one policy grievance.

At the date of publication, Capital Power's collective agreements were:

- UNIFOR 829 – March 28, 2014 to Dec 24, 2016
- CSU 52 - Nov 18, 2012 to Dec 13, 2014
- IBEW 1007 - Oct 21, 2012 to Dec 12, 2015
- UNIFOR 1123 - May 1, 2012 to Apr 30, 2015

The minimum notice period for operational changes varies among the collective agreements. On average, employees receive a minimum of 24-hours notice for a change in shift. The company can, however, direct employees with minimal notice during emergency situations.

More information about our collective agreements can be found in our 2013 Annual Information form.

On-site at our Island Generation facility on Vancouver Island, B.C.

Our compensation

WAGES & COMPENSATION	2011	2012	2013
Employee wages and benefits (in $)	$111,247,157 CDN; $10,978,960 U.S.	$117,543,101 CDN; $20,147,549 U.S.	$110,499,365 CDN; $19,602,152 U.S.
Employee benefits paid (in $ and %)	-	$153,122 (0.13%) CDN	$138,804 (0.13%) CDN
Canada Only	12.66% accessed the Employee and Family Assistance Program (EFAP)	13.56% accessed the EFAP	13.91% accessed the EFAP; 79.4% accessed the Personal Spending Account
Employees that are members of registered defined contribution plan	CDN – 273 (37.7%) U.S. – 136 (81%)	CDN – 317 (44.1%) U.S. – 145 (81.5%)	CDN - 254 (42.3%) U.S. – 78 (80.4%)
Canadian Employees that are members of Local Authority Pension plan (LAPP), a multi-employer defined benefit plan	446	402 (55.9%)	338 (56.3%)

COMPARISONS – WAGES	2011	2012	2013
% workforce paid more than minimum wage (national)			
- Company-wide	100%	100%	100%
- Canada only	100%	100%	100%
- U.S. only	100%	100%	100%
Difference between Capital Power's lowest starting wage and local minimum wage (Alberta)	$11.01	$10.44	$7.99
# of employees earning lowest starting wage (national)			
- Company-wide	3	6	3
- Canada only	2	3	2
- U.S. only	1	3	1

Benefits & Recognition

Our benefits

We provide employees with a benefits package that includes:

- health and wellness
- family-friendly benefits
- retirement/savings plans
- educational support

Employee and family assistance

Employees may seek assistance through several formal options:

- their immediate supervisor
- the Human Resources department
- a confidential support service with counseling services offered by phone, online, in-person, and text-based (e.g. self-care, self-learning)

Our Employee and Family Assistance Program helps individuals, couples, and families access short-term counseling to assist with life challenges. This includes help with anxiety, depression, career enhancement and workplace issues, family issues, bereavement, addictions, and other health issues.

Health and welfare

Programs are reviewed regularly and customized by region to ensure they are competitive and typical of the regions in which we operate. Coverage includes medical, dental, vision care, and spending accounts for employees and their families, and income protection in the form of short- and long-term disability for employees.

A basic amount of life insurance is provided for all employees, with employees having the option to increase coverage for themselves and their dependents.

Retirement savings plans

We offer a variety of retirement and savings plans. Depending on eligibility (e.g. permanent versus temporary or union versus non-union employees) and location, employees participate in pension, 401(k), and registered and non-registered savings plans.

Educational resources are also available to plan participants through the various plan providers.

Incentive pay

Most employees are eligible for a short-term incentive award, which is based on the achievement of corporate, group, and individual performance objectives. Incentive targets vary by position and generally increase as the employee moves up in the organization. The incentive target is a percentage of base salary and ranges from 7% to 25% or more. Union employees participating in the plan have a target incentive identified in their collective agreement.

For more information on our compensation philosophy and programs, see the 2013 Capital Power Corporation Management Proxy Circular.

Paid time off

We believe in work/life balance and encourage employees to take time away from the workplace. Employees are offered various paid-time-off options based on eligibility and region. Paid holidays, personal leave days, paid time off, vacation, and the My Time program allow for flexibility in time away from work.

New in 2013 – Temporary flexible work arrangements offered

Short term, acute, family, or personal responsibilities can sometimes place a significant amount of strain on work/life balance. To assist employees maintain balance during this temporary period, employees have the opportunity to add flexibility to their work arrangement through short-term customized arrangements including flextime (rearrangement of hours), flexplace (different work location including from home), and reduced work schedule (reduced work hours).

Milestone achievement award program

Our Milestone Achievement Awards Program recognizes employees for service ranging from five to 35 years with pre-paid credit cards ranging in value from $300 to $2,500.

Employees reaching milestones of 10 years and above are invited to a special recognition event that is hosted by our President and CEO, Brian Vaasjo, to personally thank employees for their long-term commitment and contributions.

In 2013, 41 employees were recognized across our company with one U.S. employee reaching 35 years. Celebrations were held in Raleigh, NC and Edmonton, AB.

Working smarter.

We are creating a culture where we think outside the box, question the way we do the things we do, and look for innovative ways to work and spend smarter.

New enterprise resource planning system saves millions

At the beginning of 2013, after 15 months of planning, implementing, and training, we overhauled and implemented our Oracle Enterprise Resource Planning (ERP) system, which allows our organization to integrate various aspects of our business (e.g. finance, human resources, procurement) into one system.

The ERP system was designed to streamline and integrate the company's core business processes, which resulted in a system that is able to support our growth plans. The ERP project, and other cost savings initiatives, including streamlining our organization, **resulted in an annual reduction in general and administrative expenses of approximately $22 million.**

Innovative strategies contributed to the project success:

- **Dedicated "all-star" team:** our best people in all subject areas were selected for the project which moved it from a typical Information Services driven approach to a true business initiative.
- Selected an **implementation partner with the specific individual skill sets** in each functional area.
- Implemented a **fixed price contract with a penalty/bonus clause for on-time completion.**
- Planned the implementation with a specific **focus on historical lessons learned:** the selection of an implementation partner, team co-location, business unit resource secondment to the project, and visible executive support were among the top lessons learned and leveraged during this implementation.
- **Created a Stakeholder Committee for Change Management:** a Stakeholder Committee was formed with senior representation from each impacted business area to become intimate with the changes (both process and system), provide feedback for the change management strategies, and to act as project champions and change agents in their respective business areas. This strategy exceeded our expectations. Our messages were consistently well communicated, and feedback was immediate, which allowed us to react in a timely and effective manner.
- **Had an effective Steering Committee:** the project Steering Committee met on a bi-weekly basis and was effectively used to remove road-blocks and to provide approvals (when required) in a timely manner.
- **Managed the details relentlessly:** Project Management was focused on creating an environment where each team member was dedicated to the successful outcome of the project. Roadblocks were immediately dealt with, and each project member was accountable to complete their work on time and with expected quality. Leadership was visible, and the sense of urgency was clear to all project members.
- **Established daily defect meetings:** daily meetings were used to discuss outstanding defects and solution paths.

The results

- **Significant Operating Cost Savings:** the project was directly responsible for an annual operating cost reduction of $2M to $3M per year leading to an Internal Rate of Return of 25.2% which is virtually unheard of for an ERP project.
- **Improved control environment:** The new ERP introduced significant control improvements by fully automating the approval of procurement and journal entry functions.
- **A robust and flexible reporting framework:** the project design revolutionized both the level and depth of information available for management decision making in such key areas as human resources and financial information

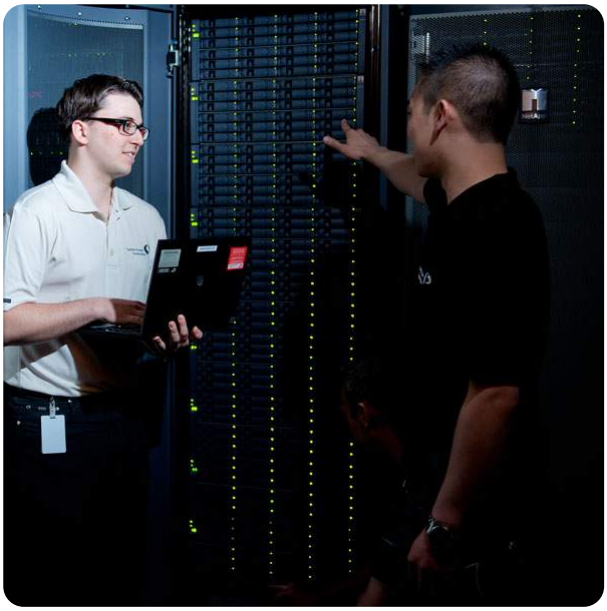
In May 2013, the team was awarded the "**Project of the Year"** by the Project Management Institute (Northern Alberta chapter) in the Information Systems category.

Print smart challenge decreased paper waste

We continued our cause to reduce paper waste in 2013 by doing a company-wide print smart challenge. Simple changes (e.g. printing double-sided, printing in black and white, scanning documents to email instead of printing), including monthly monitoring, brought considerable savings.

In 2012, we moved our Canadian offices and plants to centralized "follow me" printing - a system where employees access their print jobs from any printer in any office with a swipe of their ID card - which saved over 185,000 printed sheets per month. In 2013, all remaining locations were added to the centralized "follow me" printing system.

The 2013 print smart challenge resulted in a 35% decrease in printed paper from the previous year, for a new low of 2,800 sheets per user and a savings of over 1.456 million sheets of paper at Capital Power. This well exceeded our target for 2013 of 3,225 sheets per user.



Members of our Information Services department were part of the "all-star" enterprise resource planning system project team.

Our Giving

In 2013, we provided support of $1.17 million* to charitable organizations and programs in communities in which we do business. We help to preserve and strengthen **community character**, **ecology**, and **cultural heritage**.

Community investment in 2013 included support for the following:

- Alberta Emerald Foundation, AB
- Art Gallery of Alberta, AB
- Campbell River Salmon Festival, BC
- Castor & District Rodeo, AB
- Citadel Theatre, AB
- Discovery Passage SeaLife Society, BC
- Dungannon Truck & Tractor Pull, ON
- Goderich Children's Festival, ON
- GRID Alternatives Solarthon, CA
- Grizfest Music Festival, BC
- Halkirk & District Senior Centre, AB
- Halkirk Elks Bullarama, AB
- Huron Country Christmas Bureau, ON
- Leduc Country Parks and Recreation - Genesee Teddy Bear Picnic, AB
- Lucknow Agricultural Society - 150th Fall Fair, ON
- Roxboro Area Chamber of Commerce Personality Festival, NC
- Special Olympics North Carolina, NC
- Thorsby Christmas Elves, AB
- Tumbler Ridge Children's Centre Society, BC
- University of Alberta, AB
- Warburg Cultural Society - Art Gala, AB

*The $1.17 million includes $60,000 relative to our New England communities. Capital Power's New England facilities were sold in November 2013.

Supporting festivals and community events

- Our sponsorship of the annual **SalmonFest** Celebrations in Campbell River, B.C. provided free activities and rides for children while supporting the community's heritage sport of logging. The annual August event brings together nearly 5,000 people for a weekend of celebrations.
- As a sponsor of **Bullarama** in Halkirk, AB, we helped bring the rodeo and family activities to the community.
- In Ontario, near our Kingsbridge I wind-power facility, we supported the **Dungannon Truck & Tractor Super Pull.** Thousands of community members came together for this popular event.
- For the fourth year in a row, we were part of the **Grizfest Music Festival** in Tumbler Ridge, B.C. The 2013 summer festival welcomed more than 1,500 people to enjoy the talents of local musicians and artists.
- In the Ontario community of Goderich, we supported the annual **Goderich Children's Festival**, which offers free activities and programming for elementary school children.

In 2013, we assisted programs for people in need.

- When Edmonton's **Bissell Centre Thrift Shoppe** suffered a devastating fire, Capital Power employees donated over 700 items of clothing and personal items for men, women, and children to help re-stock the Shoppe.
- Together with our partners in the K2 Wind Project in Ontario, we contributed to the Huron County Christmas Bureau and the Huron County Food Bank.
- Employees at the Genesee Generating Station collected holiday donations in support of the **Thorsby Christmas Elves** by providing Christmas hampers and gifts to families who are unable to afford traditional Christmas celebrations. Capital Power matched employee's donations.
- Capital Power's Edmonton office supported the **Christmas Bureau of Edmonton** by providing a festive meal to Edmonton families in need.
- **Hope Mission:**
    - Employees at the Clover Bar Energy Centre collected donations for the **Tegler Youth Centre**, a subsidiary of Hope Mission, which offers drop-in activities for inner-city and low income youth. Capital Power matched these funds.
    - Employees donated over $1,200 along with bottled water and non-perishable food items to Hope Mission during the hot summer months. Capital Power provided an additional contribution for the purchase of bottled water for Hope Mission's clients.

Campaigns & Sponsorships

Community spirit.

Our passion for improving quality of life in the communities where we live and work pushes us to find new and creative ways of strengthening the community.

For communities across North America – United Way

Employee generosity and company-matched contributions have raised nearly $1.5 million for United Way over the past four years. Our fourth annual **United Way** campaign saw an increase in employee participation over the previous year, with employee contributions reaching more than $160,000 through personal pledges, which were matched dollar-for-dollar by the company.

Employee-led fundraising events boosted the amount of money raised, bringing the 2013 campaign total to more than $345,000.

United Way of the Alberta Capital Region nominated Capital Power for two Awards of Distinction: Outstanding Campaign Committee; and Employee Campaign Chair of the Year, Private Sector. Capital Power won the award for the Employee Campaign Chair of the Year, Private Sector.

In appreciation of our military

For the third consecutive year, we sponsored **Military Appreciation Night** at an Edmonton Eskimos' home game. In 2013, funds raised were donated to the Edmonton Garrison Military Family Resource Centre (MFRC) in support of mental health and post-traumatic stress disorder programs.

Our employees and their families, together with volunteers from the MFRC, accepted donations from Eskimos' fans in exchange for limited-edition "Support Our Troops" T-shirts. Almost 3,500 T-shirts were distributed by game time, and nearly $40,000 was raised. Capital Power matched these funds, resulting in a total contribution of $80,000 to the MFRC.

Over the past three years, Capital Power and Edmonton Eskimos' fans have collectively raised more than $191,000 for military charities in Edmonton. In 2011 and 2012, Valour Place received over $111,000 through this partnership. Employees who volunteered for this event were able to use their time towards the EmPowering Communities Employee Volunteer Grant

"As a non-profit society, we rely a great deal on the support of local businesses and members of our community in order to continue to provide the best quality and standard of support and resources to our military members and their families. We are grateful for this opportunity to work together with Capital Power."
- MFRC Executive Director, Roza Parlin

Capital Power's 10 Days of Magic United Way Campaign was a huge success, exceeding its target by over $60,000 with an impressive $355,044 final donation after the company-match of employee donations.

Our sponsorships

Arts and Culture

For the love of art – Art Gallery of Alberta

The Art Gallery of Alberta (AGA), the National Gallery of Canada, and Capital Power have been working together since 2009 to bring important works of art to Alberta. The partnership was renewed for an additional three years in 2013 and will continue to bring exhibits from the National Gallery of Canada to the Edmonton community until 2015. The **Capital Powered Art Program** has helped to bring 12 exhibits to the AGA between 2009 and 2013.

A new program, the **Capital Powered Art Acquisition Program**, was created in 2013. It provides the opportunity for art lovers, enthusiasts, and visitors to the AGA to help build the gallery's own permanent collection. People can donate funds to the program through the collection boxes at the Gallery or as tax-deductible donations. Each year, Capital Power will match the donations up to $25,000. The funds are used to purchase works primarily from living Albertan and Canadian artists.

Capital Power received the Mayor's Celebration of the Arts Award (Edmonton) for Innovative Support by a Business in the Arts at the 27th Annual Mayor's Celebration of the Arts for our Capital Powered Art series.

The power of performance – Citadel Theatre

We were thrilled to sponsor the Citadel Theatre's production of the Monty Python comedy "Spamalot" when it debuted to Edmonton audiences in 2013. As the best-selling performance of the 2012/13 season, it played to 95% capacity and entertained close to 20,000 patrons during its four-week run.

In 2013, Capital Power enhanced its partnership with the Citadel by committing to a three-year agreement as the **Citadel's Season Sponsor**. The commitment began with the 2013/14 season and will include the Citadel's 50th Anniversary Season starting in the fall of 2015.

> "We're very excited about our new season sponsor, Capital Power," said Citadel Theatre Artistic Director, Bob Baker. "Capital Power has been an invaluable sponsor for a number of blockbuster productions during seasons past. They have shown true leadership and dedication to the arts and culture in our vibrant city by stepping up their commitment and investment with the Citadel Theatre."

Generating new ways of thinking – Festival of Ideas

The University of Alberta's Festival of Ideas is an interactive and inclusive forum that facilitates creative thinking. As the festival's founding sponsor, Capital Power helps sustain this biennial festival with a commitment to multi-year funding through 2014.

In 2013, our partnership presented Alanis Morissette and Margaret Atwood on stage at the Winspear Centre to discuss and debate "Life, Love, Art". The evening included dialogue and the opportunity for the audience to participate through a question and answer session. The two women had never before shared a stage, and Edmonton had the first chance to witness their dynamic chemistry.

Connecting people, places, and community – Pecha Kucha Nights

Edmonton's NextGen is a group of young, passionate, community-minded citizens working together to connect people, places, community, and ideas. We supported NextGen's three Pecha Kucha Nights in 2013. Each event attracted more than 500 people. The concept originated in Tokyo as a platform for young designers to meet, network, exchange ideas, and show their work in public. Pecha Kucha Nights are helping the next generation of leaders contribute to the growth of Edmonton's vibrant community.

Lighting the Bridge

In 2013, Capital Power supported Edmonton's grassroots civic campaign to light the iconic High Level Bridge. The vision of the committee is to string thousands of smart, programmable LED lights across the bridge. When the community was called on to help fund the project, Capital Power stepped up. With a contribution that represented the purchase of a bulb for every Edmonton and area Capital Power employee, we challenged other corporations to do the same. Together with over 300 businesses and nearly 11,000 individual contributions, Capital Power is part of the team that helped to achieve the goal of $2.5 million. The Bridge was lit up on Canada Day, July 1, 2014.

Health and safety

Saving lives with critical emergency response – STARS

> "Capital Power believes in the value of STARS' life-saving capabilities and its ability to provide critical emergency medical transportation and care to communities — including those locations where Capital Power has operations and where our employees and their families live."
> - Brian Vaasjo, Capital Power President & CEO

We continued our three-year partnership with STARS (Shock Trauma Air Rescue Society) to support the Critical Care and Transport Medicine Academy. STARS is an integral part of our emergency response plan at the Genesee Generating Station in Alberta.

Vital health-care education is delivered to rural and urban medical professionals through this innovative education and training opportunity. Between 2009 and 2013, the Academy graduated 111 emergency-care professionals who now have a unique and highly-specialized skill set.

Saving children's lives – Stollery Children's Hospital Foundation

For the second year in a row, we supported the Stollery Children's Hospital Snowflake Gala, Edmonton's only kid-friendly holiday gala offering entertainment for the whole family. The 2013 event raised $590,000, which will be used toward the purchase of the newest and best technologies toward educating children's health professionals and supporting leading-edge research in pediatrics.

In addition to our sponsorship, Capital Power employees volunteered their time in the months leading up to the event by assisting in the development of the Gala décor and set construction. Several employees also volunteered at the event by helping to execute the many different components that made the event a success.

Supporting rescue programs in North Carolina

The Roxboro Fire Department in North Carolina has a **Confined Space Rescue Initiative** program that benefits the local industry, which includes the Capital Power facility in Roxboro. The program is staffed exclusively by the fire department and provides training to all personnel on an ongoing basis. Capital Power supported this program in 2013 by helping to fund the purchase of equipment necessary for the training as well as the actual emergency situations. It is an essential program ensuring the safety of the community and its workforce.

Flood Recovery and Relief – Canadian Red Cross

In June 2013, Calgary experienced their largest flood in modern history. Large portions of the city were damaged and thousands of citizens were evacuated. In addition to matching employee contributions for flood relief, Capital Power contributed $50,000 to the Canadian Red Cross to assist in their essential recovery efforts.

Suspension bridge and trail development in Campbell River

As a major sponsor of the Campbell River Rotary Club's TV auction, Capital Power supported the organization's success in raising over $90,000 for the completion of a suspension bridge over Elk Falls, located in a provincial park just outside Campbell River, BC. The Elk Falls project also includes the development of two new viewing platforms and expansion to the trail system around the falls. The project will showcase one of Campbell River's most spectacular natural wonders by providing a clear, unobstructed view of the falls and canyon.

Learning and Development

Growing careers – Young Professionals in Energy

> "There is tremendous value to be had in young professionals coming together to develop, grow, share information, and gain greater understanding of the energy industry, and we are proud to support the Edmonton Chapter."
> - Brian Vaasjo, Capital Power President & CEO

Capital Power is proud to be a Founding Partner of the Edmonton Chapter of **Young Professionals in Energy (YPE)**. Since its inception in 2012, YPE Edmonton has put on nine events with over 300 total attendees. YPE Edmonton has also sent six guest judge volunteers to support the Alberta Energy Challenge case competition hosted by the University of Alberta. YPE membership has grown to include 350 industry professionals in Edmonton during its first year. YPE has more than 20,000 members worldwide and provides networking and career development for energy-industry professionals.

Educating on local marine life in Campbell River

Opening its doors for the first time in June 2013, the **Discovery Passage Sea Life Aquarium**, located in the downtown core of Campbell River, B.C., contains over 30 different display tanks of marine specimens collected from the local waters of Discovery Passage. Capital Power's support helped fund the necessary facilities, equipment, and educational programming.

Over 12,000 visitors, including 1,000 people on opening day, visited the Aquarium in 2013. The sea creatures at the aquarium are collected in the spring and released back into the ocean in the fall. During operation, salt water is pumped in from the ocean and run through the tanks to keep the temperature consistent and to provide oxygen and nutrients to the sea creatures. During the summer, the aquarium employs post-secondary students studying in a related field to act as interpreters and assist in maintaining the tanks.

A career in Trades – Alberta Apprenticeship and Industry Trades Scholarship

We funded two **Alberta Apprenticeship and Industry Trades Scholarships in 2013:**

- The Capital Power Aboriginal Scholarship
- The Capital Power Genesee-Keephills Scholarship-Instrument Technician

Employees support the Heart and Stroke Foundation by participating in the Heart & Stroke Big Bike event.

Volunteerism

Giving back

EmPowering Communities - the power of volunteers

EmPowering Communities encourages employee volunteerism and recognizes the valuable gifts of time, skill, and knowledge that employees give to the community.

Employees and their families who volunteer a combined minimum of 35 hours in a calendar year can apply for a $500 grant to be donated by Capital Power to a non-profit organization of the employee's choice.

Employees who refer co-workers to participate in the program for the first time are eligible to direct a referral grant of $250 to a non-profit or charitable service organization.

In 2013, **134 employees** were involved in the program and 13 employees participated for the first time after being referred by a colleague. Nearly **12,000 hours in volunteer time** were reported by employees and their families. In recognition of this dedication, we **contributed $70,000 to non-profit organizations** across North America.*

* These numbers include contributions of $8,000 from 16 employees at our New England facilities. Capital Power's New England facilities were sold in November 2013.

2013 EmPowering Communities

Grants were provided to a wide variety of organizations including, but not limited to:

- Big Brothers Big Sisters of Canada
- Boy Scouts of America, MA, NC, ME
- Breton Minor Soccer, AB
- Campbell River and District Adult Care Society, B.C.
- Canadian Cancer Society Alberta/NWT Division, AB, NWT
- The Canadian Heritage Arts Society, B.C.
- Hope Mission, AB
- Londonderry Child Development Society, AB
- McCleod Community League, AB
- Mountainaire Avian Rescue Society, B.C.
- Parkland Food Bank Society, AB
- Second Chance Animal Rescue Society, AB
- Southern Alberta Myeloma Patient Society, AB
- Spruce Grove Minor Hockey Association, AB
- Strawberry District Society, AB
- West Suburban YMCA, MA

Celebrating volunteerism – Propellus Leadership Awards

For the second year in a row, Capital Power was a proud sponsor of the **Propellus Volunteer Awards** (formerly Volunteer Calgary Leadership Awards), which recognize the extraordinary efforts of volunteers who demonstrate exceptional community support.

Capital Power was nominated for the Outstanding Employee Volunteer Program, which recognizes the volunteer programs and employee involvement of corporations.

Team building by volunteering

Capital Power employees volunteer together to build camaraderie with their colleagues and connections with the community.

Employee teams regularly participate in group volunteering activities at various agencies serving needy and underprivileged citizens within their communities. Further, within our corporate sponsorships and community partnerships, Capital Power works with community partners to offer volunteer opportunities for our employees and their families and friends with the Edmonton Eskimos, PaceKids Programs, Stollery Children's Hospital, Wellspring Edmonton, and a number of charitable military organizations including Valour Place and the Edmonton Garrison Military Family Resource Centre. We encourage the partner organization to bring volunteers to work alongside our employee volunteers to increase engagement and further inform our employees of the impact of the community partner's work.

These activities are well received and hours volunteered through these initiatives can be applied to the EmPowering Communities program.

Capital Power sponsored Military Appreciation Night at the Edmonton Eskimo game and raised funds for the Edmonton Garrison Military Family Resource Centre.

The Solarthon for GRID Alternatives, San Diego, California

A group of Capital Power employees teamed up with over 200 volunteers for the GRID Alternatives **2013 Solarthon**, which installs solar photovoltaic systems for low-income families. People from all walks of life worked side-by-side on a common mission to help others.

This volunteer opportunity covered 11 houses in San Diego, as an extension of the Habitat for Humanity project. Working with other sponsor volunteers, safety supervisors, and the homeowners, participants installed two sets of solar panels per residence.

Employees were able to use their volunteer hours to apply for an EmPowering Communities Employee Volunteer grant. Capital Power also gave a cash donation to support this worthy cause.

Volunteers install solar photovoltaic systems for low-income families in San Diego.

Community Leadership Program

Our Community Leadership Program matches our executive leaders with organizations that contribute to the betterment of our community. Our leaders gain greater insight into the community's needs while helping non-profit organizations achieve their goals. In 2013, our senior executives served on the following boards of directors:

- **Brian Vaasjo** – Chair & Director, Alberta Shock Trauma Rescue Society (STARS) Foundation
- **Kate Chisholm** – Director, United Way of the Alberta Capital Region
- **Darcy Trufyn** – Director, Art Gallery of Alberta; and Director, Wellspring Edmonton
- **Stuart Lee** – Director, Citadel Theatre; and Audit Committee, University of Alberta

Consultation & Engagement

Engaging with Stakeholders

- **We share** project information
- **We ask** for feedback
- **We listen** to input
- **We align** with the interests and priorities of the community

Our goal on every project is to build and operate power generation facilities in a way that aligns with the interests and priorities of the community. Stakeholders have multiple opportunities to learn about our projects and to provide input. We draw on best practices in public consultation and we actively consult with our stakeholders — particularly in regard to new projects or existing facilities.

In an ongoing effort to build and strengthen relationships with First Nations, we actively look for opportunities to nurture connections and support events that are important to the community.

At project open houses, we work to listen and learn from stakeholder feedback.

Quality Wind & Halkirk Wind

Building Relationships.

Quality Wind and Halkirk Wind Facilities

In 2013, the Quality Wind (Tumbler Ridge, B.C.) and Halkirk Wind (Halkirk, AB) power facilities saw their first full calendar year of operations. Throughout the year, we took steps to remain in contact with stakeholders and communities.

Halkirk Wind

In Halkirk, we invited all project leaseholders to a dinner and information event to thank them for their support during construction, share the successes of the first six months of operations, and provide information on the ongoing reclamation efforts. Capital Power also continued its support of the annual Halkirk Elks Bullarama and interacted with stakeholders at the event.

Quality Wind

At Quality Wind, team members continued our relationship with First Nations previously engaged during the permitting and construction of the project. Capital Power team members met with the Councils of the Saulteau First Nations and West Moberly First Nations during the year and, in August, attended a community event during the Annual General Assembly of the McLeod Lake Indian Band. The company extended a contract with West Moberly for snow clearing and road maintenance.

In July, Capital Power participated in a community forum on seeking a designation for Tumbler Ridge to become an authorized Geopark.

A Geopark is an area recognized by the UNESCO-supported Global Geopark Network to have exceptional geological heritage. The designation recognizes that the area has a natural landscape good for education, has a significant scientific value, and is particularly rare or simply beautiful to look at.

The initiative is supported by industry and the following community groups with which Capital Power has established relationships:

- the Wolverine Nordic and Mountain Society
- the Peace River Regional Palaeontological Centre
- the Tumbler Ridge Museum

Halkirk Wind, AB.

Genesee Generating Station

Ongoing Engagement

The Genesee Generating Station and Mine have operated west of Edmonton, AB for 25 years. Genesee 3, commissioned in 2005, is one of the most advanced, fuel-efficient, and environmentally-progressive coal-powered facilities in Canada. We maintain open communication with local stakeholders and adapt our operations, where possible, based on community feedback.

Open House for Proposed Genesee Generating Station Units 4 & 5, and Licence Renewal Projects

Capital Power submitted Applications for its proposed Genesee Generating Station Units 4 & 5 (the Project) and Licence Renewal for the existing Genesee Generating Station Units 1–3 to the Alberta Utilities Commission (AUC) and to Alberta Environment and Sustainable Resource Development (ESRD) on December 20, 2013.

Capital Power held its first community open house for both projects in November 2013, with just over 25 community members attending.

Genesee Generating Station Units 4 & 5

The proposed gas-fired generation facility will be located entirely within the boundaries of the existing Genesee Generating Station, in a five-hectare area previously used as construction laydown. The expected in-service date for both units is 2017–2020. Construction of the 1,050 MW facility will be in two phases, with each phase being approximately equal in length. Pending a successful outcome of the regulatory review, Capital Power anticipates construction beginning in 2015.

Capital Power is proposing the Project in order to meet anticipated increases in Alberta's power requirements arising both from continued economic growth in Alberta and from the expected retirement of some of the province's older coal generating units beginning around 2020.

Genesee Generating Station Licence Renewal

The Environmental Protection and Enhancement Act (EPEA) approval for the existing Genesee Generating Station (GGS) Units 1–3 is required to be renewed every 10 years. The current approval expires February 1, 2015.

The EPEA approval documents the environmental parameters the existing GGS site must operate within, such as the monitoring and reporting of air emissions, wastewater, waste management, soil, and the biomonitoring program.

Capital Power is proposing a number of updates to the existing EPEA approval:

- Clarification and update of approval conditions to reflect operational changes and technical improvements.
- Addition of approved mercury control equipment as a site air emission source.
- Minor amendment to approval conditions when operating with natural gas.
- Clarification and update of definitions and reporting requirements.

The participant involvement program for both projects began in late 2013 and will continue through 2014. Project updates and information can be found at www.capitalpower.com

The proposed Genesee Mine Extension

Area residents' groundwater concerns

The Energy Resources Conservation Board (ERCB) and Alberta Environment continue their review of Capital Power's application for approval of the Genesee Mine Extension (submitted October 2011). The Mine Extension would secure continued fuel supply for the three generating units at the Genesee facility. The proposed extension includes 14.5 sections (9,280 acres) of land.

Within the application process, we took steps to address concerns of potential impacts on groundwater and private wells from a group of landowners living within five kilometres of the eastern edge of the proposed mine permit boundary. We met with these landowners, shared information on the technical assessments done on potential groundwater impacts, and committed to working with them to address their concerns.

With input from community members, a new Water Supply Policy was developed and a program to conduct baseline assessments of wells in the area was commenced.

Capital Power kept the ERCB and Alberta Environment informed of all communication with landowners.

Addressing displacement – Genesee's Land Purchase Program

The proposed mine extension directly affected approximately 30 private landowners.

Our Land Purchase program includes a premium on market value for the land that is required for the mine and allows flexibility for landowners to remain on the land for as long as they desire or to sell the land early. Land exchanges and a "sellers list" were also coordinated to maximize the potential for those interested in selling and buying land. The program was very successful in securing the required land and, by the end of 2013, all but three quarter sections required for the project had been purchased.

Genesee's responsible hunting program – Hunting for Tomorrow

Hunting for Tomorrow has been administering hunting on Capital Power lands at the Genesee Generating Station for almost 10 years in response to hunting requests from local area residents. In addition to managing hunting activities on the 8,000 acres (3,200 hectares) of designated land at Genesee, Hunting for Tomorrow also provides a mentorship program, which pairs first-time hunters with a qualified mentor to receive one-on-one instruction.

Area hunters are allowed to use only primitive weapons such as black powder rifles, bow and arrows, crossbows, and shot guns with slugs (which are lower-velocity and have a smaller range). This is done as a safety precaution as there is potential for employees to be on the land at the same time. Hunters typically hunt for deer, moose, and elk on the property.

The TV show, Let's Go Outdoors, visited the site in 2013. This episode features a father mentoring his 13 year-old son.

Employees and community neighbours tour the plant at the 25th Anniversary of the Genesee Generating Station.

Interacting with our community

Sharing our reclaimed land progress & innovation–Genesee Mine and Reclamation Research Tour

Over 200 community members attended the annual event, which began with a barbecue lunch followed by a two-hour tour of the Genesee Mine. The tour included stops at the newly-created wetland, the live root reforestation plot, the hybrid poplar plantation, aspen research plot, and the operating dragline and pre-strip fleet.

Regular community 'touch points'

Our relationship with our neighbours is important. We work to have regular contact with our stakeholders. In 2013 we hosted:

- Two "Good Neighbour" breakfasts with the Village of Warburg and the County of Leduc (March and September).
- Three Community Advisory Task Group (CATG) meetings (February, June and November). The CATG is a group of local residents who share the interests and priorities of residents living within a 25 kilometre radius of the Genesee Generating Station.
- A St. John Ambulance First Aid Course for community members. One or two courses are offered each year depending on demand, and any Genesee resident requiring certification may attend at a subsidized rate.
- Our annual tent to support Warburg's Canada Day event to meet and talk with community neighbours.

The Genesee community is invited to tour the Genesee Mine and reclaimed land to learn about its progress and innovation.

Ontario Wind Projects

K2 Wind Ontario

In July 2013, K2 Wind Ontario LP (K2 Wind) — a partnership between Capital Power, Samsung Renewable Energy, Inc., and Pattern Energy Group LP — received a Renewable Energy Approval (REA) from the Government of Ontario for the K2 Wind Power Project (the Project). Achieving the REA was a major milestone in the development of the 270 megawatt project, which will be one of Ontario's largest renewable energy facilities.

The REA was awarded following a rigorous environmental assessment and public engagement process. Studies were conducted on a wide range of environmental, cultural, and technical aspects of the Project. These included:

- archaeology and cultural heritage assessments
- technical studies
- studies on birds and bats, amphibians, wildlife
- ground water and water body assessments

Four public open houses, along with other stakeholder engagement activities, were held as part of the multi-year REA process.

Engagement with the municipal government

In April 2013, the Township of Ashfield Colborne Wawanosh and K2 Wind executed two key agreements:

- Community Benefits Fund Agreement (CBFA)
- Road User Agreement (RUA)

K2 Wind's RUA covers how the Township and K2 Wind will work together during the development of the Project. For example, the RUA requires K2 Wind to repair roads should damage occur. K2 Wind will bury collector lines in the road allowance, with the exception of locations where there are environmental constraints. Less than 1% of the Project's collector lines will be above ground on poles.

Community Liaison Committee

Following the granting of the REA by the Government of Ontario, K2 Wind established the Community Liaison Committee (CLC). This is a forum in which to exchange ideas and share information and to provide regular updates as the project progresses through construction and into operations. The CLC is another means of communication between the company and community members with respect to construction, installation, use, operation, and maintenance of the facility.

The CLC offers an opportunity to engage other participants, such as municipalities, conservation authorities, Aboriginal communities, federal of provincial agencies, and community groups. Committee members are encouraged to attend four meetings over a two-year period and are encouraged to share information with, and gather information from, other members of the community. These meetings are open to the public. The first meeting was held in December 2013.

Port Dover & Nanticoke Wind Project

Hiring locally

We work to support the local economy for all our projects and facilities. On November 8, 2013 Port Dover and Nanticoke Wind Energy Facility began commercial operation. This concluded a year-long construction process, which saw approximately 250 people working on the site at peak activity. The Project generated/created approximately 400,000 site person hours, or 200 person years, of site work. Over 96% of our site work hours were hired from the Ontario workplace, which exceeded our Ontario Power Authority mandated 95%.

Community Liaison Committee

In September 2012, Capital Power established a Community Liaison Committee (CLC) as a condition of the REA granted to the Project by the Government of Ontario. One CLC meeting was held in April 2013. The primary goal of this meeting was to provide CLC members and the public with background on the construction process. Capital Power staff provided background on road construction, the process for installing electrical collector lines, the development of turbine foundations, assembly of turbines, environmental monitoring, and other technical aspects.

Another CLC meeting was scheduled in December, but re-scheduled to early 2014.

Environmental Review Tribunal Decision

In January 2013, the Ontario Environmental Review Tribunal (ERT) issued its decision on an appeal of the REA awarded to Capital Power for the Port Dover and Nanticoke wind energy facility. The Tribunal determined that the individual and group who launched the appeal had not established either that the Project (as approved) will cause serious harm to human health, or that the Project (as approved) will cause serious and irreversible harm to plant life, animal life, or the natural environment. The Tribunal dismissed the appeals and recommended that Capital Power undertake additional Natural Heritage pre- and post-construction monitoring. We are currently conducting a comprehensive Natural Heritage post-construction monitoring program at site and have also included the recommendations as part of this program.

During construction of Port Dover & Nanticoke Wind, 96% of our site work hours were hired from the Ontario workplace.

Corporate strategy

Throughout 2013, we remained focused on executing a strategy designed to create value throughout the business cycle. Our corporate strengths are the pillars supporting our strategy and our vision to be one of North America's most respected, reliable, and competitive power producers.

"2013 was a successful year as we exceeded our earnings and cash flow financial targets while completing a number of initiatives that prepare Capital Power for the future. At a high level, our strategy remains the same — Capital Power will provide investors with a stable and growing contracted cash flow base, with upside exposure to the Alberta power market."
- Brian Vaasjo, President & CEO

Our corporate strategy

Capital Power's vision continues to be being one of North America's most respected, reliable, and competitive independent power producers. We will achieve this vision by adding shareholder value through operational excellence and a disciplined growth strategy.

Our corporate strategy comprises a business strategy, which sets out how we will become an increasingly competitively-priced power producer, and a financial strategy, which is designed to provide consistent access to low-cost capital.

Strategies for managing risk, achieving a level of diversification by region and fuel type, ensuring safety, and becoming a desirable employer are key elements of our corporate strategy.

Our corporate strategy is assessed annually by management, in consultation with our board of directors, to ensure it remains effective. As market conditions warrant, refinements and enhancements are made. The board of directors annually reaffirms and approves the strategy.

Management also submits an annual corporate plan to the board of directors for review and approval. The plan outlines management's objectives and initiatives to execute the strategy and is used to formulate departmental plans throughout the organization.

Delivering on strategy

We continued to deliver on our business strategy in 2013.

- ***Operational excellence was achieved***, while we selectively pursued growth opportunities that aligned with our investment criteria.
- ***An appropriate balance of merchant and contracted*** facilities was maintained in the markets identified in our business strategy.
- ***We completed construction of a wind-power project in Ontario*** and announced a letter of intent with ENMAX to pursue a joint arrangement to develop, construct, own, and operate the Genesee 4 & 5 facilities.
- ***We successfully closed on the sale of our three U.S. Northeast plants*** with net proceeds from the divestiture used to fund our investment in the Shepard Energy Centre.

Our corporate strengths

- A modern fleet with proven operating history
- A solid platform for growth
- Cash flow from long-term contracts that provide stability in meeting financial obligations
- Financial strength with access to capital
- A diversified portfolio in North American markets

Key elements of our strategy include:

1. **Our Vision:** Become one of North America's most respected, reliable, and competitive power generators.
2. **Geographic focus.** To manage overall portfolio risk and generate growth, Capital Power will maintain an investment focus in merchant assets in the Alberta market only and will seek to develop contracted opportunities across North America.

3. **Technology focus.** A technology focus that includes developing and operating a limited number of power generation technologies, which builds expertise in operations, maintenance, and construction, and fosters better supplier relationships.
4. **Investment-grade credit rating.** Maintaining an investment-grade credit rating through stable cash flows derived from a mix of contracted and merchant cash flows and through a moderate business risk profile. This also allows Capital Power to access low-cost capital throughout the business cycle and provides shareholders with a dividend competitive with our peers.

New generation

Between now and 2015, Capital Power will commission two power generation assets:

- ***A 270-MW wind farm in Ontario,*** K2 Wind*, which is being built and operated as a joint venture with two other partners. It will be commissioned in 2014.
- ***An 800-MW natural-gas-powered facility in Alberta,*** (Shepard Energy Centre), which is being built in partnership with ENMAX. It will be commissioned in the fourth quarter of 2014 and operated by ENMAX.

We continue to analyze opportunities to acquire or develop power generation assets in our target markets. In the next few years, we will focus on natural gas and renewable generation assets in Canadian and U.S. markets and on developing a natural-gas-fueled generation facility in Alberta (Genesee 4 & 5), which will be commissioned later in the decade.

* Capital Power owns 90 MW of K2 Wind.

Construction of the 800 MW Shepard Energy Centre located in southeast Calgary continues to track on schedule and below budget, with commercial operations targeted in early 2015.

Creating for the future

Researching technology

We supported clean power research and initiatives through our involvement with the Centre for Clean Coal/Carbon and Mineral Processing Technologies — a $21-million teaching and research centre in the University of Alberta's Faculty of Engineering.

Developing wind power

In 2013, we added **105 MW of wind power** with the successful commissioning of **Port Dover & Nanticoke Wind** in Southern Ontario. Capital Power now has a total of **437 MW of wind power in our fleet.**

We receive approximately $1 million per year from the Government of Canada through the Wind Power Production Incentive program, which was created to encourage the development of wind energy capacity. The incentive is approximately $0.01 per kilowatt hour of production from our Kingsbridge Wind Power Project. Eligible recipients can receive the incentive on the first 10 years of production.

Kingsbridge I Wind Power generates renewable energy for Ontario.

Risk Management

Multi-faceted approach to managing risks

Risk Management

Our approach to risk management is to identify, monitor, and manage the key controllable risks facing the Company and consider appropriate actions to respond to uncontrollable risks.

Our risk management process includes:

- controls and procedures for reducing controllable risks to an acceptable level
- the identification of actions for events outside of management's control

Acceptable levels of risk are established by the Board of Directors and govern the Company's decisions and policies associated with risk.

We use an Enterprise Risk Management (ERM) Program to identify, evaluate, report, and monitor key risks that may affect the achievement of the Company's strategic and related business objectives. The ERM Program aligns with the International Organization for Standardization's standard for risk management, ISO 31000.

Management is carried out at three levels, with risk assessments carried out in concert with core corporate processes, strategic planning and business planning, and budgeting.

Our Board of Directors provides oversight to the risk management process, which includes identification, evaluation, reporting, monitoring, and mitigation of key risks that may affect the achievement of our business objectives.

Management is responsible for approval of the framework for:

- enterprise risk management
- policy review and recommendations
- risk management policies and processes
- monitoring and reporting of compliance with the policies and processes
- conducting risk mitigation activities within specific operational areas

Our risks and risk management approach are described in detail in our Management's Discussion and Analysis on pages 38 to 46 of our 2013 Annual Report.

Public Policy

In accordance with the Federal Accountability Act, we report all lobbying of Canadian federal and provincial Designated Public Office Holders (DPOHs) on a monthly basis.

In 2013, we participated in 24 meetings with DPOHs, primarily regarding greenhouse gas and air emissions policy. We participated in discussions regarding:

- capital stock turnover for coal-fired power plants;
- market structure;
- greenhouse gas and other air emissions; and
- electricity transmission policy in the jurisdictions where we operate.

We contributed no monies to Canadian federal political parties in 2013, 2012, and 2011. Total expenditures on various political events and fundraisers across all provinces in Canada in 2013 were $46,133.75 (compared to $32,319 in 2012, and $30,596 in 2011).

Details related to GHG regulation and climate change, including estimates of potential compliance costs, are included in our 2013 Annual Information Form.

Capital Power's 105 MW Port Dover and Nanticoke Wind Project, located in the Counties of Haldimand and Norfolk, Ontario, commenced operation in November 2013. The project was completed on time and under its $340 million budget. Since 2012, Capital Power has successfully completed three wind projects, on time and under budget, totaling nearly 400 MW.

Overview

Port Dover & Nanticoke Wind, ON

Committed to transparent and balanced reporting

Global Reporting Initiative

Our 2013 Corporate Responsibility Report follows guidelines defined in the Global Reporting Initiative (GRI), an international standard for corporate responsibility reporting. The GRI guidelines set out the principles and indicators organizations can use to measure and report their environmental, economic, and social performance. More information about the GRI is available at www.globalreporting.org.

A rating

We believe we have achieved an A Level of reporting level under the GRI guidelines (G3.1). There are three grades, with eligibility based on the comprehensiveness of the report (A, B, C) and a "+" designation, indicating that the report has received third-party assurance. We make this self-declaration based on the GRI requirements to meet the "A" level.

About this report

This report provides a detailed overview of Capital Power in 2013, including our successes and challenges. Accurate and balanced information is provided about our people, facilities, and performance. All dollar figures are in Canadian funds.

In 2013, we completed the sale of our three natural-gas assets in New England, U.S. and for the most part they are not included in the 2013 data. Data is footnoted where New England is included.

See Report Scope for further details.

Report scope

The scope of our operations changed significantly in 2013 due to the sale of our three natural-gas assets in New England, U.S. and our $1 billion investment in wind energy - a 1000% increase over a 13-month period from November 2012 to December 2013.

This report includes energy production and environmental performance data from power plants for which Capital Power held the operating permit in 2013, 2012, and 2011 respectively.

Data from each plant represents the entire plant - not our financial share of the operation. This includes Genesee 3, co-owned with TransAlta, and Genesee 1 and 2, whose capacity and output is sold under Alberta Power Purchase Agreement to the Alberta Balancing Pool. Capital Power holds the operating permit for these facilities. Data from Keephills 3, Joffre, and power purchase agreement facilities are not included because we do not hold the operating permits.

One of the challenges in preparing this report was the need to synthesize data from numerous jurisdictions, some of which have different reporting requirements, methods and standards. Where possible, information has been consolidated – for example, greenhouse gas emission data for our facilities in Canada and the United States. In other areas, information is presented separately or from a single jurisdiction.

Carbon dioxide emissions from our landfill gas and biomass facilities are not included in aggregate greenhouse gas emission totals or emission intensity calculations. This approach aligns with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development) (2004).

Reporting intervals

We report annually on our corporate responsibility.

Reporting periods

The report provides data for our previous three full years of operation - 2011, 2012 and 2013. Data for each year is for the 12-month period starting January 1 and ending December 31, respectively.

Process for defining content

This report builds on an extensive process for defining content, including stakeholder consultation, which resulted in guidelines for determining priority topic areas and materiality. We also incorporated feedback from our 2011 and 2012 reports.

Other reporting

Other public disclosures, in particular the 2013 Annual Report, 2013 Annual Information Form, and 2014 Management Proxy Circular, include detailed content that responds to certain GRI indicators. The content is incorporated by cross-reference throughout the report, and the documents are available at www.sedar.com and www.capitalpower.com.

Our Canadian power plants operating above a certain emission-level threshold publicly file annual reports with Canada's National Pollutant Release Inventory. These reports are available at www.ec.gc.ca/inrp-npri.

Residents living near the Genesee Generating Station receive the bimonthly Genesee Station Connection newsletter, which provides information about the facility's emission performance and other issues related to plant and mine operations. Back issues are available at www.capitalpower.com

We also distributed newsletters for residents living near Halkirk Wind (Alberta) and K2 Wind Power Project (Ontario).

Forward-Looking Information

Forward-looking information or statements included in this Corporate Responsibility Report, including the print and on-line version, are provided to inform readers 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 Corporate Responsibility Report includes is generally identified by words such as "will". "anticipate", "believe", "plan", "intend", "target", and "expect" or similar words that suggest future outcomes.

Forward-looking information in this Corporate Responsibility Report includes, among other things, information relating to: (i) expectations regarding the timing of funding of, generation capacity of, costs for, technology selected for or commercial arrangements regarding existing, planned and potential development projects and acquisitions; (ii) expectations regarding plant availability; (iii) expectations related to future revenues, expenses, earnings, funds from operations and cash flow per share; (iv) expectation regarding capital expenditures for plan maintenance and other; (v) the expected impact of GHG and other environmental regulations on Capital Power's plants, including compliance targets and compliance costs and the future closure of coal-fired generation plants; and (vi) expectations regarding proposed new environmental regulations, including the timing of such regulations coming into force, and the impact of current and new environmental regulations on Capital Power's business, including, but not limited to, Capital Power's compliance costs.

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; and (v) 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 MD&A dated February 28, 2014 for the year ended December 31, 2013.

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.

Global Reporting Initiative Index

(GRI) Index

INDICATOR AND TITLE

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EN3 Direct energy consumption
EN5 Energy saved – conservation
EU5 Allocation of CO_2 emissions allowances or equivalent, broken down by carbon trading framework
EN8 Total water withdrawal
EN9 Water sources affected
EN10 Water recycled
EN11 Location and size of land (Genesee Environmental Monitoring, Reclamation)
EU11 Average generation efficiency of thermal plants by energy source and by regulatory regime
EN12 Impact on biodiversity
EN13 Habitats protected/restored
EU13 Biodiversity of offset habitats compared to the biodiversity of the affected areas
EN14 Managing impacts on biodiversity
EN15 ICUN Red List species
EN16 GHG emissions by weight
EN18 Initiatives to reduce GHGs (Environmental Performance, Greenhouse Gas Emissions)
EN19 Emissions of ozone-depleting substances by weight
EN20 Nox, Sox, other emissions by weight
EN21 Total water discharge
EN22 Total weight of waste
EN23 Number/volume of spills
EN24 Weight of hazardous waste
EN25 Water bodies and habitat affected by discharged water
EN26 Initiatives to mitigate impacts of products/ services (Environmental Performance, Greenhouse Gas Emissions, Genesee Environmental Monitoring, Reclamation)
EN28 Monetary value of fines, and other sanctions for non-compliance with environmental laws (Operating Performance, Environmental Indicators)

Human Rights

HR1 Investment agreements with human rights clauses
HR2 Suppliers screen for human rights
HR3 Employee training on human rights
HR4 Discrimination incidents
HR5 Protecting freedom of association/collection bargaining
HR6 Child labour issues
HR7 Forced labour issues
HR8 Security personnel trained in human rights policies
HR9 Incidents/violations regarding indigenous peoples
HR10 Number of human rights reviews/impact assessments
HR11 Grievances related to human rights

Labour practices / Decent work

LA1 Total workforce
LA2 Employee new hires/turnover rate
LA3 Benefits
LA4 Collective bargaining
LA5 Notice periods for operational changes
LA6 Workforce in health and safety committees
LA7 Injuries, diseases, absenteeism
LA8 Education and support for disease prevention
LA9 Health and safety topics in trade union agreements
LA11 Skills management and lifelong learning
LA13 Composition of governance bodies and breakdown of employees by category (Board of Directors, Workforce & Compensation)
LA14 Ratio of basic salary of men to women
EU14 Programs and processes to ensure the availability of a skilled workforce
EU15 Percentage of employees eligible to retire in the next five and ten years, broken down by job category and by region
EU16 Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors
EU17 Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities
EU18 Percentage of contractor and subcontractor employees that have undergone relevant health and safety training

Society

SO1 Programs to manage impacts on communities (Our Giving, Campaigns & Sponsorships)
EU19 Stakeholder participation in the decision making process related to energy planning and infrastructure (Consultation & Engagement, Quality Wind & Halkirk Wind, Genesee Generating Station, Ontario Wind Projects)

EU20 Approach to managing the impacts of displacement
EU21 Contingency planning measures, disaster/ emergency management plan and training programs, and recovery/restoration plans
EU22 Number of people physically or economically displaced, and compensation, broken down by types of project
EU25 Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases
SO2 Risks related to corruption
SO3 Employee training for anti-corruption
SO4 Actions taken in response to corruption incidents
SO5 Public policy positions and lobbying
SO6 Financial/in-kind contributions to political parties and politicians
SO7 Legal actions for anti-competitive behaviour
SO8 Fines and sanctions for non-compliance with laws/regulations

Product responsibility

PR2 Incidents of non-compliance – health and safety
PR3 Type of product and service information
PR4 Incidents of non-compliance – labelling
PR5 Customer satisfaction
PR6 Marketing communications – laws
PR7 Marketing communications – compliance
PR8 Customer privacy
PR9 Fines for non-compliance

Economic

EC1 Economic value generated and distributed, including donations
EC2 Financial implications & risks for activities related to climate change
EC3 Coverage of defined benefit plan obligations
EC4 Financial assistance received from government
EC5 Range of ratios of entry-level wage compared to local minimum wage
EC6 Policy, practices and proportion of spending on locally-based suppliers
EC7 Procedures for local hiring and proportion of senior management hired from local communities (Economic Contributions, Ontario Wind Projects)
EC8 Impact of infrastructure investments and services for public benefit (Quality Wind & Halkirk Wind, Genesee Generating Station, Ontario Wind Projects, Our Giving, Campaigns & Sponsorships, Greenhouse Gas Emissions)
EU8 R&D expenditures aimed at providing reliable electricity and promoting sustainable development (Strategy & Risk Management, Greenhouse Gas Emissions)
EC9 Indirect economic impacts
EU30 Average plant availability factor by energy source and by regulatory regime

Exclusions

GRI Indicators not reported

There are a number of GRI Indicators for which Capital Power does not report data. This section lists each indicator that is excluded from the report, and the reason for the exclusion.

INDICATOR, TITLE AND REASON FOR NOT REPORTING

3.10 Effect of any restatements of information in previous report. No restatements occurred.

3.13 Assurance – Financial and emissions data are externally audited annually. No additional assurance was completed on this year's report.

EU3 **Number of customer accounts**
Capital Power has no retail power business and, therefore, no retail customer accounts.

EN4 **Indirect energy consumption**
Capital Power does not track this information, and emissions from indirect energy consumption are not material compared to direct emissions from operations.

EU4 **Length of transmission lines**
Capital Power does not operate transmission and distribution lines.

EU6 **Management approach to ensure short and long-term electricity availability and reliability**
Capital Power is an independent producer and operates in markets where it does not have overall market responsibility for managing short- or long-term electricity availability or reliability.

EU7 **Demand side management programs**
Capital Power has no retail power business and, therefore, no customer-facing demand management programs.

EN7 **Initiatives to reduce indirect energy consumption**

Capital Power does not currently collect this data.

EU9 **Provisions for decommissioning nuclear power sites**
Not applicable. Capital Power does not operate or own any nuclear power generation.

EU10 **Planned capacity against projected electricity demand over long-term**
Capital Power is an independent producer and operates in markets where it does not have overall market responsibility for managing short- or long-term electricity availability or reliability.

EU12 **Transmission and distribution losses**
Capital Power does not operate transmission and distribution lines.

EN17 **Other greenhouse gas emissions by weight**
Not material.

EU23 **Programs to improve or maintain access to electricity and customer support**
Capital Power has no retail power business and, therefore, no retail customer accounts.

EU24 **Practices to address barriers to accessing and safely using electricity and customer support services**
Capital Power has no retail business and, therefore, no retail customer accounts.

EU26, 27 **Population unserved in licensed distribution or service areas**
Not applicable. Capital Power does not provide transmission and distribution services and has no retail business.

EU27 **Number of residential disconnections**
Not applicable. Capital Power has no retail power business and, therefore, no retail customer accounts.

EU28, 29 **Power outage frequency and duration**
Not applicable. Capital Power does not provide transmission and distribution services.

EN27 **Percentage of products sold and package materials reclaimed**
Not applicable.

EN29 **Significant environmental impact of transporting products**
Not applicable. Capital Power does not transport products.

EN30 **Total environmental protection expenditures**
Capital Power reports on specific projects. However, no total dollar value is reported for research and development activities as this data is not aggregated within the company.

LA10 **Average hours of training per year per employee**
Capital Power does not currently collect this data.

LA12 **Percentage of employees receiving regular performance and career development reviews**
Managers are responsible for providing regular (at least annual) performance reviews for their employees; however, Capital Power's systems do not currently collect aggregated data on the completion of reviews.

LA15 **Return to work and retention rates after parental leave by gender**
Capital Power does not currently collect this data.

PR1 **Life cycle stages in which health and safety impacts of products and services are assessed for improvement**
As a power producer, Capital Power does not have products and services.

SO9 **Operations with significant potential or actual negative impacts on local communities**
Capital Power continually monitors its environmental impact and works closely with the community. No reports to date have attributed negative impacts specific to Capital Power operations.

SO10 **Prevention and mitigation measures for negative impacts on local communities**
Capital Power continually monitors its environmental impact and works closely with the community. No reports to date have attributed negative impacts specific to Capital Power operations.