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

For release: April 25, 2014

Capital Power reports first quarter 2014 results

EDMONTON, Alberta – Capital Power Corporation (Capital Power, or the Company) (TSX: CPX) today released its financial results for the quarter ended March 31, 2014.

Funds from operations were $90 million in the first quarter of 2014, down 13%, on a comparable basis, from $103 million in the first quarter of 2013. Net income attributable to shareholders in the first quarter of 2014 was $32 million, or $0.33 per share, compared with $34 million, or $0.44 per share, in the comparable period of 2013. Normalized earnings attributable to common shareholders in the first quarter of 2014, after adjusting for one-time items and fair value adjustments, were $25 million or $0.31 per share compared with $25 million or $0.36 per share in the first quarter of 2013.

"Financial results in the first quarter were modestly below our expectations primarily due to a 10-day unplanned outage at Genesee 1," said Brian Vaasjo, President and CEO of Capital Power. "Despite the unplanned outage at Genesee 1, the rest of the fleet performed well with an overall average plant availability of 94% in the first quarter. With Alberta power prices generally in-line with our forecast for the remaining nine months of 2014, we remain on track to achieve our funds from operations financial target for this year."

"We have finalized joint arrangement agreements with ENMAX Corporation to advance the development, construction, and operation of the Genesee 4 and 5 facility," said Mr. Vaasjo. "Discussions relating to commercial agreements are on-going with the expectation that these agreements will be finalized when the project receives its full notice to proceed. Genesee 4 and 5 is scheduled for completion later this decade when additional generation in the province is required to meet growing demand and replace generation from the retirement of coal-fired units."

"We are pleased to welcome our new joint venture partners, Westmoreland Coal Company (Westmoreland) and Altius Mineral Corporation, on the Genesee coal mine as part of Westmoreland's recent acquisition of Prairie Mines & Minerals Royalty Ltd's coal operations. Westmoreland has strong experience in mine-mouth operations and is recognized as the lowest-cost fuel supplier to some of the cleanest, most economical and highly utilized coal-fired utility owned power plants in North America."

Operational and Financial Highlights [1] (unaudited)	**Three months ended March 31**	
(millions of dollars except per share and operational amounts)	**2014**	**2013**
Electricity generation (excluding acquired Sundance PPA) (GWh)	3,241	4,142
Generation plant availability (excluding acquired Sundance PPA) (%)	94%	94%
Revenues	$ 308	$ 365
Adjusted EBITDA [2]	$ 113	$ 135
Net income	$ 38	$ 48
Net income attributable to shareholders of the Company	$ 32	$ 34
Normalized earnings attributable to common shareholders [2]	$ 25	$ 25
Basic earnings per share	$ 0.33	$ 0.44
Diluted earnings per share	$ 0.33	$ 0.44
Normalized earnings per share [2]	$ 0.31	$ 0.36
Funds from operations [2]	$ 90	$ 103
Purchase of property, plant and equipment and other assets	$ 75	$ 293
Dividends per common share, declared	$ 0.315	$ 0.315

1 The operational and financial highlights in this press release should be read in conjunction with Management's Discussion and Analysis and the audited Consolidated Financial Statements for the three months ended March 31, 2014.

2 Earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange losses, and gains on disposals (adjusted EBITDA), normalized earnings attributable to common shareholders, normalized earnings per share, and funds from operations are non-GAAP financial measures and do not have standardized meanings under GAAP and are, therefore, unlikely to be comparable to similar measures used by other enterprises. See Non-GAAP Financial Measures.

Significant Event

Construction of K2 Wind Power Project commences

On March 24, 2014, construction of the K2 Wind Power Project (K2 Wind) commenced following the successful completion of an $850 million financing in the form of a construction loan that will convert to long-term project debt once K2 Wind starts commercial operations. K2 Wind is a 270 megawatt (MW) wind power project located in Goderich, Ontario that is under joint development by Samsung Renewable Energy, Inc., Pattern Energy Group LP and Capital Power with operations expected to commence in the second half of 2015. The total estimated project cost has been revised upward to $930 million from the previous upper end of range of $900 million primarily due to foreign exchange changes on U.S. contract deliverables. Capital Power's share is $310 million. As a higher portion of the project is expected to be financed with project debt than originally forecast, Capital Power expects higher equity returns on the project.

Subsequent Events

Genesee 4 and 5

On April 24, 2014, Capital Power and ENMAX Corporation (ENMAX) executed a purchase and sale agreement in support of a joint arrangement agreement to jointly develop, construct, and operate the Genesee 4 and 5 power project. The joint arrangement agreement will provide provisions for, among other things, an agreement for ENMAX to purchase approximately 225 MW from Capital Power for eight years. The joint arrangement agreement closing is expected to occur in May 2014.

Genesee coal mine

Capital Power is a party to various agreements with Prairie Mines & Minerals Royalty Ltd. (PMRL) in relation to the operations of the Genesee coal mine (Genesee Coal Mine Agreements). Pursuant to the Genesee Coal Mine Agreements, PMRL operates the Genesee Coal Mine. In connection with the acquisition by Westmoreland Coal Company (Westmoreland) of PMRL and the acquisition by Altius Minerals Corporation (Altius) of the royalty assets of PMRL, the Genesee Coal Mine Agreements and certain related agreements have, amongst other things, been amended to: (a) confirm the acquisitions by Westmoreland and Altius; and (b) provide for certain amendments to the Genesee Coal Mine Agreements.

Analyst Conference Call and Webcast

Capital Power will be hosting a conference call and live webcast with analysts on April 28, 2014 at 11:00 AM (ET) to discuss the first quarter results. The conference call dial-in numbers are:

(604) 681-8564 (Vancouver)
(403) 532-5601 (Calgary)
(416) 623-0333 (Toronto)
(514) 687-4017 (Montreal)
(855) 353-9183 (toll-free from Canada and USA)

Participant access code for the call: 21543#

A replay of the conference call will be available following the call at: (855) 201-2300 (toll-free) and entering conference reference number 1153040# followed by participant code 21543#. The replay will be available until midnight on July 28, 2014.

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

Non-GAAP Financial Measures

The Company uses (i) adjusted EBITDA, (ii) funds from operations, (iii) normalized earnings attributable to common shareholders, and (iv) normalized earnings per share as financial performance measures. These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP, and are, therefore, unlikely to be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to gross income, net income, net income attributable of shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective. Reconciliations of adjusted EBITDA to gross income, operating income and net income, funds from operations to net cash flows from operating activities and normalized earnings attributable to common shareholders to net income attributable to shareholders of the Company are contained in the Company's Management's Discussion and Analysis dated April 24, 2014 for the three months ended March 31, 2014 which is available under the Company's profile on SEDAR at www.SEDAR.com.

Forward-looking Information

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

Material forward-looking information in this press release includes information with respect to expectations regarding: (i) future cash flows, and (ii) completion of capital projects.

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 and impact of policy, legislation and regulation, 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) changes in electricity prices in markets in which the Company operates, (ii) changes in energy commodity market prices and use of derivatives, (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation, (iv) power plant availability and performance including maintenance expenditures, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's December 31, 2013 annual Management's Discussion and Analysis for further discussion of these and other risks.

For more information, please contact:

Media Relations:	**Investor Relations:**
Michael Sheehan	Randy Mah
(780) 392-522	(780)392-5305 or (866) 896-4636 (toll-free)
msheehan@capitalpower.com	investor@capitalpower.com

CAPITAL POWER CORPORATION

Management's Discussion and Analysis

This management's discussion and analysis (MD&A), dated April 24, 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Capital Power Corporation and its subsidiaries for the three months ended March 31, 2014, the audited consolidated financial statements and MD&A of Capital Power Corporation for the year ended December 31, 2013, the annual information form of Capital Power Corporation dated March 14, 2014, and the cautionary statements regarding forward-looking information which begin on page 2. In this MD&A, any reference to the Company or Capital Power, except where otherwise noted or the context otherwise indicates, means Capital Power Corporation together with its subsidiaries.

In this MD&A, financial information for the three months ended March 31, 2014 and the three months ended March 31, 2013 is based on the unaudited condensed interim consolidated financial statements of the Company for such periods which were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors approved this MD&A as of April 24, 2014.

Contents

Forward-looking Information

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

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

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

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) changes in electricity prices in markets in which the Company operates, (ii) changes in energy commodity market prices and use of derivatives, (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation, (iv) power plant availability and performance including maintenance expenditures, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's December 31, 2013 annual MD&A for further discussion of these and other risks.

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

Overview of Business and Corporate Structure

Capital Power is a growth-oriented North American power producer headquartered in Edmonton, Alberta. The Company develops, acquires, operates and optimizes power generation from a variety of energy sources. Capital Power owns more than 2,600 megawatts (MW) of power generation capacity at 14 facilities across North America and owns 371 MW of capacity through its interest in the acquired Sundance power purchase arrangement (acquired Sundance PPA). An additional 490 MW of owned generation capacity is under construction in Alberta and Ontario.

The Company's power generation operations and assets are owned by Capital Power L.P. (CPLP), a subsidiary of the Company. As at March 31, 2014, the Company held 21.750 million general partnership units and 56.299 million common limited partnership units of CPLP which represented approximately 81% of CPLP's total partnership units. EPCOR (in this MD&A, EPCOR refers to EPCOR Utilities Inc. collectively with its subsidiaries) held 18.841 million exchangeable common limited partnership units of CPLP which represented approximately 19% of CPLP. CPLP's exchangeable common limited partnership units are exchangeable for common shares of Capital Power Corporation on a one-for-one basis.

Corporate Strategy

The Company's corporate strategy remains unchanged from that disclosed in its 2013 annual MD&A. During the three months ended March 31, 2014, the Company commenced construction of K2 Wind (see Significant Event) and continued the process of planning for the development of Genesee 4 and 5.

Performance Overview

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

Operational excellence

Performance measure	2014 full year target	Actual results for the three months ended March 31, 2014
Plant availability average [1]	95% or greater	94%
Capital expenditures for plant maintenance, Genesee mine extension and other (sustaining capital expenditures)	$85 million	$8 million
Plant operating and maintenance expenses	$165 million to $185 million	$42 million

[3] All plants excluding acquired Sundance PPA.

The Company's plant availability averaged 94% which reflected several unplanned maintenance and forced outages of short-term duration. The most significant outage was Genesee 1 which experienced a 10-day unplanned maintenance outage to perform valve repairs.

Capital expenditures for maintenance of the plants and other for the three months ended March 31, 2014 were less than target for the quarter primarily due to the deferred timing of certain sustaining capital projects. Also, there was lower spending on Genesee mine land purchases for the current quarter which is forecast to continue for the balance of the year.

The plant operating and maintenance expenses target includes other raw materials and operating charges, staff costs and employee benefits expense and other administrative expenses for the Company's plants. The actual results for the three months ended March 31, 2014 were consistent with the target range for full year 2014.

Disciplined growth

Performance measure	2014 full year target	Status at March 31, 2014
K2 Wind	Commence construction and complete project financing	Construction commenced and project financing completed first quarter 2014 (see Significant Event)
Shepard Energy Centre	Complete construction with commercial operation date in early 2015	On track with target
Genesee 4 and 5	Continue on track for first quarter 2015 permitting approval	On track with target

Financial stability and strength

Performance measure	2014 full year target	Actual results for the three months ended March 31, 2014
Funds from operations [1]	$360 million to $400 million	$90 million

[1] Funds from operations is a non-GAAP measure. See Non-GAAP Financial Measures.

Actual funds from operations for the three months ended March 31, 2014 reflected lower than expected cash flows from plant operations, particularly the Alberta contracted plants, but remains on track with the full year target.

Outlook

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

The Company's forecast for average Alberta power prices in 2014 is lower than the average of $80 per megawatt hour (MWh) experienced in 2013. Based on the actual results for the first quarter of 2014 and the Company's forecast for the future three quarters, it is still expected that funds from operations for the full year will be in the range of $360 million to $400 million.

Portfolio positions for the balance of 2014 and full year 2015 and 2016 and contracted prices, as at March 31, 2014, were:

Alberta commercial portfolio positions and power prices	**April to December 2014**	**Full year 2015**	**Full year 2016**
Percentage of baseload generation sold forward [1]	92%	71%	23%
Contracted price [2]	Mid-$50 per MWh	Low-$50 per MWh	Mid-$50 per MWh

[1] Based on baseload plants and the acquired Sundance PPA plus a portion of Joffre and the uncontracted portion of Shepard.

[2] The forecast average contracted prices may differ significantly from the future average realized prices as the hedged and unhedged positions have a varying mix of differently priced blocks of power. This impact is accentuated in 2014 which includes one contract-for-differences for 300 MW for the full year that is sold forward for peak periods only.

The 2014 results will include a full year of operations from Port Dover and Nanticoke which commenced operations in the fourth quarter of 2013.

The plant availability target for 2014 of 95% reflected scheduled maintenance outages at Genesee 2, Genesee 3 and Joffre. The outage at Genesee 2 is scheduled for the second quarter of 2014 while the Genesee 3 and Joffre outages are both scheduled for the fourth quarter of 2014.

The Company's estimated 2014 full year growth capital expenditures remain approximately $192 million (see Liquidity and Capital Resources – Investing activities).

Based on the actual expenditures for the three months ended March 31, 2014 and the current forecast for the last three quarters of 2014, estimated 2014 sustaining capital expenditures are expected to be moderately less than the target of $85 million.

The 2014 targets and forecasts are based on numerous assumptions including power and natural gas price forecasts. However, they do not include the effects of potential future acquisitions or development activities, or potential market and operational impacts relating to unplanned plant outages including outages at facilities of other market participants, and the related impacts on market power prices.

See Liquidity and Capital Resources for discussion of future cash requirements and expected sources of funding.

Non-GAAP Financial Measures

The Company uses (i) earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, and gains on disposals (adjusted EBITDA), (ii) funds from operations, (iii) normalized earnings attributable to common shareholders, and (iv) normalized earnings per share as financial performance measures.

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

Adjusted EBITDA

Capital Power uses adjusted EBITDA to measure the operating performance of plants and categories of plants from period to period. Management believes that a measure of plant operating performance is more meaningful if results not related to plant operations such as impairments, foreign exchange gains or losses and gains on disposals are excluded from the adjusted EBITDA measure.

A reconciliation of adjusted EBITDA to net income is as follows:

(unaudited, $ millions)	Three months ended							
	Mar 31 2014	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**
Revenues	308	327	380	321	365	288	387	253
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expenses	(195)	(208)	(229)	(217)	(230)	(215)	(236)	(188)
Adjusted EBITDA	**113**	**119**	**151**	**104**	**135**	**73**	**151**	**65**
Depreciation and amortization	(46)	(52)	(54)	(58)	(58)	(62)	(52)	(53)
Impairments	-	-	(6)	-	-	-	-	(74)
Foreign exchange loss	(4)	(5)	(1)	-	-	-	-	-
Gains on disposals of subsidiaries	-	76	-	-	-	15	-	-
Finance expense	(13)	(18)	(18)	(20)	(22)	(21)	(18)	(18)
Income tax (expense) recovery	(12)	(22)	(13)	(3)	(7)	14	(18)	22
Net income (loss)	**38**	**98**	**59**	**23**	**48**	**19**	**63**	**(58)**
Net income (loss) attributable to:								
Non-controlling interests	6	21	15	3	14	4	24	(26)
Shareholders of the Company	32	77	44	20	34	15	39	(32)
Net income (loss)	**38**	**98**	**59**	**23**	**48**	**19**	**63**	**(58)**

Funds from operations

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

A reconciliation of net cash flows from operating activities to funds from operations is as follows:

(unaudited, $ millions)	Three months ended March 31	
	2014	**2013**
Net cash flows from operating activities per Consolidated Statements of Cash Flows	**77**	**146**
Add (deduct) items included in calculation of net cash flows from operating activities per Consolidated Statements of Cash Flows:		
Interest paid	7	15
Miscellaneous financing charges paid and realized loss on the settlement of interest rate derivatives included in other items of non-cash adjustments to reconcile net income to net cash flows from operating activities	2	1
Income taxes paid	7	1
Change in non-cash operating working capital	13	(38)
	29	(21)
Finance expense excluding unrealized changes on interest rate derivative contracts and amortization and accretion charges	(14)	(21)
Current income tax expense	(2)	(1)
Funds from operations	**90**	**103**

Normalized earnings attributable to common shareholders and normalized earnings per share

The Company uses normalized earnings attributable to common shareholders and normalized earnings per share to measure performance by period on a comparable basis. Normalized earnings per share is based on earnings used in the calculation of earnings per share according to GAAP adjusted for items that are not reflective of performance in the period such as unrealized fair value changes, impairment charges, unusual tax adjustments, gains and losses on disposal of assets or unusual contracts, and foreign exchange gain or loss on the revaluation of U.S. dollar denominated debt. The adjustments consist of unrealized fair value changes on financial instruments that are not necessarily indicative of future actual realized gains or losses, non-recurring gains or losses, or gains or losses reflecting corporate structure decisions.

(unaudited, $ millions except per share amounts and number of common shares)	Three months ended							
	Mar 31 2014	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**
Basic earnings (loss) per share ($)	**0.33**	**0.89**	**0.55**	**0.20**	**0.44**	**0.19**	**0.55**	**(0.50)**
Net income (loss) attributable to shareholders of the Company per Consolidated Statements of Income	**32**	**77**	**44**	**20**	**34**	**15**	**39**	**(32)**
Preferred share dividends	(5)	(6)	(5)	(6)	(3)	(2)	(1)	(2)
Earnings (loss) attributable to common shareholders	27	71	39	14	31	13	38	(34)
Unrealized changes in fair value of derivatives	(5)	(9)	(1)	3	(6)	12	(4)	4
Unrealized foreign exchange loss on revaluation of U.S. dollar denominated debt	3	4	-	-	-	-	-	-
Gain on sale of North East U.S. assets	-	(34)	-	-	-	-	-	-
Reduction of amount receivable related to Sundance force majeure claim	-	6	-	-	-	-	-	-
Income tax expense related to change in income tax rate applicable to North East U.S.	-	(6)	6	-	-	-	-	-
Restructuring charges	-	1	4	2	-	-	-	-
Obligation to EPCOR for Rossdale plant	-	(1)	-	-	-	-	-	-
Impairment loss on North East U.S. assets	-	-	3	-	-	-	-	37
Gain on sale of hydro facilities	-	-	-	-	-	(9)	-	-
Genesee 1 unplanned outage costs due to plant research and development project	-	-	-	-	-	-	4	-
Impact of change in non-controlling interest percentage on adjustments of previous quarters	-	-	-	-	-	-	-	(2)
Normalized earnings attributable to common shareholders	**25**	**32**	**51**	**19**	**25**	**16**	**38**	**5**
Weighted average number of common shares outstanding (millions)	81.2	79.73	70.83	70.48	70.15	69.84	69.52	68.51
Normalized earnings per share ($)	**0.31**	**0.40**	**0.72**	**0.27**	**0.36**	**0.23**	**0.55**	**0.07**

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

Financial Highlights

(unaudited, $ millions, except per share amounts)	Three months ended March 31	
	2014	**2013**
Revenues	308	365
Adjusted EBITDA [1]	113	135
Net income	38	48
Net income attributable to shareholders of the Company	32	34
Normalized earnings attributable to common shareholders [1]	25	25
Basic earnings per share ($)	0.33	0.44
Diluted earnings per share ($) [2]	0.33	0.44
Normalized earnings per share ($) [1]	0.31	0.36
Funds from operations [1]	90	103
Purchase of property, plant and equipment and other assets	75	293
Dividends per common share, declared ($)	0.3150	0.3150
Dividends per Series 1 preferred share, declared ($)	0.2875	0.2875
Dividends per Series 3 preferred share, declared ($)	0.2875	0.3151
Dividends per Series 5 preferred share, declared ($)	0.2813	-

	As at	
	March 31, 2014	**December 31, 2013**
Loans and borrowings including current portion	1,568	1,527
Total assets	5,262	5,219

1 The consolidated financial highlights, except for adjusted EBITDA, normalized earnings attributable to common shareholders, normalized earnings per share and funds from operations were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

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

Normalized earnings attributable to common shareholders and normalized earnings per share

Normalized earnings attributable to common shareholders was consistent for the 2014 and 2013 periods ending March 31 while decreased normalized earnings per share reflected the increased number of common shares outstanding. See Consolidated Net Income and Results of Operations for detailed discussion of the results for the quarter on a comparative basis.

Funds from operations

Funds from operations for the three months ended March 31, 2014 decreased in comparison to funds from operations for the three months ended March 31, 2013 consistent with the lower adjusted EBITDA in first quarter 2014 compared with the same period in 2013.

Significant Event

Construction of K2 Wind Power Project commences

On March 24, 2014, construction of the K2 Wind Power Project (K2 Wind) commenced following the successful completion of an $850 million financing in the form of a construction loan that will convert to long-term project debt once K2 Wind starts commercial operations. K2 Wind is a 270 MW wind power project located in Goderich, Ontario that is under joint development by Samsung Renewable Energy, Inc., Pattern Energy Group LP and Capital Power with operations expected to commence in the second half of 2015. The total estimated project cost has been revised upward to $930 million from the previous upper end of range of $900 million primarily due to foreign exchange changes on U.S. contract deliverables. Capital Power's share is $310 million. As a higher portion of the project is expected to be financed with project debt than originally forecast, Capital Power expects higher equity returns on the project.

Subsequent Events

Genesee 4 and 5

On April 24, 2014, Capital Power and ENMAX Corporation (ENMAX) executed a purchase and sale agreement in support of a joint arrangement agreement to jointly develop, construct and operate the Genesee 4 and 5 power project (Genesee 4 and 5). The joint arrangement agreement will provide provisions for, among other things, an agreement for ENMAX to purchase approximately 225 MW from Capital Power for eight years. The joint arrangement agreement closing is expected to occur in May 2014.

Genesee coal mine

Capital Power is a party to various agreements with Prairie Mines & Minerals Royalty Ltd. (PMRL) in relation to the operations of the Genesee coal mine (Genesee Coal Mine Agreements). Pursuant to the Genesee Coal Mine Agreements, PMRL operates the Genesee Coal Mine. In connection with the acquisition by Westmoreland Coal Company (Westmoreland) of PMRL and the acquisition by Altius Minerals Corporation (Altius) of the royalty assets of PMRL, the Genesee Coal Mine Agreements and certain related agreements have, amongst other things, been amended to: (a) confirm the acquisitions by Westmoreland and Altius; (b) provide for certain amendments to the Genesee Coal Mine Agreements; and (c) provide for a payment to Capital Power of $20 million upon completion of the acquisitions.

Consolidated Net Income and Results of Operations

The primary factors contributing to the change in net income for the three months ended March 31, 2014 compared with the three months ended March 31, 2013 are presented below followed by detailed analysis of these items.

(unaudited, $ millions)	
Consolidated net income for the three months ended March 31, 2013	**48**
Decrease in adjusted EBITDA for Alberta commercial plants and portfolio optimization	(20)
Decrease in depreciation and amortization expense	12
Increase in adjusted EBITDA for Ontario and British Columbia contracted plants	10
Decrease in finance expense including change in unrealized net gains or losses related to the fair value of interest rate derivatives	9
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits	(6)
Decrease in adjusted EBITDA for Alberta contracted plants	(2)
Decrease in adjusted EBITDA for North East U.S. commercial plants and portfolio optimization	(4)
Increase in foreign exchange expense	(4)
Decrease in income before tax	(5)
Increase in income tax expense	(5)
Decrease in net income	**(10)**
Consolidated net income for the three months ended March 31, 2014	**38**

Results by Plant Category and Other

	Three months ended March 31							
	2014	2013	2014	2013	2014	2013	2014	2013
	Electricity generation (GWh) [1]		Plant availability (%) [2]		Revenues (unaudited, $ millions)		Adjusted EBITDA (unaudited, $ millions) [3]	
Total electricity generation, average plant availability and plant revenues excluding acquired Sundance PPA	3,241	4,142	94	94	210	285		
Alberta commercial plants and acquired Sundance PPA								
Genesee 3	466	481	96	98	28	31		
Keephills 3	399	457	100	98	24	30		
Clover Bar Energy Centre 1, 2 and 3	108	85	97	99	15	13		
Joffre	118	101	100	92	13	12		
Halkirk	138	135	96	98	13	12		
Clover Bar Landfill Gas	3	3	61	97	-	-		
Alberta commercial plants – owned	1,232	1,262	98	97	93	98		
Acquired Sundance PPA	750	691	89	97	40	37		
Portfolio optimization [4]					55	34		
	1,982	1,953	94	97	188	169	59	79
Alberta contracted plants								
Genesee 1	678	807	83	96				
Genesee 2	832	788	93	94				
	1,510	1,595	88	95	63	69	42	44
Ontario and British Columbia contracted plants								
Island Generation	115	-	100	100	10	10		
Kingsbridge 1	34	37	95	99	2	2		
Port Dover and Nanticoke [5]	93	n/a	98	n/a	12	n/a		
Quality Wind	97	108	95	99	13	13		
	339	145	98	99	37	25	30	20
North East U.S. commercial plants [6]								
Bridgeport	n/a	913	n/a	97	n/a	66		
Rumford	n/a	25	n/a	97	n/a	5		
Tiverton	n/a	55	n/a	51	n/a	7		
Portfolio optimization					n/a	-		
	n/a	993	n/a	86	n/a	78	-	4
North Carolina U.S. contracted plants								
Roxboro	39	53	90	94	4	4		
Southport	121	94	99	96	13	11		
	160	147	96	96	17	15	-	1
Corporate [7]					2	(2)	(25)	(26)
					307	354	106	122
Unrealized changes in fair value of commodity derivatives					1	11	7	13
Consolidated revenues and adjusted EBITDA					**308**	**365**	**113**	**135**

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

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

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

4 The results of the previously reported other portfolio optimization category were included in Alberta commercial plants and acquired Sundance PPA category effective January 1, 2014. The results for the comparative period have also been reclassified.

5 Port Dover and Nanticoke includes pre-commissioning output until its commissioning date of November 7, 2013. Revenues and expenses related to commissioning activities were capitalized as part of the cost of the facility in property, plant and equipment.

6 The North East U.S. commercial plants were disposed of effective November 19, 2013.

7 Corporate revenues were offset by interplant category eliminations.

Energy prices and hedged positions

	Unit	Three months ended March 31 2014	2013	Year ended December 31, 2013
Alberta				
Hedged position [1]	Percentage sold forward at beginning of period (%)	92	49	49
Spot power price average	$/MWh	61	65	80
Realized power price [2]	$/MWh	58	69	78
Natural gas price (AECO) [3]	$/gigajoule (Gj)	5.45	3.03	3.01

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

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

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

Alberta commercial plants, acquired Sundance PPA and portfolio optimization

The Alberta spot power price average of $61/MWh for the three months ended March 31, 2014 was lower than the corresponding period of 2013 which had a spot power price average of $65/MWh. The lower 2014 prices reflected minimal market volatility, especially during January and March, due to greater surplus supply driven by fewer unplanned and planned outages and the return to service of two large coal units, warmer weather, and stronger wind generation. The first quarter 2013 prices were driven by one month with high price volatility reflecting tighter supply due to several planned and unplanned outages in the Alberta market over a short period, colder temperatures and lower than historical wind generation.

In the first quarter of 2013, Capital Power benefited from the higher spot electricity prices since the Company held more length (less of its power portfolio was hedged). For the three months ended March 31, 2014, the portfolio was over 90% hedged at an average price of $58/MWh and spot prices were lower so the Company realized lower results on its portfolio optimization activities and on its commercial plant results in first quarter 2014. Another factor contributing to the lower results was the de-rates at Keephills 3 during the three months ended March 31, 2014. Clover Bar Energy Centre generation for the quarter was higher than the same quarter in the previous year but results were not as strong due to increases in natural gas prices.

Portfolio optimization results in the three months ended March 31, 2014 also reflected higher costs of emissions compliance and net losses on North East U.S. natural gas and electricity trades that were wound down due to the 2013 strategic refocus partly offset by gains on Alberta natural gas trades.

The Company elected to meet its 2013 Specified Gas Emitters Regulation (SGER) compliance requirements by paying the statutory rate of $15 per metric tonne of carbon dioxide (CO_2) emissions above specified limits compared to using its lower cost inventory of CO_2 credits. The impact of the decision was to lower the current period's adjusted EBITDA by $4 million. Based on the expectation that SGER CO_2 costs per metric tonne will increase as early as 2015, the current additional expense is expected to be more than offset by future savings from utilizing the Company's existing inventory of CO_2 credits during higher compliance cost periods.

Alberta contracted plants

For the three months ended March 31, 2014 compared with the same period in 2013, decreased generation, availability, revenues and adjusted EBITDA primarily reflected outages associated with a valve issue at Genesee 1. There were no comparable outages in the corresponding period of 2013. The unfavourable impact of these outages was partly offset by the impact of a change in coal cost methodology whereby coal mine stripping costs were reported as depreciation and amortization commencing in the second quarter of 2013.

Ontario and British Columbia contracted plants

For the three months ended March 31, 2014 compared with the same period in 2013 increased generation reflected the addition of the Port Dover and Nanticoke wind project which commenced commercial operations in the fourth quarter of 2013 and higher generation from Island Generation.

The addition of Port Dover and Nanticoke also resulted in increased revenues and adjusted EBITDA. Island Generation's increased generation had little impact on revenues and adjusted EBITDA because, under the terms of the Island Generation agreement, revenues are based on deemed generation which is determined based on the plant's availability. Deemed generation for the three months ended March 31, 2014 was consistent with the corresponding period in 2013.

North East U.S. commercial plants and portfolio optimization

The North East U.S. commercial plants were sold effective November 19, 2013. For the three months ended March 31, 2013, the three North East U.S. plants and related portfolio optimization contributed $4 million to the Company's adjusted EBITDA.

North Carolina U.S. contracted plants

For the three months ended March 31, 2014, the performance of the North Carolina U.S. contracted plants was overall consistent with the results for the comparable quarter of 2013.

Corporate

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

The Corporate category's lower net expenditures for the quarter ended March 31, 2014 compared with the quarter ended March 31, 2013 was primarily due to the reduced staffing levels as a result of the restructuring undertaken in the latter part of 2013.

Unrealized changes in fair value of commodity derivatives and emission credits

(unaudited, $ millions)	Three months ended March 31			
	2014	2013	2014	2013
Unrealized changes in fair value of commodity derivatives	**Revenues**		**Adjusted EBITDA**	
Unrealized gains (losses) on Alberta energy derivatives	(1)	(2)	2	1
Unrealized gains on Bridgeport heat rate option	-	9	-	9
Unrealized gains on natural gas derivatives	-	4	(1)	3
Unrealized gains on emission credits held for trading	-	-	4	-
Other	2	-	2	-
	1	11	7	13

[1] The financial results, except for adjusted EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

The Company's financial results relating to its Alberta commercial plants and portfolio optimization, and North East U.S. commercial plants and portfolio optimization (until the disposal of these plants in the fourth quarter of 2013) include unrealized changes in the fair value of commodity and other derivatives.

When a derivative instrument settles, the unrealized fair value changes recorded in prior periods for that instrument are reversed and included in this category. The gain or loss realized upon settlement is reflected in adjusted EBITDA for the applicable plant portfolio optimization or Corporate category.

Alberta desk electricity portfolio activity in the three months ended March 31, 2014 accounted for an unrealized net gain of $2 million. The gain was primarily attributable to the reversal of previously recognized unrealized net losses, partly offset by the impact of increasing Alberta forward power prices on the portfolio position. During the three months ended March 31, 2013, the Company recognized an unrealized net gain of $1 million which reflected the reversal of previously recognized unrealized net losses partly offset by the impact of increasing Alberta forward prices on the portfolio position.

Upon acquisition of the North East U.S. plants in the second quarter of 2011, the Company acquired heat rate options related to the Bridgeport facility. During the three months ended March 31, 2013, the Company recognized an unrealized net gain of $9 million on the Bridgeport heat rate options. The heat rate options related to the Bridgeport facility were settled in the fourth quarter of 2013.

Natural gas portfolio activities during the first quarter of 2014 accounted for an unrealized net loss of $1 million. This loss primarily reflected the reversal of the 2013 gain for positions that settled in the first quarter of 2014. During the three months ended March 31, 2013, the Company recognized a net gain of $3 million on the natural gas portfolio. This gain primarily reflected the impact of fluctuating forward natural gas prices on changes in the portfolio position during the quarter.

During the three months ended March 31, 2014, the Company recognized unrealized net gains of $4 million on its emission credits held for trading driven by market prices in excess of the cost of the emission credits.

Consolidated Other Expenses and Non-controlling Interests

(unaudited, $ millions)	Three months ended March 31	
	2014	**2013**
Interest on borrowings less capitalized interest	(12)	(20)
Other finance expense – sundry interest and guarantee and other fees	(2)	(1)
	(14)	(21)
Unrealized gains representing changes in the fair value of interest rate derivatives	2	-
Other finance expense – amortization and accretion charges	(1)	(1)
Total finance expense	(13)	(22)
Depreciation and amortization	(46)	(58)
Foreign exchange losses	(4)	-
Income tax expense	(12)	(7)
Net income attributable to non-controlling interests	(6)	(14)

Finance expense

Lower finance expense for the three months ended March 31, 2014 compared with the three months ended March 31, 2013 was primarily due to decreased borrowings related to capital projects and the recognition of an unrealized gain on an interest rate swap.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2014 decreased $12 million compared with the same period in the prior year primarily due to the disposal of the North East U.S. assets in the fourth quarter of 2013.

Foreign exchange losses

Foreign exchange losses for the three months ended March 31, 2014 consisted of losses incurred on the revaluation of U.S. dollar denominated debt consistent with the decrease in the exchange rate of the Canadian dollar relative to the U.S. dollar during that period.

Income tax expense

Income tax expense increased $5 million primarily due to higher effective income tax rates on consolidated income for the three months ended March 31, 2014 compared with the same period in the prior year.

Non-controlling interests

For the three months ended March 31, 2014, approximately 19% (three months ended March 31, 2013 – 29%) of CPLP's net income was attributable to EPCOR which is reported as net income attributable to non-controlling interests by the Company. EPCOR's October 10, 2013 exchange of exchangeable common limited partnership units for common shares of Capital Power reduced its interest in CPLP from 29% to 19% which reduces the proportion of net income attributable to non-controlling interests reported by the Company in future periods. Net income attributable to non-controlling interests also included the Genesee coal mine partner's share of the consolidated depreciation of the coal mine assets.

Comprehensive Income

(unaudited, $ millions)	Three months ended March 31	
Comprehensive income	**2014**	**2013**
Net income	38	48
Other comprehensive (loss) income :		
Net unrealized (losses) gains on commodity derivatives designated as cash flow hedges	(13)	(4)
Net realized losses (gains)and ineffective portion of unrealized (gains) losses on commodity derivatives designated as cash flow hedges reclassified to revenues and/or energy purchases and fuel	5	(5)
Unrealized foreign exchange gains (losses) on the translation of foreign operations	8	9
	-	-
	38	**48**

Other comprehensive income includes fair value adjustments on financial instruments held by the Company to hedge market risks and which meet the requirements of hedges for accounting purposes. To the extent that such hedges are ineffective, any related gains or losses are recognized in net income. Other unrealized fair value changes on derivatives designated as cash flow hedges and foreign currency translation gains or losses are subsequently recognized in net income when the hedged transactions are completed and the foreign operations are disposed of or otherwise terminated.

Financial Position

(unaudited, $ millions)	March 31, 2014	December 31, 2013	Increase (decrease)	Primary reason for increase (decrease)
Trade and other receivables	199	218	(19)	Lower trade receivables related to Alberta operations resulting from lower power prices and receipt of Sundance amount receivable.
Inventories	110	92	18	Increase in emission credits held for trading.
Net derivative financial instruments assets	33	26	7	Foreign exchange hedge entered into regarding U.S. dollar denominated debt.
Other financial assets	26	36	(10)	Collection of long-term accounts receivable.
Equity-accounted investment	39	15	24	Payment of K2 Wind cash call.
Intangible assets	316	310	6	Purchase of emission credits held for compliance.
Property, plant and equipment	3,542	3,525	17	Capital additions (most significantly, Shepard) partly offset by depreciation and amortization.
Trade and other payables	189	198	(9)	Decrease in capital trade payables related to Port Dover and Nanticoke.
Loans and borrowings (including current portion)	1,568	1,527	41	Increase in U.S. dollar bank loans issued under credit facility and foreign exchange on U.S. dollar denominated debt.
Provisions (including current portion)	172	175	(3)	Settlement of 2013 share-based incentive accruals offset by increased decommissioning provisions resulting from discount rate changes.
Share capital	2,340	2,328	12	Shares issued under the Dividend Re-investment Plan and share purchase option plan.

Liquidity and Capital Resources

(unaudited, $ millions)	Three months ended March 31		
Cash inflows (outflows)	**2014**	**2013**	**Increase (decrease)**
Operating activities	77	146	(69)
Investing activities	(68)	(295)	227
Financing activities	(5)	134	(139)

Operating activities

Cash flows from operating activities for the three months ended March 31 decreased on a quarter-over-quarter basis primarily due to decreased plant results and operating working capital changes related to trade and other receivables, inventories, trade and other payables and provisions balances.

Investing activities

The cash flows used in investing activities for the three months ended March 31, 2014 included $75 million for purchases of property, plant and equipment and other assets.

Capital expenditures and investments

(unaudited, $ millions)	**Pre-2014 Actual**	**Three months ended March 31, 2014**	**Balance of 2014 Estimated** [1, 2]	**Actual or Projected Total** [2, 3]	**Timing**
Port Dover and Nanticoke	276	2	22	300	Completed 4th quarter 2013
K2 Wind [4]	16	28	2	310	Projected completion 2015
Shepard Energy Centre	684	36	94	821	Projected completion 2015
Subtotal growth projects		**66**			
Sustaining – plant maintenance excluding Genesee mine		2			
Sustaining – Genesee mine maintenance and lands [5]		4			
Sustaining – other		2			
Total capital expenditures [6]		**74**			
Emission credits held for compliance		10			
Capitalized interest		(9)			
Purchase of property, plant and equipment and other assets		**75**			

1 The Company's 2014 estimated capital expenditures include only expenditures for previously identified growth projects and exclude the cost of Genesee 4 and 5 and other potential new development projects.

2 Costs for projects completed in 2013 include certain costs that were or are expected to be incurred subsequent to the date of commercial operations such as site remediation, vendor optimization, project clean-up and project close-out costs.

3 Projected capital expenditures to be incurred over the life of the project are based on management's estimates.

4 Capital Power entered into a partnership agreement to develop K2 Wind which is expected to be in operation by 2015. The actual and 2014 estimated expenditures for K2 Wind primarily consist of the Company's estimated equity contribution to the K2 Wind partnership. The projected total of $310 million is Capital Power's share of the K2 Wind partnership's expected capital expenditures.

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

6 Capital expenditures include capitalized interest. Capital expenditures excluding capitalized interest are presented on the Statement of Cash Flows as purchase of property, plant and equipment and other assets.

Financing activities

The cash flows from financing activities during the three months ended March 31, 2014 primarily reflected distributions to non-controlling interests, common share dividends, preferred share dividends and distributions to non-controlling interests paid of $28 million and interest paid that was capitalized of $9 million partly offset by $30 million proceeds on U.S. dollar bank loans issued from the credit facility.

The Company's credit facilities consisted of:

(unaudited, $millions)		As at March 31, 2014			As at December 31, 2013		
	Maturity timing	**Total facilities**	**Credit facility utilization**	**Available**	**Total facilities**	**Credit facility utilization**	**Available**
CPLP committed credit facility	2018	1,200			1,200		
Letters of credit outstanding			137			160	
U.S. dollar bank loans outstanding			30			-	
		1,200	167	1,033	1,200	160	1,040
CPLP demand facility	n/a	20	-	20	20	-	20
Capital Power Corporation demand facility	n/a	5	-	5	5	-	5
		1,225	**167**	**1,058**	**1,225**	**160**	**1,065**

As at March 31, 2014, the committed credit facility utilization increased $7 million compared to the utilization as at December 31, 2013 primarily due to increased U.S. dollar bank loans outstanding. The committed credit facility includes an accordion feature to increase the facility size by $300 million in the future, subject to certain conditions including lender approval. The maturity date of CPLP's credit agreements is July 9, 2018.

The available credit facilities provide the Company with adequate funding for ongoing development projects.

CPLP has a corporate credit rating of BBB- with a stable outlook from Standard & Poor's (S&P). The BBB- rating assigned by S&P is an investment grade credit rating. According to S&P, a BBB- corporate credit rating exhibits adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

CPLP has a long-term debt credit rating of BBB from DBRS Limited (DBRS). The BBB rating assigned by DBRS is the fourth highest rating of DBRS' ten rating categories for long-term debt obligations. According to DBRS, long-term debt rated BBB is of adequate credit quality. The capacity of the payment of financial obligations is considered acceptable but the entity is vulnerable to future events.

The above credit ratings from S&P and DBRS are investment grade credit ratings which enhance CPLP's ability to re-finance existing debt as it matures and to access cost competitive capital for future growth.

Future cash requirements

The following estimates of future cash requirements are subject to variable factors including those discussed in Forward-looking Information. Capital Power's estimated cash requirements for 2014 are expected to include approximately $226 million for capital expenditures excluding capitalized interest and emission credits held for compliance, approximately $24 million for CPLP distributions to EPCOR (subject to approval by the Board of Directors of CPLP's general partner), approximately $102 million for Capital Power's common share dividends, and approximately $22 million for quarterly preferred share dividends (subject to approval by Capital Power Corporation's Board of Directors). Capital Power Corporation has a Dividend Re-investment Plan (DRIP) where shareholders may elect to reinvest their quarterly cash dividends for additional shares of Capital Power Corporation as an alternative to receiving cash dividends. The participation rate in the DRIP was approximately 31% for 2013 dividends. Depending on the participation rate for 2014, cash requirements for common share dividends may differ from the above expectations.

The current portion of loans and borrowings on the March 31, 2014 statement of financial position of $346 million primarily consists of $341 million senior debt payable to EPCOR which was classified as current since the debt is callable and therefore, potentially repayable in 2014 (see Transactions with Related Parties).

The Company expects to fund the construction of the Shepard Energy Centre and K2 Wind projects using existing bank credit facilities, cash flows from operating activities, and a portion of the proceeds from the sale of the North East U.S. assets. K2 Wind will be financed by non-recourse project debt issued by the K2 Wind limited partnership. The Company's other cash requirements identified above are expected to be funded with cash on hand, cash flows from operating activities, and use of existing bank credit facilities.

The Company's uses short form base shelf prospectuses to provide, market conditions permitting, the Company with the ability to obtain new debt and equity capital from external markets when required. When the short form base shelf prospectuses were both active, Capital Power could raise up to $2 billion by issuing common shares, preferred shares, or subscription receipts exchangeable for common shares or other securities of the Company, and up to $1 billion by issuing medium-term notes with maturities of not less than one year. As of the date of this MD&A, Capital Power has $1 billion of debt available under the short form base shelf debt prospectus. The equity prospectus expired March 2014 and the debt prospectus expires July 2014. Both prospectuses are expected to be renewed in the second quarter of 2014.

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

Off-statement of financial position arrangements

The Company has off-statement of financial position arrangements including operating leases and, as at March 31, 2014, $137 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements and to satisfy legislated reclamation requirements. If the Company were to terminate these off-statement of financial position arrangements, the penalties or obligations would not have a material impact on the Company's financial condition, results of operations, liquidity, capital expenditures or resources.

Capital resources

(unaudited, $ millions)	As at	
	March 31, 2014	**December 31, 2013**
Loans and borrowings	1,568	1,527
Less cash and cash equivalents	105	100
Net debt	1,463	1,427
Share capital	2,340	2,328
Retained earnings and other reserves	90	89
Non-controlling interests	589	587
Total equity	3,019	3,004
Total capital	**4,482**	**4,431**

Contractual Obligations and Contingent Liabilities

There were no changes to the Company's purchase obligations and commitments since December 31, 2013 that would be material to the Company's business or financial position. For further information on contractual obligations, refer to the Company's December 31, 2013 MD&A.

Contingent liabilities

Capital Power is participating in a proceeding underway before the Alberta Utilities Commission (AUC) regarding factors that form the basis for certain transmission charges paid by Alberta generators including Capital Power. On April 16, 2012, the AUC issued its decision that the factors used from 2006 forward were non-compliant with the applicable legislation and regulations. Capital Power and other Alberta generators subsequently submitted applications to review and vary that decision. On April 23, 2013, the AUC issued its subsequent decision that there is substantial doubt regarding the correctness of the previous decision. The AUC conducted a review proceeding to determine whether the initial decision should be varied. On April 16, 2014, the AUC issued its decision which upheld its 2012 finding. It is expected that there will be future AUC proceedings, which could extend to 2015 or beyond, that will potentially address what alternative factors should be applied and the potential application of alternative factors on a prospective or retrospective basis. Capital Power may incur additional payments for transmission charges on a retrospective and go-forward basis but a provision has not been recorded in the Company's financial statements since the outcome of the proceeding is not known.

The Company is considering the impact of the April 2014 AUC decision on its separate application for Leave to Appeal before the Alberta Court of Appeal which is scheduled to be heard in September 2014.

The Company and its subsidiaries are subject to various legal claims that arise in the normal course of business. Management believes that the aggregate contingent liability of the Company arising from these claims is immaterial and therefore no provision has been made.

Transactions with Related Parties

(unaudited, $ millions)		Three months ended March 31	
	Note	**2014**	**2013**
EPCOR (shareholder)			
CPLP distributions paid	(a)	6	9
Purchase of distribution and transmission services	(b)	2	5
Purchase of other services	(b)	2	2
Power sales	(b)	2	1
Interest incurred on unsecured senior debt payable and expensed	(c)	3	6
Interest incurred on unsecured senior debt payable and capitalized	(c)	2	-
Repayment of unsecured senior debt payable	(c)	-	-
The City of Edmonton (sole shareholder of EPCOR)			
Power sales	(b)	1	9

		As at	
	Note	**March 31, 2014**	**December 31, 2013**
EPCOR (shareholder)			
Trade and other receivables	(b)	2	1
Trade and other payables	(b)	9	14
Provision for future maintenance costs associated with EPCOR's Rossdale plant	(d)	3	3
Loans and borrowings	(c)	341	341
The City of Edmonton (sole shareholder of EPCOR)			
Trade and other receivables	(b)	-	5

(a) As at March 31, 2014 and December 31, 2013, EPCOR owned 18.841 million exchangeable common limited partnership units of CPLP (representing approximately 19% of CPLP), and 18.841 million accompanying special voting shares and one special limited voting share of Capital Power Corporation. In connection with EPCOR's unitholdings, CPLP paid distributions to EPCOR for the three months ended March 31, 2014 and 2013.

(b) The power sales and purchase of other services transactions with EPCOR and the City of Edmonton were in the normal course of operations and were recorded at exchange amounts based on normal commercial rates. The Company has a lease agreement with EPCOR for office space that requires payment to EPCOR of $5 million per year through 2031.

(c) The Company's unsecured senior debt payable to EPCOR, at interest rates ranging from 5.80% to 9.00% per annum, matures between 2014 and 2018. As at March 31, 2014, since EPCOR owns less than 20% of the outstanding limited partnership units of CPLP, EPCOR may, by written notice, require repayment of all or any portion of the outstanding principal amount of this debt and accrued interest thereon. If the principal amount specified in such repayment is less than $200 million, then it and the accrued interest thereon shall be payable on or before 180 days after delivery of notice, and if it is $200 million or more, then it and the accrued interest thereon shall be payable on or before 365 days after delivery of notice.

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

Risks and Risk Management

There have been no material changes in the three months ended March 31, 2014 to the Company's business and operational risks as described in the Company's December 31, 2013 MD&A.

Environmental Matters

The Company recorded decommissioning provisions of $131 million as at March 31, 2014 ($120 million as at December 31, 2013) for its generation plants and the Genesee coal mine as it is obliged to remove the facilities at the end of their useful lives and restore the plant and mine sites to their original condition. Decommissioning provisions for the coal mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation.

The Company is obligated to purchase environmental credits totaling approximately $60 million in the current and future years and expects to use these credits to comply with applicable environmental regulations.

Critical Accounting Estimates and Accounting Judgments

In preparing the consolidated financial statements, management necessarily made estimates in determining transaction amounts and financial statement balances. There have been no significant changes to the Company's critical accounting estimates and accounting judgments as described in the Company's December 31, 2013 MD&A.

Accounting Changes

Effective January 1, 2014

The Company adopted a number of new accounting standards, together with the consequential amendments to other standards, as issued by the International Accounting Standards Board (IASB). The changes that are significant to Capital Power are:

Standard	Description	Impact to Capital Power
IAS 36 Impairment of Assets	In May 2013, the IASB issued amendments to IAS 36 which require disclosure of the recoverable amount of impaired assets and additional disclosures about the measurement of the impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.	The amendments are effective for annual periods beginning on or after January 1, 2014. However, the Company early adopted the amendments, on a retrospective basis, with insignificant impact to the Company's financial statement note disclosures.

Future

The IASB issued the following amendments to existing standards that were not yet effective as of March 31, 2014 and which may significantly impact Capital Power:

Standard	Description	Impact to Capital Power	Effective Date
IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9 and IFRS 7)	In November 2013, the IASB issued hedge accounting amendments which comprises part of its comprehensive project on financial instruments to replace IAS 39 Financial Instruments: Recognition and Measurement.	Potential application of hedge accounting to more hedging strategies based on new general hedge accounting model.	No mandatory effective date but may be available for application pending Canadian Handbook release.

Financial Instruments

The classification, carrying amounts and fair values of financial instruments held at March 31, 2014 and December 31, 2013 were as follows:

(unaudited, $ millions)			As at			
		Fair value	March 31, 2014		December 31, 2013	
	Classification	hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Cash and cash equivalents	Loans and receivables	n/a	105	105	100	100
Trade and other receivables	Loans and receivables	n/a	199	199	218	218
Derivative financial instruments assets – current and non-current	Financial assets designated at fair value through income or loss	See below	63	63	67	67
Finance lease receivables	Loans and receivables	Level 2	713	679	711	647
Other financial assets	Loans and receivables	Level 2	24	24	34	34
Financial liabilities:						
Trade and other payables	Other financial liabilities	n/a	189	189	198	198
Derivative financial instruments liabilities – current and non-current	Financial liabilities designated at fair value through income or loss	See below	30	30	41	41
Loans and borrowings (including current portion)	Other financial liabilities	Level 2	1,568	1,603	1,527	1,561

Risk management and hedging activities

There have been no material changes in the three months ended March 31, 2014 to the Company's risk management and hedging activities as described in the Company's December 31, 2013 MD&A.

The derivative financial instruments assets and liabilities held at March 31, 2014 compared with December 31, 2013 and used for risk management purposes were measured at fair value and consisted of the following:

(unaudited, $ millions)		As at March 31, 2014				
	Fair value hierarchy level	**Commodity cash flow hedges**	**Commodity non-hedges**	**Foreign exchange hedges**	**Interest rate non-hedges**	**Total**
Derivative financial instruments assets	Level 1	-	-	-	-	-
	Level 2	28	26	8	1	63
	Level 3	-		-	-	-
		28	26	8	1	63
Derivative financial instruments liabilities	Level 1	-	-	-	-	-
	Level 2	(15)	(15)	-	-	(30)
	Level 3	-	-	-	-	-
		(15)	(15)	-	-	(30)
Net derivative financial instruments assets		**13**	**11**	**8**	**1**	**33**

(unaudited, $ millions)		As at December 31, 2013				
	Fair value hierarchy level	**Commodity cash flow hedges**	**Commodity non-hedges**	**Foreign exchange hedges**	**Interest rate non-hedges**	**Total**
Derivative financial instruments assets	Level 1	-	-	-	-	-
	Level 2	29	37	1	-	67
	Level 3	-	-	-	-	-
		29	37	1	-	67
Derivative financial instruments liabilities	Level 1	-	-	-	-	-
	Level 2	(11)	(28)	(1)	(1)	(41)
	Level 3	-	-	-	-	-
		(11)	(28)	(1)	(1)	(41)
Net derivative financial instruments assets (liabilities)		**18**	**9**	**-**	**(1)**	**26**

Commodity and foreign exchange derivatives designated as accounting hedges

Unrealized gains and losses for fair value changes on commodity and foreign exchange derivatives that qualify for hedge accounting are recorded in other comprehensive income and, when realized, are reclassified to net income as revenues, energy purchases and fuel or foreign exchange gains and losses.

Commodity and interest rate derivatives not designated as accounting hedges

The change in fair values of commodity derivatives not designated as hedges is primarily due to changes in forward Alberta power prices and their impact on the Alberta power portfolio. Unrealized and realized gains and losses for fair value changes on commodity derivatives that do not qualify for hedge accounting are recorded in net income as revenues or energy purchases and fuel.

Unrealized and realized losses on interest rate derivatives that are not designated as hedges for accounting purposes are recorded in net income as finance expense.

Fair value measurement

Fair values for Level 1 financial assets and liabilities are based on unadjusted quoted prices in active markets for identical instruments while fair values for Level 2 financial assets and liabilities are generally based on indirectly observable prices. The determination of fair values for Level 3 financial assets and liabilities is performed by the Company's commodity risk group and reviewed by management. These fair values are based partly on the key unobservable inputs of volatilities and correlations of the relative price changes in underlying prices. These volatilities and correlations are estimated using an exponentially-weighted moving average based on historical forward prices. When required, sensitivity analysis for significant Level 3 financial instruments is performed.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

There were no significant changes in the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the three months ended March 31, 2014 that have materially affected or are reasonably likely to materially affect the Company's disclosures of required information and internal control over financial reporting.

Summary of Quarterly Results

(GWh)	Three months ended							
Electricity generation	**Mar 31 2014**	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**
Total generation excluding acquired Sundance PPA	3,241	3,925	4,317	3,746	4,142	4,159	4,575	3,499
Alberta commercial plants and acquired Sundance PPA								
Genesee 3	466	463	480	493	481	272	507	453
Keephills 3	399	418	483	296	457	484	489	473
Clover Bar Energy Centre 1, 2 and 3	108	60	45	157	85	174	130	140
Joffre	118	95	109	109	101	65	87	97
Halkirk	138	137	76	118	135	44	n/a	n/a
Clover Bar Landfill Gas	3	5	4	4	3	7	8	9
Alberta commercial plants – owned	1,232	1,178	1,197	1,177	1,262	1,046	1,221	1,172
Acquired Sundance PPA	750	710	659	712	691	517	738	660
	1,982	1,888	1,856	1,889	1,953	1,563	1,959	1,832
Alberta contracted plants								
Genesee 1	678	842	819	482	807	830	755	767
Genesee 2	832	802	840	704	788	767	815	589
	1,510	1,644	1,659	1,186	1,595	1,597	1,570	1,356
Ontario and British Columbia contracted plants								
Island Generation	115	210	14	-	-	3	8	-
Kingsbridge 1	34	37	12	22	37	35	15	22
Port Dover and Nanticoke	93	54	n/a	n/a	n/a	n/a	n/a	n/a
Quality Wind	97	113	68	88	108	70	n/a	n/a
Brown Lake	n/a	n/a	n/a	n/a	n/a	2	14	16
Miller Creek	n/a	n/a	n/a	n/a	n/a	1	22	16
	339	414	94	110	145	111	59	54
North East U.S. commercial plants								
Bridgeport	n/a	326	690	678	913	863	905	300
Rumford	n/a	10	57	32	25	15	229	87
Tiverton	n/a	155	434	409	55	389	416	354
	n/a	491	1,181	1,119	993	1,267	1,550	741
North Carolina U.S. contracted plants								
Roxboro	39	70	69	57	53	50	64	61
Southport	121	128	117	97	94	88	111	115
	160	198	186	154	147	138	175	176

(%)	Three months ended							
Plant availability	**Mar 31 2014**	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**
Total average plant availability excluding acquired Sundance PPA	94	93	97	86	94	89	97	81
Alberta commercial plants and acquired Sundance PPA								
Genesee 3	96	98	100	100	98	56	100	95
Keephills 3	100	99	100	65	98	100	100	100
Clover Bar Energy Centre 1, 2 and 3	97	91	93	99	99	98	97	97
Joffre	100	85	95	94	92	65	98	99
Halkirk	96	99	89	99	98	95	n/a	n/a
Clover Bar Landfill Gas	61	98	66	91	97	92	92	86
Alberta commercial plants – owned	98	94	96	91	97	81	99	98
Acquired Sundance PPA	89	89	83	93	97	74	97	90
	94	92	90	92	97	79	98	96
Alberta contracted plants								
Genesee 1	83	100	98	61	96	98	93	97
Genesee 2	93	95	100	86	94	94	99	72
	88	98	99	74	95	96	96	85
Ontario and British Columbia contracted plants								
Island Generation	100	99	100	100	100	100	100	100
Kingsbridge 1	95	94	95	96	99	100	99	99
Port Dover and Nanticoke	98	95	n/a	n/a	n/a	n/a	n/a	n/a
Quality Wind	95	98	100	98	99	99	n/a	n/a
Brown Lake	n/a	n/a	n/a	n/a	n/a	100	99	100
Miller Creek	n/a	n/a	n/a	n/a	n/a	85	71	38
	98	98	99	99	99	100	97	94
North East U.S. commercial plants								
Bridgeport	n/a	72	93	83	97	85	95	35
Rumford	n/a	91	100	77	97	84	97	84
Tiverton	n/a	83	96	93	51	89	99	77
	n/a	79	95	84	86	86	97	58
North Carolina U.S. contracted plants								
Roxboro	90	98	97	88	94	89	97	84
Southport	99	91	99	94	96	90	100	87
	96	93	98	92	96	90	99	86

Financial results

(unaudited, $ millions)	Three months ended							
	Mar 31 2014	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**
Revenues								
Alberta commercial plants, acquired Sundance PPA and portfolio optimization	175	146	186	182	150	137	199	133
Alberta contracted plants	63	70	80	27	69	75	69	63
Ontario and British Columbia contracted plants	37	33	16	18	25	18	12	12
North East U.S. commercial plants and portfolio optimization	-	23	63	63	78	65	62	34
North Carolina U.S. contracted plants	17	19	20	17	15	16	19	18
Other portfolio activities	13	27	16	16	19	11	8	1
Corporate [1]	2	(9)	(4)	2	(2)	-	-	3
	307	309	377	325	354	322	369	264
Unrealized changes in fair value of commodity derivatives	1	18	3	(4)	11	(34)	18	(11)
	308	**327**	**380**	**321**	**365**	**288**	**387**	**253**
Adjusted EBITDA								
Alberta commercial plants, acquired Sundance PPA and portfolio optimization	63	50	105	114	81	64	113	55
Alberta contracted plants	42	53	55	7	44	51	38	35
Ontario and British Columbia contracted plants	30	26	9	12	20	15	8	9
North East U.S. commercial plants and portfolio optimization	-	(1)	11	7	4	(1)	12	1
North Carolina U.S. contracted plant	-	1	2	1	1	2	-	-
Other portfolio activities	(4)	7	(1)	(2)	(2)	(1)	4	-
Corporate	(25)	(34)	(31)	(30)	(26)	(30)	(31)	(27)
	106	102	150	109	122	100	144	73
Unrealized changes in fair value of commodity derivatives	7	17	1	(5)	13	(27)	7	(8)
	113	**119**	**151**	**104**	**135**	**73**	**151**	**65**

[1] Revenues are offset by interplant category revenue eliminations.

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

Financial highlights

(unaudited, $ millions except per share amounts)	Three months ended							
	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012
Revenues	308	327	380	321	365	288	387	253
Adjusted EBITDA [1]	113	119	151	104	135	73	151	65
Net income (loss)	38	98	59	23	48	19	63	(58)
Net income (loss) attributable to shareholders of the Company	32	77	44	20	34	15	39	(32)
Basic earnings (loss) per share ($)	0.33	0.89	0.55	0.20	0.44	0.19	0.55	(0.50)
Normalized earnings per share ($) [1]	0.31	0.35	0.72	0.27	0.36	0.23	0.55	0.07

[1] The consolidated financial highlights, except for adjusted EBITDA and normalized earnings per share, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

	Three months ended							
Spot price averages	**Mar 31 2014**	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**
Alberta power ($/MWh)	61	49	84	123	65	79	78	40
Alberta natural gas (AECO) ($/Gj)	5.45	3.33	2.32	3.36	3.03	2.16	2.16	1.80
Capital Power's Alberta portfolio average realized power price ($/MWh)	58	64	85	93	69	65	81	60

Factors impacting results for the previous quarters

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

During the quarter ended December 31, 2013, commercial operations of the Port Dover and Nanticoke wind facility commenced while the sale of the North East U.S. assets was completed resulting in a net capacity decrease of 984 MW. The Company recognized a pre-tax gain of $76 million on the sale of the North East U.S. assets. The results for this quarter also included significant unrealized net gains related to the fair value of commodity derivatives and the impact of improved operating results for the Alberta commercial plants and the Ontario and British Columbia contracted plants.

Results of operations for the third quarter of 2013 were influenced by the Alberta spot power average price of $84/MWh and unplanned plant maintenance outages in the Alberta market. In particular, the high Alberta power prices favourably impacted the Alberta contracted plants' results. The Company announced its agreement with Emera Inc. to sell its North East U.S. plants. This decision to exit North East U.S. market was accompanied by the Company's decision to refocus its merchant power business in Alberta. As a result, the Company recognized a pre-tax impairment loss of $6 million and incurred pre-tax restructuring costs of $9 million in the third quarter of 2013. The purchase of the second tranche of the Company's interest in Shepard Energy Centre was completed during the quarter.

In the second quarter of 2013, Alberta commercial plants had strong results as power prices were driven higher when the Alberta market experienced several planned and unplanned outages. These positive results were partly offset by the results for Alberta contracted plants since Genesee 1 experienced a planned outage and both Genesee 1 and 2 experienced unplanned outages. These outages decreased production and the significant availability penalties incurred reflected the quarter's higher Alberta power prices.

The 2013 first quarter included the first full quarter of operations and results for Capital Power's Quality Wind and Halkirk wind projects. All plants, with the exception of Tiverton in the North East U.S., had relatively strong performance and financial results. Tiverton experienced an outage during the quarter when the maintenance work that was originally scheduled to be performed in the last half of 2013 was completed. The purchase of the first tranche in the Company's interest in Shepard Energy Centre was completed during the quarter.

In the fourth quarter of 2012, commercial operations of the Quality Wind and Halkirk wind projects commenced adding total capacity of 292 MW to the Company's generation portfolio. A pre-tax gain of $15 million was recorded on the sale of the Brown Lake and Miller Creek facilities. Results were negatively impacted by realized losses on the Bridgeport heat rate option and the pricing of physical gas purchases for the Bridgeport plant. These losses were partly offset by gains realized on a financial hedge executed to reduce the natural gas locational basis risk associated with the heat rate option. The net impact of these transactions was a pre-tax loss of $10 million. Planned outages occurred at Genesee 3 and Sundance. Adjusted EBITDA was positively impacted by approximately $9 million due to a change in the estimate of coal inventory for Genesee 1, 2 and 3.

In the third quarter of 2012, Alberta commercial plants experienced strong performance which was dampened by an unscheduled outage at Genesee 1 resulting from a trial project intended to increase the marketability of fly ash by-product.

In the second quarter of 2012, a pre-tax impairment loss of $74 million on Capital Power's North East U.S. plants based on reduced expected operating margins for the Bridgeport, Rumford and Tiverton plants largely as a result of weaker spark spreads in the Northeast U.S. power market was recognized. Results for the North East U.S commercial plants were impacted by lower than expected market spark spreads and an unplanned outage at the Bridgeport facility.

Share and Partnership Unit Information

Quarterly common share trading information

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

	Three months ended							
	March 31 2014	**Dec 31 2013**	**Sep 30 2013**	**Jun 30 2013**	**Mar 31 2013**	**Dec 31 2012**	**Sep 30 2012**	**Jun 30 2012**
Share price ($/common share)								
High	25.81	21.95	22.22	22.55	23.53	23.20	24.53	24.47
Low	20.51	20.30	19.80	19.76	21.02	20.88	20.75	22.48
Close	25.72	21.30	21.26	20.58	21.20	22.73	21.29	23.78
Volume of shares traded (millions)	18.3	16.6	8.8	7.9	9.5	10.8	9.6	10.3

Outstanding share and partnership unit data

As at April 22, 2014, the Company had 81.606 million common shares outstanding, 18.841 million special voting shares outstanding, 5 million Cumulative Rate Reset Preference Shares, Series 1 outstanding, 6 million Cumulative Rate Reset Preference Shares, Series 3, 8 million Cumulative Rate Reset Preference Shares, Series 5, and one special limited voting share outstanding. Assuming full conversion of the outstanding and issuable share purchase options to common shares and the redemption of all outstanding special voting shares in relation to the conversion of all outstanding exchangeable common limited partnership units of CPLP to common shares and ignoring exercise prices, the outstanding and issuable common shares as at April 22, 2014 were 104.256 million. All of the outstanding special voting shares and the outstanding special limited voting share are held by EPCOR.

As at April 22, 2014, CPLP had 21.750 million general partnership units outstanding, 56.299 million common limited partnership units outstanding and 18.841 million exchangeable common limited partnership units outstanding, which are exchangeable for 18.841 million common shares of the Company. All of the outstanding general partnership units and the outstanding common limited partnership units are held, indirectly, by the Company. All of the outstanding exchangeable common limited partnership units are held by EPCOR.

Additional Information

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

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Financial Statements
Three months ended March 31, 2014 and 2013

Condensed Interim Consolidated Financial Statements:

CAPITAL POWER CORPORATION

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

	Three months ended March 31, 2014	2013
Revenues	$ 308	$ 365
Energy purchases and fuel	(126)	(156)
Gross margin	182	209
Other raw materials and operating charges	(19)	(17)
Staff costs and employee benefits expense	(32)	(36)
Depreciation and amortization	(46)	(58)
Other administrative expenses	(18)	(21)
Foreign exchange loss	(4)	-
Operating income	63	77
Finance expense	(13)	(22)
Income before tax	50	55
Income tax expense (note 3)	(12)	(7)
Net income	$ 38	$ 48
Attributable to:		
Non-controlling interests	$ 6	$ 14
Shareholders of the Company	$ 32	$ 34
Earnings per share (attributable to common shareholders of the Company):		
Basic (note 4)	$ 0.33	$ 0.44
Diluted (note 4)	$ 0.33	$ 0.44

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	Three months ended March 31, 2014	2013
Net income	$ 38	$ 48
Other comprehensive income:		
Items that are or may be reclassified subsequently to net income:		
Cash flow hedges:		
Unrealized losses on derivative instruments[1]	(10)	(4)
Unrealized losses on derivative instruments – joint venture[2]	(3)	-
Reclassification of losses (gains) on derivative instruments to income for the period[3]	5	(5)
Net investment in foreign subsidiaries:		
Unrealized gain[4]	8	9
Total items that are or may be reclassified subsequently to net income, net of tax	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	$ 38	$ 48
Attributable to:		
Non-controlling interests	$ 6	$ 13
Shareholders of the Company	$ 32	$ 35

[1] For the three months ended March 31, 2014, net of income tax recovery of $2. For the three months ended March 31, 2013, net of income tax recovery of $1.

[2] For the three months ended March 31, 2014, net of income tax recovery of $1. For the three months ended March 31, 2013, net of income tax recovery of nil.

[3] For the three months ended March 31, 2014, net of reclassification of income tax recovery of $1. For the three months ended March 31, 2013, net of reclassification of income tax expense of $1.

[4] For the three months ended March 31, 2014 and March 31, 2013, net of income tax recovery of nil.

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 105	$ 100
Trade and other receivables	199	218
Inventories	110	92
Derivative financial instruments assets (note 5)	38	31
	452	441
Non-current assets:		
Other assets	26	27
Derivative financial instruments assets (note 5)	25	36
Finance lease receivables	713	711
Other financial assets	26	36
Deferred tax assets	100	95
Equity-accounted investment	39	15
Intangible assets	316	310
Property, plant and equipment	3,542	3,525
Goodwill	23	23
Total assets	$ 5,262	$ 5,219
Liabilities and equity		
Current liabilities:		
Trade and other payables	$ 189	$ 198
Derivative financial instruments liabilities (note 5)	20	31
Loans and borrowings	346	346
Deferred revenue and other liabilities	7	5
Provisions	13	27
	575	607
Non-current liabilities:		
Derivative financial instruments liabilities (note 5)	10	10
Loans and borrowings	1,222	1,181
Deferred revenue and other liabilities	88	89
Deferred tax liabilities	189	180
Provisions	159	148
	1,668	1,608
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 6)	2,340	2,328
Retained earnings	84	83
Other reserves	6	6
Retained earnings and other reserves	90	89
	2,430	2,417
Non-controlling interests	589	587
Total equity	3,019	3,004
Total liabilities and equity	$ 5,262	$ 5,219

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	Share capital	Cash flow hedges [1]	Cumulative translation account [1]	Defined benefit plan actuarial losses [1]	Employee benefits reserve	Retained earnings	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity as at January 1, 2014	$ 2,328	$ 21	$ (14)	$ (11)	$ 10	$ 83	$ 2,417	$ 587	$ 3,004
Net income	-	-	-	-	-	32	32	6	38
Other comprehensive income (loss):									
Cash flow derivative hedge losses	-	(12)	-	-	-	-	(12)	-	(12)
Cash flow derivative hedge losses – joint venture	-	(4)	-	-	-	-	(4)	-	(4)
Reclassification of losses to income	-	6	-	-	-	-	6	-	6
Unrealized gain on foreign currency translation	-	-	8	-	-	-	8	-	8
Tax on items recognized directly in equity	-	2	-	-	-	-	2	-	2
Attributed to non-controlling interests	-	1	(1)	-	-	-	-	-	-
Other comprehensive income (loss)	$ -	$ (7)	$ 7	$ -	$ -	$ -	$ -	$ -	$ -
Total comprehensive income (loss)	-	(7)	7	-	-	32	32	6	38
Distributions to non-controlling interests	-	-	-	-	-	-	-	(6)	(6)
Net additional investment by non-controlling interests	-	-	-	-	-	-	-	2	2
Common share dividends (note 6)	-	-	-	-	-	(26)	(26)	-	(26)
Preferred share dividends (note 6)	-	-	-	-	-	(5)	(5)	-	(5)
Dividends reinvested	8	-	-	-	-	-	8	-	8
Share options exercised	4	-	-	-	-	-	4	-	4
Equity as at March 31, 2014	$ 2,340	$ 14	$ (7)	$ (11)	$ 10	$ 84	$ 2,430	$ 589	$ 3,019

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

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	Share capital	Cash flow hedges [1]	Cumulative translation account [1]	Defined benefit plan actuarial losses [1]	Employee benefits reserve	Retained earnings (deficit)	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity as at January 1, 2013	$ 1,903	$ 15	$ 10	$ (13)	$ 9	$ (1)	$ 1,923	$ 829	$ 2,752
Net income	-	-	-	-	-	34	34	14	48
Other comprehensive income (loss):									
Cash flow derivative hedge losses	-	(5)	-	-	-	-	(5)	-	(5)
Reclassification of gains to income	-	(6)	-	-	-	-	(6)	-	(6)
Unrealized gain on foreign currency translation	-	-	9	-	-	-	9	-	9
Tax on items recognized directly in equity	-	2	-	-	-	-	2	-	2
Attributed to non-controlling interests	-	3	(2)	-	-	-	1	(1)	-
Other comprehensive income (loss)	$ -	$ (6)	$ 7	$ -	$ -	$ -	$ 1	$ (1)	$ -
Total comprehensive income (loss)	-	(6)	7	-	-	34	35	13	48
Issue of share capital	200	-	-	-	-	-	200	-	200
Share issue costs	(6)	-	-	-	-	-	(6)	-	(6)
Deferred taxes	2	-	-	-	-	-	2	-	2
Distributions to non-controlling interests	-	-	-	-	-	-	-	(9)	(9)
Net additional investment by non-controlling interests	-	-	-	-	-	-	-	3	3
Common share dividends (note 6)	-	-	-	-	-	(22)	(22)	-	(22)
Preferred share dividends (note 6)	-	-	-	-	-	(3)	(3)	-	(3)
Dividends reinvested	7	-	-	-	-	-	7	-	7
Share-based compensation	-	-	-	-	1	-	1	-	1
Equity as at March 31, 2013	$ 2,106	$ 9	$ 17	$ (13)	$ 10	$ 8	$ 2,137	$ 836	$ 2,973

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

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	Three months ended March 31, 2014	2013
Cash flows from operating activities:		
Net income	$ 38	$ 48
Non-cash adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	46	58
Finance expense	13	22
Fair value changes on commodity instruments and emission allowances held for trading	(7)	(13)
Income tax expense	12	7
Other items	2	2
Interest paid[1]	(7)	(15)
Income taxes paid	(7)	(1)
Change in non-cash operating working capital	(13)	38
Net cash flows from operating activities	77	146
Cash flows used in investing activities:		
Purchase of property, plant and equipment and other assets	(75)	(293)
Other cash flows from investing activities	7	(2)
Net cash flows used in investing activities	(68)	(295)
Cash flows (used in) from financing activities:		
Proceeds from loans and borrowings	30	-
Repayment of loans and borrowings	(2)	(31)
Proceeds from exercise of share options	4	-
Proceeds from issue of preferred shares	-	200
Share issue costs	-	(6)
Distributions paid to non-controlling interests	(6)	(9)
Common share dividends paid (note 6)	(17)	(15)
Preferred share dividends paid (note 6)	(5)	(3)
Interest paid[1]	(9)	(2)
Net cash flows (used in) from financing activities	(5)	134
Foreign exchange gains on cash held in a foreign currency	1	1
Net increase (decrease) in cash and cash equivalents	5	(14)
Cash and cash equivalents at beginning of period	100	53
Cash and cash equivalents at end of period	$ 105	$ 39

[1] Total interest paid.

See accompanying notes to the condensed interim consolidated financial statements

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

1. Reporting entity:

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

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

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

2. Basis of presentation:

These condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2013 annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent consolidated financial statements for the year ended December 31, 2013, and have been prepared under the historical cost basis, except for the Company's derivative instruments, emission credits held for trading, defined benefit pension assets and cash-settled share based payments, which are stated at fair value.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on April 24, 2014.

3. Income tax:

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Income before tax	$ 50	$ 55
Income tax at the statutory rate of 25.0%	13	14
Increase (decrease) resulting from:		
Amounts attributable to non-controlling interests	(1)	(3)
Statutory and other rate differences	(1)	(2)
Change in unrecognized tax benefits	1	-
Non-taxable amounts	-	(2)
Income tax expense	$ 12	$ 7

4. Earnings per share:

Basic earnings per share

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Income for the period attributable to shareholders of the Company	$ 32	$ 34
Preferred share dividends of the Company [1]	(5)	(3)
Earnings used in the calculation of basic earnings per share	$ 27	$ 31

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

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

4. Earnings per share, continued:

	Three months ended March 31, 2014	2013
Weighted average number of common shares used in the calculation of basic earnings per share	81,175,056	70,152,548

Diluted earnings per share

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

	Three months ended March 31, 2014	2013
Earnings used in the calculation of basic earnings per share	$ 27	$ 31
Effect of exchangeable limited partnership units issued to EPCOR for common shares [1]	-	12
Earnings used in the calculation of diluted earnings per share	$ 27	$ 43

[1] The exchangeable limited partnership units issued to EPCOR Utilities Inc. (EPCOR) may be exchanged for common shares of Capital Power on a one-for-one basis. For the three months ended March 31, 2014, the potential exchange of such units for common shares of the Company was not included in the calculation of diluted earnings per share as it was anti-dilutive. For the three months ended March 31, 2013, the potential exchange of such units for common shares of the Company had a neutral impact as the potential exchange would remove the attribution of net income to non-controlling interests related to CPLP of $17 million. Additionally, the income tax provision of the Company would need to be adjusted to reflect the non-controlling interest's share of CPLP income taxes of $5 million

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

	Three months ended March 31, 2014	2013
Weighted average number of common shares used in the calculation of basic earnings per share	81,175,056	70,152,548
Effect of dilutive share purchase options [2]	34,092	-
Effect of exchangeable limited partnership units issued to EPCOR for common shares	-	28,441,000
Weighted average number of common shares used in the calculation of diluted earnings per share	81,209,148	98,593,548

[2] For the three months ended March 31, 2014, the average market price of the Company's common shares exceeded the exercise price of certain of the granted share purchase options, but had a neutral effect on earnings per share. For the three months ended March 31, 2013 the average market price of the Company's common shares was below the exercise price of all granted share purchase options and as a result none of the share purchase options had a dilutive effect on earnings per share.

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

5. Derivative financial instruments and hedge accounting:

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

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

	March 31, 2014				
	Energy and Emission Allowances		Foreign exchange	Interest rate	
	cash flow hedges	non-hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:					
Current	$ 11	$ 18	$ 8	$ 1	$ 38
Non-current	17	8	-	-	25
Derivative instruments liabilities:					
Current	(10)	(10)	-	-	(20)
Non-current	(5)	(5)	-	-	(10)
Net fair value	$ 13	$ 11	$ 8	$ 1	$ 33
Net notional buys (sells):					
Megawatt hours of electricity (millions)	(9)	(3)			
Gigajoules of natural gas (millions)	-	9			
Metric tons of emission allowances (millions)		1			
Cross currency swaps and interest rate swaps (millions of U.S. dollars)			$ 195	$ 100	
Range of remaining contract terms in years	0.1 to 4.8	0.1 to 4.8	7.2 to 12.2	7.2	

	December 31, 2013				
	Energy		Foreign exchange	Interest rate	
	cash flow hedges	non-hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:					
Current	$ 7	$ 24	$ -	$ -	$ 31
Non-current	22	13	1	-	36
Derivative instruments liabilities:					
Current	(6)	(23)	(1)	(1)	(31)
Non-current	(5)	(5)	-	-	(10)
Net fair value	$ 18	$ 9	$ -	$ (1)	$ 26
Net notional buys (sells):					
Megawatt hours of electricity (millions)	(10)	(4)			
Gigajoules of natural gas (millions)	-	1			
Cross currency swaps and interest rate swaps (millions of U.S. dollars)			$ 195	$ 100	
Range of remaining contract terms in years	0.1 to 5.0	0.1 to 5.0	7.5 to 12.5	7.5	

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

5. Derivative financial instruments and hedge accounting, continued:

Fair values of derivative instruments are determined, when possible, using exchange or over-the-counter price quotations by reference to quoted bid, ask or closing market prices dependent on which is most representative of fair value in the circumstances, in the principal market for that instrument. The extent to which fair values of derivative instruments are based on observable market data is determined by the extent to which the market for the underlying commodity is judged to be active. When traded markets are not considered to be sufficiently active or do not exist, the Company uses appropriate valuation and price modeling techniques commonly used by market participants to estimate fair value. The Company may also rely on price forecasts prepared by third party market experts to estimate fair value when there are limited observable prices available. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. Fair value amounts reflect management's best estimates and maximize, when available, the use of external readily observable market data including future prices, interest rate yield curves, foreign exchange rates, quoted Canadian dollar swap rates, counterparty credit risk, the Company's own credit risk and volatility. When a valuation technique utilizes unobservable inputs, no inception gains or losses are recognized, until inputs become observable. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

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

	Three months ended March 31, 2014		Three months ended March 31, 2013	
	Unrealized gains (losses)	Realized gains (losses)	Unrealized gains (losses)	Realized gains
Energy cash flow hedges	$ (6)	$ (6)	$ (11)	$ 6
Energy and emission allowances non-hedges	3	9	13	13
Foreign exchange cash flow hedges	-	-	-	-
Interest rate non-hedges	2	-	-	-

Realized gains and losses relate only to derivative financial instruments. The following realized and unrealized gains and losses are included in the Company's statements of income for the three months ended March 31, 2014 and 2013:

	Three months ended March 31, 2014	2013
Revenues	$ 53	$ 100
Energy purchases and fuel	(47)	(68)
Finance expense	2	-

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices and currency risk relating to U.S. dollar denominated loans and borrowings. For the three months ended March 31, 2014 and March 31, 2013, the changes in the fair value of the ineffective portion of hedging derivatives required to be recognized in the statement of income was nil.

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

5. Derivative financial instruments and hedge accounting, continued:

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

	March 31, 2014
Within one year	$ 1
Between 1 – 5 years	9
After more than 5 years	-
	$ 10

The Company's cash flow hedges extend to 2018 for energy cash flow hedges and to 2026 for foreign exchange cash flow hedges.

6. Share capital:

The common and preferred share dividends declared and paid by the Company for the three months ended March 31, 2014 and 2013 are summarized as follows:

	Dividends declared				Dividends paid			
	2014		2013		2014		2013	
	Per share	Total	Per share	Total	Per share	Total[1]	Per share	Total[1]
Common	$ 0.3150	$ 26	$ 0.3150	$ 22	$ 0.3150	$ 25	$ 0.3150	$ 22
Preference, Series 1	0.2875	1	0.2875	1	0.2875	1	0.2875	1
Preference, Series 3	0.2875	2	0.3151	2	0.2875	2	0.3151	2
Preference, Series 5	0.2813	2	-	-	0.2813	2	-	-

[1] For the three months ended March 31, 2014, dividends paid on common shares consists of $17 million paid in cash and $8 million paid through the Company's dividend reinvestment plan as common shares issued. For the three months ended March 31, 2013, dividends paid on common shares consists of $15 million paid in cash and $7 million paid through the Company's dividend reinvestment plan as common shares issued.

7. Financial instruments:

Fair values

Details of the fair values of the Company's derivative instruments are described in note 5.

The Company classifies its cash and cash equivalents as loans and receivables and measures them at amortized cost which approximates their fair values.

Trade and other receivables are classified as loans and receivables; trade and other payables are classified as other financial liabilities; all of which are measured at amortized cost and their fair values are not materially different from their carrying amounts due to their short-term nature.

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

7. Financial instruments, continued:

Fair values, continued

The classification, carrying amount and fair value of the Company's other financial instruments are summarized as follows:

		March 31, 2014		December 31, 2013	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Other financial assets					
Loans and receivables	Level 2	$ 24	$ 24	$ 34	$ 34
Finance lease receivables					
Loans and receivables	Level 2	713	679	711	647
Loans and borrowings					
Other financial liabilities (includes current portion)	Level 2	1,568	1,603	1,527	1,561

Loans and receivables

The fair values of the Company's finance lease receivables and other loans and receivables are estimated by discounting the expected future cash flows of these instruments at current market interest rates for comparable instruments with similar terms, plus an estimated credit spread based on the counterparty credit risk as at March 31, 2014 and December 31, 2013.

Loans and borrowings

The fair value of the Company's loans and borrowings is based on determining a current yield for the Company's loans and borrowings as at March 31, 2014 and December 31, 2013. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada and U.S. Government bonds that have similar maturities to the Company's loans and borrowings. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions.

Fair value hierarchy

Fair value represents the Company's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction under no compulsion to act. Fair value measurements recognized in the consolidated statements of financial position are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs and precedence is given to those fair value measurements calculated using observable inputs over those using unobservable inputs. The determination of fair value requires judgment and is based on market information where available and appropriate. The valuation techniques used by the Company in determining the fair value of its financial instruments are the same as those used as at December 31, 2013.

The fair value measurement of a financial instrument is included in only one of the three levels, the determination of which is based upon the lowest level input that is significant to the derivation of the fair value. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment which will affect the placement within the fair value hierarchy levels. As at March 31, 2014 and December 31, 2013, the Company did not classify any financial instruments in Level 3 of the hierarchy.

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

7. Financial instruments, continued:

Fair value hierarchy, continued

The following tables present the Company's financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position, classified using the fair value hierarchy described above:

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets				
Commodity derivatives	$ -	$ 54	$ -	$ 54
Foreign exchange derivatives	-	8	-	8
Interest rate derivatives		1		1
	$ -	$ 63	$ -	$ 63
Derivative financial instruments liabilities				
Commodity derivatives	-	(30)	-	(30)
	$ -	$ (30)	$ -	$ (30)

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets				
Commodity derivatives	$ -	$ 66	$ -	$ 66
Foreign exchange derivatives	-	1	-	1
	$ -	$ 67	$ -	$ 67
Derivative financial instruments liabilities				
Commodity derivatives	-	(39)	-	(39)
Foreign exchange derivatives	-	(1)	-	(1)
Interest rate derivatives	-	(1)	-	(1)
	$ -	$ (41)	$ -	$ (41)

The Company's policy is to recognize transfers between levels as of the date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels in the fair value hierarchy for the three months ended March 31, 2014 and the year ended December 31, 2013.

8. Segment information:

The Company operates in one reportable business segment involved in the operation of electrical generation plants within Canada (Alberta, British Columbia and Ontario), and in the U.S. (North Carolina) as this is how management assesses performance and determines resource allocations. The Company had operations in Connecticut, Maine and Rhode Island within the U.S. up until the fourth quarter of 2013 when the Company disposed of its North East U.S. assets.

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

	Three months ended March 31, 2014				Three months ended March 31, 2013			
	Canada	U.S.	Inter-area eliminations	Total	Canada	U.S.	Inter-area eliminations	Total
Revenues - external	$ 275	$ 33	$ -	$ 308	$ 256	$ 109	$ -	$ 365
Revenues - inter-area	9	-	(9)	-	9	-	(9)	-
Total revenues	$ 284	$ 33	$ (9)	$ 308	$ 265	$ 109	$ (9)	$ 365

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

8. Segment information, continued:

	As at March 31, 2014			As at December 31, 2013		
	Canada	U.S.	Total	Canada	U.S.	Total
Property, plant and equipment	$ 3,456	$ 86	$ 3,542	$ 3,441	$ 84	$ 3,525
Intangible assets	315	1	316	309	1	310
Goodwill	-	23	23	-	23	23
Other assets	26	-	26	27	-	27
	$ 3,797	$ 110	$ 3,907	$ 3,777	$ 108	$ 3,885

9. Subsequent events:

Genesee 4 and 5

On April 24, 2014, Capital Power and ENMAX Corporation (ENMAX) executed a purchase and sale agreement in support of a joint arrangement agreement to jointly develop, construct and operate the Genesee 4 and 5 power project. The joint arrangement agreement will provide provisions for, among other things, an agreement for ENMAX to purchase approximately 225 megawatt from Capital Power for eight years. The joint arrangement agreement closing is expected to occur in May 2014.

Genesee coal mine

Capital Power is a party to various agreements with Prairie Mines & Minerals Royalty Ltd. (PMRL) in relation to the operations of the Genesee coal mine (Genesee Coal Mine Agreements). Pursuant to the Genesee Coal Mine Agreements, PMRL operates the Genesee Coal Mine. In connection with the acquisition by Westmoreland Coal Company (Westmoreland) of PMRL and the acquisition by Altius Minerals Corporation (Altius) of the royalty assets of PMRL, the Genesee Coal Mine Agreements and certain related agreements have, amongst other things, been amended to: (a) confirm the acquisitions by Westmoreland and Altius; (b) provide for certain amendments to the Genesee Coal Mine Agreements; and (c) provide for a payment to Capital Power of $20 million upon completion of the acquisitions.

10. Comparative figures:

Certain comparative figures have been reclassified to conform to the current period’s presentation.