

# CAPITAL POWER

Q3/15 Analyst Conference Call  
October 26, 2015

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# Forward-looking information

## *Cautionary statement*

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

Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information are disclosed on page 14 of this presentation and in the Company's Management's Discussion and Analysis (MD&A) for the quarter ended September 30, 2015 prepared as of October 23, 2015 which is available under the Company's profile on SEDAR at [sedar.com](http://sedar.com) and on the Company's website at [capitalpower.com](http://capitalpower.com).

# 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 (FFO), (iii) normalized earnings attributable to common shareholders, and (iv) normalized earnings per share (EPS) as financial performance measures.

These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP and, therefore, are 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.

Reconciliations of these Non-GAAP financial measures are contained in the Company's Management's Discussion and Analysis for the quarter ended September 30, 2015 prepared as of October 23, 2015, which is available under the Company's profile on SEDAR at [SEDAR.com](http://SEDAR.com) and on the Company's website at [capitalpower.com](http://capitalpower.com).

# Q3/15 Highlights

- Solid operating performance with average plant availability of 95% reflecting planned outage at Keephills 3
- Normalized EPS of \$0.33 ahead of expectations and up 175% compared to \$0.12 in Q3/14
- FFO of \$97M also better than expected and 17% higher than \$83M in Q3/14
- Based on YTD results and outlook for the remainder of 2015, our expectations have improved
  - Expect 2015 FFO to improve from the low end of \$365M to \$415M target range to the mid-point of the range
- Effective November 2, 2015, Mark Zimmerman will be joining the company as Senior Vice President, Corporate Development and Commercial Services
  - 25+ years of experience in the energy infrastructure and petroleum industries with leadership roles focusing on finance, valuation, corporate strategy, business development, and mergers & acquisitions
  - Most recent position as Vice President, Corporate Development and Strategy at TransCanada Pipelines Ltd.

# Q3/15 Operating performance

| Plant availability               |                        | Q3/15      | Q3/14      |
|----------------------------------|------------------------|------------|------------|
| Alberta commercial plants        | Genesee 3              | 100%       | 97%        |
|                                  | Keephills 3            | 63%        | 100%       |
|                                  | Clover Bar             | 88%        | 97%        |
|                                  | Joffre                 | 100%       | 95%        |
|                                  | Shepard                | 100%       | N/A        |
|                                  | Halkirk                | 97%        | 91%        |
| Alberta contracted plants        | Genesee 1              | 100%       | 100%       |
|                                  | Genesee 2              | 98%        | 99%        |
| Ontario and BC contracted plants | Island Generation      | 100%       | 99%        |
|                                  | K2 Wind                | 98%        | N/A        |
|                                  | Kingsbridge 1          | 94%        | 93%        |
|                                  | Port Dover & Nanticoke | 95%        | 98%        |
|                                  | Quality Wind           | 94%        | 93%        |
|                                  |                        |            |            |
| U.S. contracted plants           | Macho Springs          | 96%        | N/A        |
|                                  | Roxboro                | 94%        | 100%       |
|                                  | Southport              | 94%        | 85%        |
| <b>Average</b>                   |                        | <b>95%</b> | <b>97%</b> |

- 95% average availability in Q3/15
- 63% availability at Keephills 3 from major scheduled outage completed in Q3
- 100% availability at Shepard. Improvement from 73% in Q2/15 due to unplanned outage

# Q3/15 Financial review

- Normalized EPS of \$0.33 and \$97M of FFO was higher than expected due to strong portfolio optimization activities
- Capitalized on temporary increases in forward prices in Jun/15 including locking in forwards for latter half of the year
- Despite a 59% decline in average AB power prices in Q3 year-over-year, hedging program captured a 135% higher realized average power price versus spot price

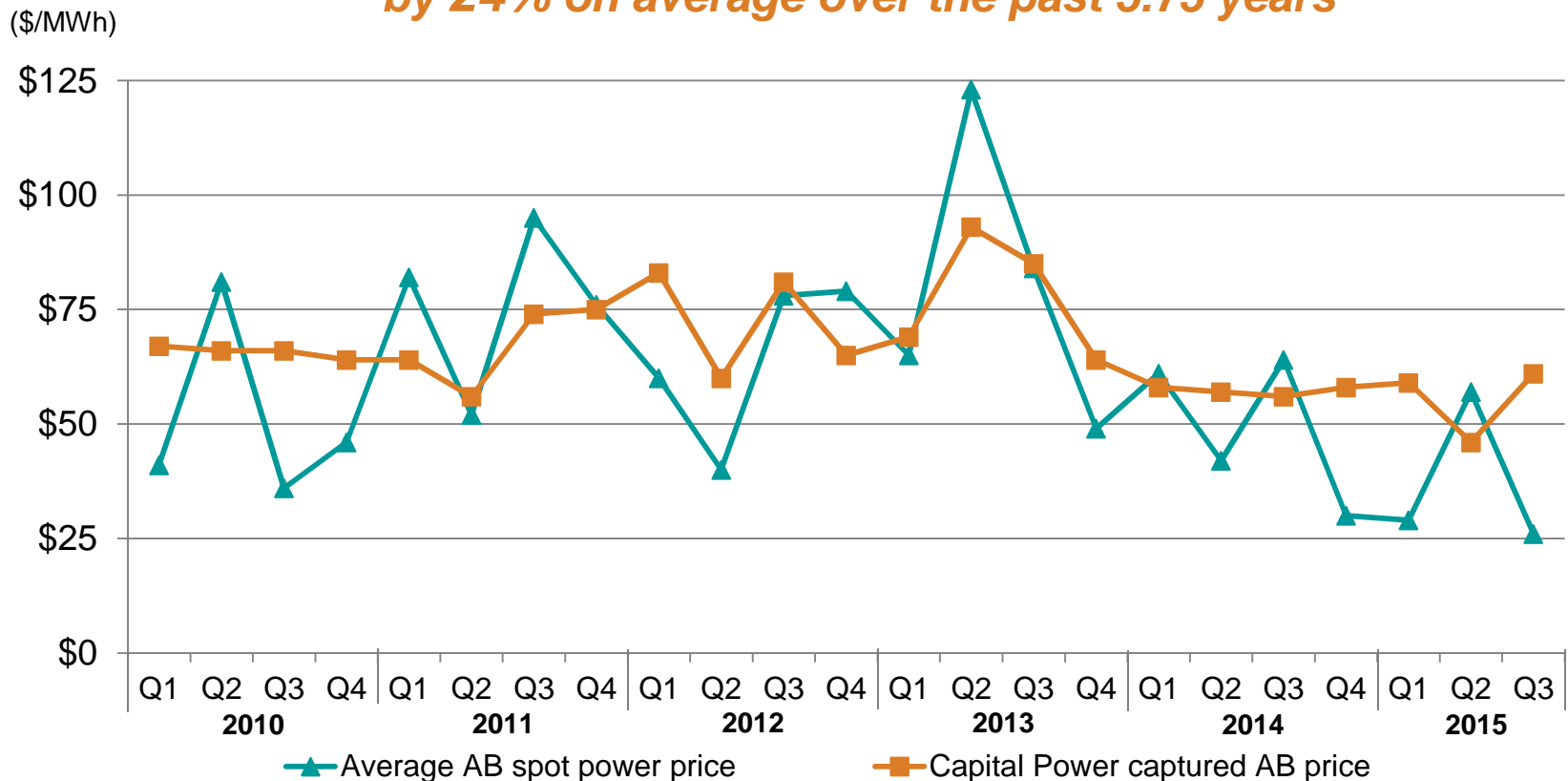
| <b>Portfolio optimization</b>              | <b>Q3/15</b> | <b>Q3/14</b> |
|--|--------------|--------------|
| AB spot power price average (/MWh)         | <b>\$26</b>  | \$64         |
| Realized power price <sup>(1)</sup> (/MWh) | <b>\$61</b>  | \$56         |
| % realized above spot power price          | <b>135%</b>  | -13%         |

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

# Alberta power market trading

- Effective portfolio optimization resulted in higher averaged realized price of \$61/MWh compared to average AB spot power price of \$26/MWh in Q3/15

*Average realized power price has exceeded spot power prices by 24% on average over the past 5.75 years*



# Financial performance – Q3/15

| <b>\$M, except per share amounts</b>                   | <b>Q3/15</b>  | <b>Q3/14</b> | <b>Change</b> |
|--|---------------|--------------|---------------|
| Revenues   | <b>\$469</b>  | \$248        | 89%           |
| Adjusted EBITDA (before mark-to-market) <sup>(1)</sup> | <b>\$121</b>  | \$86         | 41%           |
| Basic earnings (loss) per share                        | <b>\$0.44</b> | (\$0.62)     | 171%          |
| Normalized earnings per share                          | <b>\$0.33</b> | \$0.12       | 175%          |
| Funds from operations                                  | <b>\$97</b>   | \$83         | 17%           |

***Strong Q3/15 financial results primarily driven by portfolio optimization activities***

(1) Before unrealized changes in fair value of commodity derivatives and emission credits of \$27M and \$5M for Q3/15 and Q3/14, respectively.



# Financial performance – Q3/15 YTD

| \$M, except per share amounts                          | Q3/15<br>YTD  | Q3/14<br>YTD | Change |
|--|---------------|--------------|--------|
| Revenues   | <b>\$910</b>  | \$796        | 14%    |
| Adjusted EBITDA (before mark-to-market) <sup>(1)</sup> | <b>\$329</b>  | \$283        | 16%    |
| Basic earnings (loss) per share                        | <b>\$0.40</b> | (\$0.12)     | 433%   |
| Normalized earnings per share                          | <b>\$0.73</b> | \$0.51       | 43%    |
| Funds from operations                                  | <b>\$275</b>  | \$260        | 6%     |

***Q3 YTD results show year-over-year improvements across all financial measures***

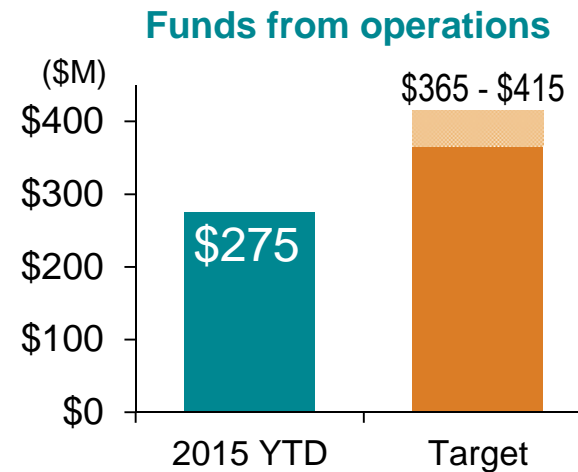
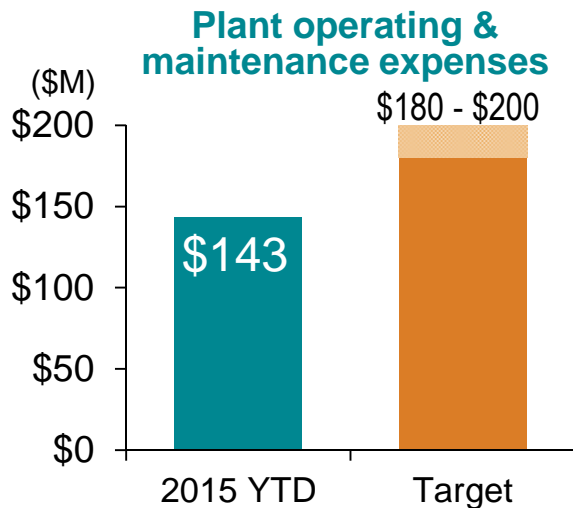
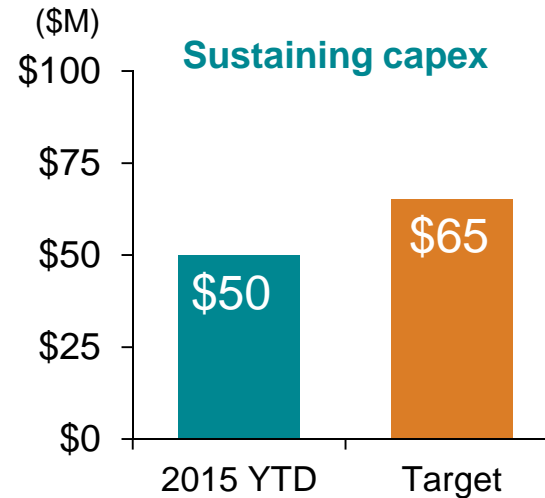
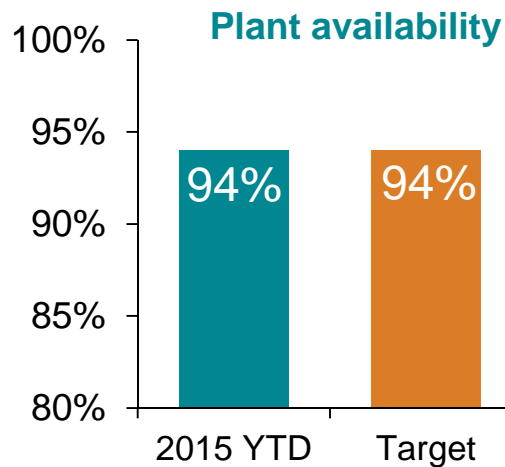
(1) Before unrealized changes in fair value of commodity derivatives and emission credits of \$11M and (\$1M) for Q3/15 YTD and Q3/14 YTD, respectively.

# Financial outlook

- 2015 FFO guidance was based on average Alberta power price forecast of \$44/MWh compared to actual power price of \$37/MWh (Q3 YTD)
- Improvement in 2015 FFO expectation to the mid-point of \$365M to \$415M guidance range from low end of range
- Expect Alberta Government to announce a long-term climate change strategy prior to the United Nations Climate Change conference in Paris in early Dec/15

# Q3/15 YTD performance vs. annual targets

## Operational and financial targets



**On-track to meet 2015 targets**

# 2015 Development & construction targets

*On-time, on-budget and safe development of committed projects*

## K2 Wind (Ontario)

Complete construction  
for COD in mid-2015



## Genesee 4&5 (Alberta)

Transition from  
development to  
construction

*On track;  
continuing site  
preparation work*



{ **QUESTIONS?**



# Forward-looking information

Forward-looking information or statements included in this presentation and in responses to questions 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 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 includes expectations regarding:

- future revenues, expenses, earnings and funds from operations,
- the future pricing of electricity and market fundamentals in existing and target markets,
- the Company's future cash requirements including interest and principal repayments, capital expenditures, dividends and distributions,
- the Company's sources of funding, adequacy and availability of committed bank credit facilities and future borrowings,
- future growth and emerging opportunities in the Company's target markets including the focus on certain technologies,
- the timing of, funding of, and costs for existing, planned and potential development projects and acquisitions
- plant availability and planned outages,
- capital expenditures for plant maintenance and other, and,
- future income taxes payable.

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, expected future developments, and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements relate to:

- electricity and other energy prices,
- performance,
- business prospects and opportunities including expected growth and capital projects,
- status of and impact of policy, legislation and regulations,
- effective tax rates, and
- other matters discussed under the Performance Overview and Outlook and Targets for 2015 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:

- changes in electricity prices in markets in which the Company operates,
- changes in energy commodity market prices and use of derivatives,
- regulatory and political environments including changes to environmental, financial reporting and tax legislation,
- power plant availability and performance including maintenance of equipment,
- ability to fund current and future capital and working capital needs,
- acquisitions and developments including timing and costs of regulatory approvals and construction,
- changes in market prices and availability of fuel, and
- changes in general economic and competitive conditions.

See Risks and Risk Management in the Company's December 31, 2014 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.

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