



**Notice of 2017 annual meeting of shareholders
April 28, 2017**

Management proxy circular

March 6, 2017



Established in July 2009, Capital Power Corporation is a growth-oriented North American independent power producer headquartered in Edmonton, Alberta. We develop, acquire, operate and optimize power generation from a variety of energy sources. We own more than 3,200 megawatts of power generation capacity at 18 facilities across North America.

Our shares are traded on the Toronto Stock Exchange under the symbol *CPX*. For six consecutive years, Capital Power has earned placement on Corporate Knights' "Best 50 Corporate Citizens in Canada" listing (2011 – 2016).

Visit our website for more information (www.capitalpower.com).

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Letter to shareholders

March 6, 2017

Dear shareholder,

The board and management of Capital Power Corporation invite you to attend our 2017 annual meeting of shareholders (meeting) at 1:00 p.m. (Mountain Daylight Time) on April 28, 2017 at EPCOR Tower in Edmonton, Alberta.

Attached is the formal notice of the meeting and the management proxy circular, which explains the items of business that will be covered at the meeting and provides important information about voting and other matters to help you decide how to vote your shares.

You can attend the meeting and vote in person, or you can vote by proxy. Attending the meeting gives you an opportunity to meet the Chairman of the board, the President & CEO and the Chief Legal Officer, to hear first-hand about our performance and developments in 2016 and to ask any questions.

If you can't attend the meeting, we'll have a live audio webcast on our website (www.capitalpower.com). We'll also post a transcript and archive the webcast on our website after the meeting.

If you have questions, you may contact our Investor Relations department at 1 (866) 896-4636 or investor@capitalpower.com.

We look forward to seeing you at the meeting, and please remember to vote.

Sincerely,



Donald Lowry
Chairman of the board



Brian Vaasjo
President and Chief Executive Officer

Notice of 2017 annual meeting of shareholders

You're invited to attend the 2017 annual meeting of shareholders of Capital Power Corporation:

When: Friday, April 28, 2017
1:00 p.m. Mountain Daylight Time

Where: EPCOR Tower, 8th Floor
10423 – 101st Street NW
Edmonton, Alberta

We'll cover the following items of business:

- receive our consolidated financial statements for the year ended December 31, 2016 and the auditors' report;
- elect directors;
- appoint the auditors with compensation to be fixed by the board on the recommendation of the audit committee;
- vote on our approach to executive compensation;
- approve an ordinary resolution to amend our By-Law No. 2;
- approve an ordinary resolution to amend our long term incentive plan; and
- transact any other business.

The management proxy circular provides detailed information about the business of the meeting and the voting process.

You're entitled to vote at the meeting if you owned common shares of Capital Power Corporation at the close of business on March 15, 2017. You can vote by proxy or vote in person at the meeting.

Take some time to read the management proxy circular to learn more about the meeting, and please remember to vote.

By order of the board,



B. Kathryn Chisholm, Q.C.
Corporate Secretary
Capital Power Corporation
Edmonton, Alberta

March 6, 2017

Management proxy circular

This management proxy circular (circular) has been prepared to assist those shareholders who owned common shares of Capital Power at the close of business on March 15, 2017 (record date). As a shareholder of record, you're entitled to attend our 2017 annual meeting and vote your shares, in person or by proxy. You can still vote your shares if you can't attend the meeting. A live audio webcast of the meeting will be available on our website, and we'll post a transcript of the meeting and archive the webcast on our website after the meeting.

Management is soliciting your proxy for the meeting. We pay all costs for soliciting proxies.

We plan to begin mailing the notice-and-access notice for the circular and other meeting materials to shareholders of record on or about March 20, 2017. Shareholders may access an electronic copy of the circular on our website on or about March 20, 2017.

Information in this circular is as of March 6, 2017, unless otherwise indicated.

All dollar amounts are in Canadian dollars unless otherwise indicated.

In this document:

- *we, us, our* and *Capital Power* mean Capital Power Corporation
- *you* and *your* mean the shareholder or holder of our common shares
- *shares* or *common shares* mean common shares of Capital Power

Our principal and head office is in Edmonton, Alberta:

Capital Power Corporation
12th Floor
10423 - 101 Street
Edmonton, Alberta
Canada T5H 0E9

We've decided to continue to use the notice-and-access model for delivering meeting materials to both our registered and beneficial shareholders. Registered shareholders still receive a form of proxy, and beneficial shareholders still receive a voting instruction form, allowing them to vote at the annual meeting, but receive a notice with information about how they can access copies of the circular electronically rather than receiving printed copies. This alternative means of delivery is more environmentally friendly because it will help reduce paper and printing and mailing costs. These documents will be available on SEDAR (www.sedar.com) and our website (www.capitalpower.com).

HOW TO OBTAIN PAPER COPIES OF THE MEETING MATERIALS

Registered and beneficial shareholders may request paper copies of the circular, at no cost to them, at any time up to one year from the date the circular was filed on SEDAR.

Requests by registered and beneficial shareholders may be made to our Investor Relations Department at any time prior to the meeting by dialing 1.866.896.4636 (within North America) or by e-mail at investor@capitalpower.com.

Requests by registered or beneficial shareholders to receive a paper copy of the circular in advance of the deadline for completing and returning proxies or voting instruction forms and the meeting date of April 28, 2017 must be received by April 11, 2017.

Please note that if you request a paper copy of the circular, you will not receive a new form of proxy or voting instruction form so you should retain the form sent to you in order to vote.

1. About the shareholder meeting

Voting

WHO CAN VOTE

The table below shows our authorized share capital and the number of shares outstanding as of the date of this circular:

Our share capital	Authorized #	# Outstanding
Common shares	unlimited	96,519,208
Special limited voting share	1	1
Preferred shares	unlimited, issued in series	19,000,000

You can vote if you owned common shares of Capital Power as of the close of business on March 15, 2017. Each common share entitles the owner to one vote.

On April 22, 2016, at the Company's 2016 annual meeting of shareholders, the shareholders approved an amendment to Capital Power's articles of incorporation by way of special resolution that removed the special voting shares from Capital Power's authorized capital.

The voting process is different depending on whether you own your shares as a registered or non-registered (beneficial) shareholder (see below under How to vote).

Special limited voting share

As of March 6, 2017, EPCOR owns the one special limited voting share outstanding. This share does not have voting rights in respect of this meeting.

Preferred shares

Holders of preferred shares only have voting rights if:

- it is required by law;
- it is to satisfy conditions attached to the class of shares; or
- we have not paid dividends for eight quarters and the shareholder meeting occurs during the period when the dividends are in arrears.

You can find more information about the rights, privileges and restrictions of our different classes of shares in our 2016 Annual Information Form (AIF).

HOW TO VOTE

You can vote by proxy, or by attending the meeting and voting in person. Voting by proxy means you're giving someone else (your proxyholder) the authority to vote for you at the meeting, and it's the easiest way to vote.

You can choose anyone to be your proxyholder. The person does not need to be a shareholder, but your shares will only be voted if your proxyholder attends the meeting and votes for you. Print the person's name in the space provided on the proxy form. If you vote by proxy but do not specify a proxyholder, the Capital Power representatives named on the proxy form will act as your proxyholder.

Your proxyholder must vote your shares according to your instructions. If you do not specify your voting instructions, your proxyholder can vote as they see fit. If you do not specify your voting instructions and the Capital Power representatives named on the proxy form are acting as your proxyholder, they will vote for each item of business.

If there are any changes to the items of business, or if any new items are proposed, your proxyholder has the authority to vote as they like. The Capital Power representatives will vote on any new or amended items using their best judgment.

Transfer agent and registrar

Computershare Trust Company of Canada (Computershare) is our transfer agent and registrar. Computershare receives, counts and tabulates the proxies on our behalf. They keep the votes confidential and only inform us of the voting results.

Registered shareholders

You're a registered shareholder if your shares are registered directly in your name with our registrar and transfer agent, Computershare.

Computershare has a list of all registered shareholders as of the record date. You can check the list at the meeting or at their office during regular business hours:

Computershare Trust Company of Canada
530 8th Avenue SW, Suite 600
Calgary, Alberta T2P 3S8

Vote by proxy

Online — go to www.investorvote.com and follow the instructions on screen. You'll need your control number, which appears at the bottom of your proxy form.

By phone — Call 1.866.732.8683 toll-free using a touch-tone phone, and follow the prompts in English or French. You'll need your control number, which appears at the bottom of your proxy form.

By mail — Follow the instructions on the proxy form, complete it, then sign and date it, and mail it in the envelope provided to:
Computershare Trust Company of Canada

Attention: Proxy Department
135 West Beaver Creek, PO Box 300
Richmond Hill, Ontario L4B 4R5

Computershare must receive your completed proxy form by 1 p.m. Mountain Daylight Time (MDT) on April 26, 2017 for your vote to be counted. If the meeting is adjourned, they must receive your completed proxy form at least 48 hours before the new meeting time. The Chair of the meeting can waive or extend the time limit for depositing proxies at his or her discretion without notice.

If your shares are registered in more than one name, everyone who is registered must sign the proxy form. If the shares are registered in a name that is not your own, or the name of a company, you must provide proof that you're authorized to sign the form. If you have questions about the required documents, contact Computershare at 1.800.564.6253.

Vote in person

If you plan to attend the meeting and vote in person, do not send us the proxy form. Register with a Computershare representative when you arrive at the meeting.

If you change your mind

If you've already sent a completed proxy form and want to revoke it, you can:

- submit another proxy form with a later date,
- send us a notice in writing, or
- give your written notice to the chairman of the meeting before the meeting begins.

Send your new completed proxy form to:

Computershare Trust Company of Canada
Attention: Proxy Department
135 West Beaver Creek, PO Box 300
Richmond Hill, Ontario L4B 4R5

Computershare must receive your revocation by **1 p.m. MDT on April 27, 2017** to revoke your previous proxy form. If the meeting is adjourned, they must receive your revocation at least 24 hours before the new meeting time.

Alternatively, you (or your authorized representative) can write to our Corporate Secretary explaining that you want to revoke your previous proxy form:

Corporate Secretary
Capital Power Corporation
12th Floor
10423 - 101 Street
Edmonton, Alberta T5H 0E9

Our Corporate Secretary must receive your letter by **4 p.m. MDT on April 27, 2017**. If the meeting is adjourned, she must receive it by **4 p.m. MDT** on the last business day before the new meeting time.

Non-registered shareholders

You're a non-registered (beneficial) shareholder if your shares are held in an account in the name of a nominee (like a bank, securities broker, trustee, trust company or other institution). Most of our shareholders are non-registered shareholders.

If you are a non-registered shareholder, you can vote your shares through your nominee or in person at the meeting. You can also give someone else the authority to attend the meeting and vote for you (see above).

Vote through your nominee

Complete the voting instruction form sent to you and then sign and return it as indicated on the form. Your nominee will follow your voting instructions and vote on your behalf. You can also vote by phone or online by following the instructions on your voting instruction form. Please ensure that you provide your voting instructions on or before the time noted in the voting instruction form.

Vote in person

If you plan to attend the meeting and vote in person, do not put your voting instructions on the voting instruction form. Instead, write your name in the space provided and then sign and return it, making sure you follow the instructions on the form carefully.

Your vote will only be counted if you attend the meeting and vote in person. Register with a Computershare representative when you arrive at the meeting.

If you change your mind

If you've already provided voting or proxyholder instructions, contact your nominee for information about how to revoke them.

Business of the meeting

Receive the financial statements

Our consolidated financial statements for the year ended December 31, 2016 and the auditors' report will be tabled at the annual meeting and are included in our 2016 annual report. Copies will be available at the meeting and on our website (www.capitalpower.com) and on SEDAR (www.sedar.com), or you can request a copy from our Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 - 101 Street, Edmonton, Alberta T5H 0E9.

Elect Directors

As a holder of common shares, you will vote on electing ten directors to the board.

Directors will serve until the next annual meeting, or until their successors are elected or appointed. The director profiles starting on page 11 give you detailed information about their skills and experience, their 2016 attendance record (if applicable), share ownership and membership on other public company boards.

Ten nominated directors have been proposed by the Corporate Governance, Compensation and Nominating (CGC&N) Committee and approved by the board:

Donald Lowry	Kelly Huntington
Albrecht Bellstedt	Philip Lachambre
Doyle Beneby	Katharine Stevenson
Patrick Daniel	Keith Trent
Jill Gardiner	Brian Vaasjo

Appoint the auditors

You'll vote on appointing our external auditors. The Audit Committee and the board propose that KPMG LLP (KPMG) be appointed as auditors and serve until the next annual meeting. The Audit Committee recommends KPMG's compensation to the board for its review and approval.

KPMG has been our auditor since our initial public offering in 2009. The table below shows the fees billed by KPMG for the fiscal years ended December 31, 2015 and 2016.

(\$ millions)	2016	2015
Audit fees	\$ 1.0	\$ 1.1
Include audit and review of financial statements, services related to statutory and regulatory filings and providing comfort letters associated with securities documents		
Audit-related fees	-	-
Include assurance and related services that are not reported under audit fees		
Tax fees	-	-
Include reviewing tax returns, answering questions about tax audits, and tax planning		
All other fees	\$ 0.1	\$ 0.1
All other fees are fees for operational advisory and risk management services and non-securities legislative and regulatory compliance work		
Total	\$ 1.1	\$ 1.2

Vote on our approach to executive compensation

You'll vote on our approach to executive compensation (see Executive compensation beginning on page 37).

The board recommends that you vote **for** approval of our approach to Executive compensation:

RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the board of directors, that the shareholders accept the approach to executive compensation disclosed in Capital Power's management proxy circular delivered before its 2017 annual meeting of shareholders.

This is an advisory vote and the results are non-binding on the board. The board is fully responsible for its decisions about executive compensation, and will consider the results of the vote when reviewing compensation matters and making policy decisions in the future. We want the board to be accountable to you, so this is your opportunity to express your views on this important matter.

About voting results

A majority of votes must be voted for any item of business to receive shareholder approval.

We report the voting results for each item of business within five days of the annual meeting, and file the report on SEDAR (www.sedar.com).

We held our first say-on-pay vote in 2012, and have subsequently held say-on-pay votes in 2013, 2014, 2015 and 2016. We received approval in the range of over 96% to over 99% from our shareholders in these years.

If we receive a significant number of votes against, the board will meet with shareholders to understand their concerns. The board will also release a summary of the significant comments they received, and explain any resulting changes to our executive compensation. The board will release the report as soon as practical, ideally within six months of the vote and before the release of next year's circular.

Vote on an amendment to our By-Law No. 2

You'll vote on an amendment to our By-Law No. 2, which is shown in Appendix C. The amendment was adopted by the board on November 17, 2016, and is required to be approved by Capital Power's shareholders at the 2017 annual meeting of shareholders, failing which it will cease to have any force or effect.

The purpose of the amendment is to clarify the quorum requirement for meetings of the board by explicitly stating that at least half of the directors of Capital Power serving at any given time must be present in order for the quorum requirement to be met.

This amendment reflects how the board has been conducting its business in practice, and management views this amendment as a housekeeping matter.

The board recommends that you vote **for** approval of the proposed amendment to By-Law No. 2:

RESOLVED, that the amendment of By-Law No. 2 of the Corporation, as approved by the board of directors of the Corporation on November 17, 2016 and as set out in the Corporation's management proxy circular delivered before the Corporation's 2017 annual meeting of shareholders, is hereby confirmed without amendment.

The vote on this matter will proceed by way of ordinary resolution (i.e. not less than a majority of the votes cast at the meeting must be voted in favour of the resolution).

Amendment of our long term incentive plan

You'll vote on an amendment to our long term incentive (LTI) plan to increase the maximum number of common shares that may be issued to holders of stock options under the LTI plan. We propose to increase the current reserve of common shares from a maximum of 7,094,506 to a maximum of 9,194,506. This would represent approximately 9.5% of the total number of our issued and outstanding common shares as at the date of this circular. If approved by shareholders, the increased share reserve would permit future grants of stock options up to and including the end of the 2020 fiscal year without us having to seek further approval from shareholders.

The board recommends that you vote **for** the approval of the proposed amendment to the LTI plan:

RESOLVED, that the Omnibus Long Term Incentive Plan (the Plan) be amended to increase the aggregate number of common shares which may be issued under the Plan from 7,094,506 to 9,194,506 common shares, is hereby authorized and approved.

The vote on this matter will proceed by way of ordinary resolution. The board also approved other housekeeping amendments as discussed beginning on page 49. For the full text of the amended LTI plan, see Appendix D.

Transact other business

You'll also vote on any other items of business that may properly be brought before the meeting. We're not aware of any other matters that may be brought before the meeting.

About the nominated directors

Our articles state that the board must have between three and 12 directors. The board has nominated ten directors to be elected by holders of common shares.

The board has a strong mix of experience in corporate governance and the power generation industries in Canada and the United States. We believe that each nominated director is willing and able to serve on the board for a one-year term. If any of them is unable to serve, your proxyholder can vote for another nominated director unless you've indicated that your vote is to be withheld.

The board has determined that 9 of the 10 nominated directors (90%) are independent as defined by Canadian securities laws, meaning they do not have a material relationship with Capital Power that might reasonably be expected to interfere with their ability to make an independent judgment. Brian Vaasjo is not independent because he is our President and CEO.

OUR ADVANCE NOTICE BY-LAW

In 2013 we adopted an advance notice by-law, which was approved by shareholders at our 2013 annual meeting of shareholders.

The purpose of the by-law is to make sure all shareholders (including those participating by proxy) receive adequate notice and information about nominated directors, so that they can make informed voting decisions. It also helps ensure orderly and efficient shareholder meetings by providing a structured and transparent framework for nominating directors.

The by-law requires shareholders to give us advance notice about any directors they propose to nominate (including certain prescribed information about them) unless the nominations are made by:

- shareholder meeting requisition, or
- shareholder proposal under the Canada Business Corporations Act (in which case those rules govern)

Under the by-law, director nominees are not eligible to become elected directors of Capital Power unless they're nominated according to the provisions of the by-law.

Information about director nominees must include certain prescribed information. This information is similar to the information we are required to disclose about directors in our circular, such as information about their relevant education and experience, and whether or not they're independent. It's designed to make sure shareholders have enough information about each proposed nominee to make informed voting decisions.

For annual shareholder meetings, we must receive notice of director nominees at least 30 days (and not more than 65 days) before the meeting date. For special shareholder meetings (unless the special meeting is also an annual meeting), we must receive notice not later than 15 days after we file our notice of meeting and record date on SEDAR. If, however, we use notice-and-access to deliver our proxy materials, we must receive notice at least 40 days (and not more than 75 days) before the date of the annual or special meeting.

Our board plans to review the by-law from time to time and update it when needed to reflect changes in regulatory or securities law requirements or to meet industry standards. It can also waive any requirement of the by-law at any time, in its sole discretion.

A copy of our advance notice by-law is available on SEDAR (www.sedar.com).

OUR POLICY ON MAJORITY VOTING

The board adopted a majority voting policy for directors in 2010 that requires:

- individual (not slate) voting for all directors, and
- all directors to receive a majority of the votes cast for their election, otherwise they must offer to resign immediately.

If a nominated director does not receive a majority of votes, the CGC&N Committee will review the voting results, note any extraordinary circumstances and recommend to the board whether to accept the resignation or take other action. The director does not participate in these discussions.

The board must issue a news release explaining its decision within 90 days after the election results are certified.

This policy does not apply to contested director elections.

DIRECTOR PROFILES

The following profiles include information about each nominated director, including their skills, background and experience and list other public company boards of which they're members. We've also included, where applicable, their attendance for our 2016 board meetings, committee meetings and director education events, last year's voting results and details about their share ownership.

Holdings of Capital Power common shares and deferred share units (DSUs) are as of March 6, 2017 and include reinvested dividends and dividend equivalents. The value of common shares and DSUs are based on the higher of \$25.68, the closing price of our common shares on the TSX on March 6, 2017, and their cost of acquisition. Non-employee directors are not entitled to receive options.

Brian Vaasjo does not receive director DSUs or other director compensation because he is compensated in his role as President and Chief Executive Officer (see Executive compensation beginning on page 37 for more information).

None of the nominated directors have any loans from Capital Power or any of our subsidiaries. All information is as at March 6, 2017 unless indicated otherwise.



Donald Lowry, ICD.D (65) (Chairman of the board)

Independent | Director since July 2009 | Edmonton, AB

Donald Lowry has been self-employed as a professional director and board advisor since March 2013, and is an advocate of board diversity. Previously, Mr. Lowry served as President and CEO of EPCOR, a position he held since January 1998. Prior to joining EPCOR, Mr. Lowry spent more than 20 years in the telecommunications industry, including six years as President and Chief Operating Officer of TELUS Communications Inc.

Mr. Lowry graduated from the University of Manitoba with a Bachelor of Commerce degree (Honours), followed by a Master of Business Administration degree. He is a graduate of the Harvard Advanced Management Program and the Banff School of Management, and earned his ICD.D. designation in 2016.

Mr. Lowry is past chair of the Canadian Electricity Association, past non-executive chair of Canadian Oil Sands Limited, and serves as a director on several boards, including Stantec Inc., Melcor Real Estate Investment Trust (REIT) and Hydrogenics Corporation. Mr. Lowry previously served on the board of Canadian Water Network and has been chair of the Edmonton Triathlon since 2013, including for the 2014 ITU World Triathlon Grand Final Edmonton. He was recognized in 2010 as Alberta Venture's Business Person of the Year and in 2014 as the Alberta Chamber of Resources Person of the Year, 2013.

Experience

Public board, deal/M&A/IPO/hostile defence, government/ public affairs, health, safety and environment, operations/engineering/ maintenance/construction, human resources/compensation, Alberta power markets, risk management, cyber/physical security, strategic planning/ leading growth, board/ committee chair

Industry

Power, oil & gas infrastructure, other resources/ industries

Government relations

Alberta, Canada (federal)

Seniority

Private CEO, senior functional

Geographic diversity

Edmonton, Calgary

Public board interlocks

None

Board and committee membership	Meeting attendance
Board (Chair)	13 of 13 (100%)
Audit Committee (ex-officio non-voting)	4 of 4 (100%)
Corporate Governance, Compensation and Nominating Committee (ex-officio non-voting)	5 of 5 (100%)
Health, Safety and Environment Committee (ex-officio non-voting)	3 of 3 (100%)

Securities and DSUs held

Common shares	8,000	Total common shares and DSUs	29,954
DSUs	21,954	Total market value common shares and DSUs	\$668,284
Percentage of Ownership Requirement	78%	Meets ownership requirement	in progress

Voting results 2016

Votes in favour	60,089,338 (95.80%)	Votes withheld	2,633,807 (4.20%)
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Other public directorships: Melcor REIT, Stantec Inc., Hydrogenics Corporation (3)

CEO = Chief Executive Officer | CFO = Chief Financial Officer | M&A = mergers and acquisitions | IPO = initial public offering

**Albrecht Bellstedt (67)**

Independent | Director since July 2009 | Canmore, AB

Albrecht Bellstedt has been self-employed as a professional director since February 2007. Previously, Mr. Bellstedt served as Executive Vice President and General Counsel of TransCanada Corporation and a predecessor corporation. Prior to that, he was a transactional lawyer in private practice for 27 years.

Mr. Bellstedt currently serves on a number of corporate boards and has served on a number of not-for-profit boards (including the Alberta University Hospital Foundation, the Edmonton Symphony Orchestra and the Banff Centre).

Experience

Public board, deal/M&A/IPO/hostile defence, regulatory/legal, Alberta power markets, risk management, board/ committee chair

Industry

Power, oil & gas infrastructure

Background

Lawyer

Seniority

Senior functional, partner

Geographic diversity

Calgary

Public board interlocks

None

Board and committee membership	Meeting attendance
Board	13 of 13 (100%)
Corporate Governance, Compensation and Nominating Committee (chair)	5 of 5 (100%)
Health, Safety and Environment Committee	3 of 3 (100%)

Securities and DSUs held

Common shares	7,090	Total common shares and DSUs	43,956
DSUs	36,866	Total market value common shares and DSUs	\$1,130,104
Percentage of Ownership Requirement	313%	Meets ownership requirement	yes

Voting results 2016

Votes in favour	61,365,504 (97.84%)	Votes withheld	1,357,641 (2.16%)
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Other public directorships: Canadian Western Bank, Stuart Olson Inc. (Chair) (2)

Mr. Albrecht was no longer a director of Sun Times Media Group, Inc. (formerly Hollinger International Inc.) as of June 2008. Sun Times Media Group, Inc. went into Chapter 11 bankruptcy protection under the U.S. Bankruptcy Code in 2009.

**Doyle Beneby (57)**

Independent | Director since April 27, 2012 | San Antonio, TX, USA

Doyle Beneby was formerly the CEO of New Generation Power International, an international independent renewable energy company, from October 2015 to May 2016. Prior to joining New Generation Power International, Doyle Beneby was the President and CEO of CPS Energy, the largest municipally-owned gas and electric utility in the U.S., a position he held since August 2010. Mr. Beneby has over 20 years' experience in various aspects of the electrical power industry.

Prior to joining CPS Energy, he served at Exelon Corporation from 2003 to 2010 in various roles, most recently, as Senior Vice President of Exelon Power and President of Exelon Corporation from 2009 to 2010. From 2008 to 2009, Mr. Beneby served as Vice President, Generation Operations for Exelon Corporation, and prior to that and from 2005 to 2008, Mr. Beneby served as Vice President, Electric Operations for PECO, a subsidiary of Exelon Corporation.

Mr. Beneby holds a Master of Business Administration from the University of Miami, and a Bachelor of Science from Montana Technical College.

Experience

Public board, deal/M&A/IPO/hostile defence, government/ public affairs, human resources/compensation, operations/engineering/ maintenance/construction, risk management, cyber/physical security, board/ committee chair

Industry

Power, other resources/industries

Background

Engineer

Seniority

Public CEO, private CEO

Geographic diversity

USA

Public board interlocks

None

Board and committee membership	Meeting attendance
Board	13 of 13 (100%)
Audit Committee	4 of 4 (100%)
Health, Safety and Environment Committee (chair)	3 of 3 (100%)

Securities and DSUs held

Common shares	0	Total common shares and DSUs	22,114
DSUs	22,114	Total market value common shares and DSUs	\$568,983
Percentage of Ownership Requirement	113%	Meets ownership requirement	yes

Voting results 2016

Votes in favour	61,787,909 (98.51%)	Votes withheld	935,236 (1.49%)
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Other public directorships: Korn/Ferry International, Quanta Services (2)

**Patrick Daniel (69)**

Independent | Director since February 17, 2015 | Calgary, AB

Mr. Daniel is past President and CEO of Enbridge Inc., a publicly traded energy delivery company, which position he held from 2001 to 2012. Prior to his appointment as President and CEO, he was a senior executive officer of Enbridge Inc. or its predecessor since 1994. In addition, Mr. Daniel served as a director of Enbridge Inc. from April 2000 to October 2012. In 2011, Mr. Daniel was awarded Canada's Outstanding CEO of the Year sponsored by The Caldwell Partners and chosen by an independent National Advisory Board.

Mr. Daniel is a director of Canadian Imperial Bank of Commerce and of Cenovus Energy Inc. Mr. Daniel holds a Bachelor of Science degree from the University of Alberta and a Master of Science degree from the University of British Columbia. He is also a member of the Association of Professional Engineers and Geoscientists of Alberta.

Experience

Public board, deal/M&A/IPO/hostile defence, government/public affairs, health, safety and environment, human resources/compensation, operations/engineering/maintenance/construction, regulatory/legal, risk management, cyber/physical security, strategic planning/leading growth, CSR/sustainability, board/committee chair

Industry

Power, oil and gas infrastructure, other resources/industries

Background

Engineer

Government relations

Alberta, BC, Ontario, Canada (federal), USA

Seniority

Public CEO

Geographic diversity

Calgary

Public board interlocks

The Canadian Imperial Bank of Commerce (see page18)

Board and committee membership	Meeting attendance
Board	12 of 13 (92.3%)
Health, Safety and Environment Committee	3 of 3 (100%)

Securities and DSUs held

Common shares	8,500	Total common shares and DSUs	17,504
DSUs	9,004	Total market value common shares and DSUs	\$449,610
Percentage of Ownership Requirement	130%	Meets ownership requirement	yes

Voting results 2016

Votes in favour	56,736,285 (90.46%)	Votes withheld	5,986,860 (9.54%)
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Other public directorships: Cenovus Energy Inc., The Canadian Imperial Bank of Commerce (2)

**Jill Gardiner (58)**

Independent | Director since May 25, 2015 | Vancouver, BC

Jill Gardiner has been self-employed as a professional director and financial consultant since 2010. Previously, she spent over 20 years in the investment banking industry, most recently as Managing Director and Regional Head, British Columbia, for RBC Capital Markets. She also held various positions in corporate finance, mergers and acquisitions, and debt capital markets as well as serving as Head of the Forest Products Group and Head of the Pipelines & Utilities Group.

Ms. Gardiner is currently a member of the boards of directors of Capstone Mining Corp., SilverBirch Hotels & Resorts LP and Parkbridge Lifestyle Communities Inc. She previously served as chair of the board of directors of Turquoise Hill Resources Ltd. and as a member of the boards of Timber Investments Ltd. and a number of non-profit organizations, including the Banff Centre, the Vancouver Art Gallery and the Southern Alberta Institute of Technology.

Ms. Gardiner holds a Bachelor of Science and a Master of Business Administration, both from Queen's University. She is a member of the Institute of Corporate Directors.

Experience

Public board, deal/M&A/IPO/hostile defence, human resources/compensation, Alberta power markets, risk management, strategic planning/leading growth, board/ committee chair

Industry

Power, oil and gas infrastructure, other resources/industries

Background

Financial expert, investment banker

Seniority

Senior functional

Geographic diversity

British Columbia

Public board interlocks

None

Board and committee membership	Meeting attendance
Board	13 of 13 (100%)
Audit Committee	4 of 4 (100%)
Corporate Governance, Compensation and Nominating Committee	4 of 5 (80%)

Securities and DSUs held

Common shares	2,666	Total common shares and DSUs	9,010
DSUs	6,344	Total market value common shares and DSUs	\$231,442
Percentage of Ownership Requirement	61%	Meets ownership requirement	in progress

Voting results 2016

Votes in favour	62,034,943 (98.90%)	Votes withheld	688,202 (1.10%)
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Other public directorships: Capstone Mining Corp. (1)



Kelly Huntington (41)

Independent | Director since June 3, 2015 | Indianapolis, IN, USA

Kelly Huntington is Senior Vice President of Enterprise Strategy at OneAmerica Financial Partners, Inc., a position she has held since July 2015. She also serves as a member of the boards of directors for five related entities. Previously, she was President and CEO for Indianapolis Power & Light Company (IPL) from 2013 until July 2015, and was also a member of the board of IPL and IPALCO Enterprises Inc. Prior to that, she was Senior Vice President and CFO at IPL and held various leadership positions at The AES Corporation. She began her career in investment banking and private equity. Ms. Huntington currently serves as vice chair of Riley Children's Foundation, and as treasurer of the Indianapolis Zoo. Ms. Huntington was previously chair of the board of directors of Indianapolis Neighborhood Housing Partnership.

Ms. Huntington holds a Master of Business Administration from Northwestern University's Kellogg School of Management, a Bachelor of Science from the Massachusetts Institute of Technology, and is a Chartered Financial Analyst.

Experience

Deal/M&A/IPO/hostile defence, government/ public affairs, health, safety and environment, human resources/ compensation, pensions, operations/ engineering/ maintenance/ construction, regulatory/legal, financial/commodity trading, risk management, cyber/physical security, strategic planning/leading growth, CSR/sustainability

Industry

Power, other resources/industries

Background

CFO/financial expert, investment banker

Government relations

USA

Seniority

Private CEO, senior functional

Geographic diversity

USA

Public board interlocks

None

Board and committee membership	Meeting attendance
Board	13 of 13 (100%)
Audit Committee	4 of 4 (100%)
Health, Safety and Environment Committee	3 of 3 (100%)

Securities and DSUs held

Common shares	0	Total common shares and DSUs	8,325
DSUs	8,325	Total market value common shares and DSUs	\$213,901
Percentage of Ownership Requirement	46%	Meets ownership requirement	in progress

Voting results 2016

Votes in favour	61,552,540 (98.13%)	Votes withheld	1,170,605 (1.87%)
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Other public directorships: None



Philip Lachambre (65)

Independent | Director since July 2009 | Edmonton, AB

Philip Lachambre is currently President of PCML Consulting Inc., a position he has held since February, 2007 and has been a professional director since July, 2007. Mr. Lachambre held many positions in the oil and gas, mining and construction sectors during his 43-year career, 31 years of which were at Syncrude Canada Inc. where he was Executive Vice President and CFO from 1997 until his retirement in 2007. He was also a director of Flint Energy Services Ltd. until 2012. Mr. Lachambre has had many areas of responsibility across numerous departments including corporate strategy, controllers, treasury, legal, government and regulatory affairs, EH&S, business development, stakeholder relations, human resources, procurement and contracts, information technology and aboriginal affairs.

Mr. Lachambre holds a Bachelor of Commerce degree from the University of Alberta, is a Supply Chain Management Professional (SCMP), and is a graduate of the Executive Management Program of the University of Western Ontario. Mr. Lachambre is also active in a number of local community organizations and boards.

Experience

Public board, deal/M&A/IPO/hostile defence, government/ public affairs, health, safety and environment, human resources/ compensation, pensions, operations/ engineering/maintenance/ construction, regulatory/legal, risk management, cyber/physical security, strategic planning/leading growth, CSR/sustainability, board/ committee chair

Industry

Power, oil & gas infrastructure, other resources/industries

Background

CFO/financial expert, procurement/contracts

Government relations

Alberta, Canada (federal)

Seniority

Senior functional

Geographic diversity

Edmonton

Public board interlocks

None

Board and committee membership	Meeting attendance
Board	13 of 13 (100%)
Audit Committee (chair)	4 of 4 (100%)
Corporate Governance, Compensation and Nominating Committee	5 of 5 (100%)

Securities and DSUs held

Common shares	15,720	Total common shares and DSUs	49,357
DSUs	33,637	Total market value common shares and DSUs	\$1,268, 537
Percentage of Ownership Requirement	323%	Meets ownership requirement	yes

Voting results 2016

Votes in favour	62,044,546 (98.92%)	Votes withheld	678,599 (1.08%)
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Other public directorships: None

**Katharine Stevenson, ICD.D (54)**

Independent | Director appointed effective April 3, 2017 | Toronto, ON

Kate Stevenson has been a professional director since 2007, and has over 25 years' experience as a senior financial executive in Canada and the U.S. From 1995 to 2007, she served as the Global Treasurer for Nortel Networks, and prior thereto had progressively senior finance roles in corporate and investment banking at J.P. Morgan and Company. She was with J.P. Morgan and Company from 1984 to 1995. She presently serves on the boards of directors of Canadian Imperial Bank of Commerce (chair of its Corporate Governance Committee and member of its Management Resources & Compensation Committee), Open Text Corporation (member of its Audit Committee) and CAE Inc. (member and past chair of its Audit Committee and member of its Governance Committee).

Ms. Stevenson has also previously served on the boards of directors of Valeant Pharmaceuticals International, Inc. and OSI Pharmaceuticals Inc. In addition, she is past vice chair of the board of governors of the University of Guelph and past chair of the board of The Bishop Strachan School.

Ms. Stevenson holds a Bachelor of Arts (magna cum laude) from Harvard University, and has earned her ICD.D. designation from the Institute of Corporate Directors.

Experience

Public board, deal/M&A/IPO/hostile defence, pensions, financial/commodity trading, risk management, board/committee chair

Industry

Other resources/industries

Background

CFO/financial expert, investment banker

Seniority

Senior functional

Geographic diversity

Ontario

Public board interlocks

The Canadian Imperial Bank of Commerce (see page 18)

Board and committee membership		Meeting attendance
Board		N/A

Securities held			
Common shares	0	Total common shares and DSUs	0
DSUs	0	Total market value common shares and DSUs	0
Percentage of Ownership Requirement	0%	Meets ownership requirement	In progress

Voting results 2016			
Votes in favour	N/A	Votes withheld	N/A

Other public directorships: The Canadian Imperial Bank of Commerce, OpenText Corporation, CAE Inc. (3)

**Keith Trent (57)**

Independent | Director appointed effective April 3, 2017 | Charlotte, NC, USA

Keith has been a professional director since 2015, and has 15 years' experience as an energy executive, general counsel and internal legal counsel. From 2009 to 2015, Mr. Trent held a variety of senior executive positions with Duke Energy Corporation (Duke), with responsibility for long-term grid strategy, 4 regulated utilities, electric transmission, regulated fossil-fuel and hydro generation, health, safety and environment, fuel and system optimization, central engineering and services, and commercial businesses operating in domestic and international retail and wholesale competitive markets. From 2002 to 2009, Mr. Trent held a variety of positions with Duke with responsibility for corporate strategy, government relations, corporate communications, technology initiatives, legal, internal audit and compliance (as general counsel), and major litigation and government investigations (as Lead Litigator). Prior to 2002, Mr. Trent practiced law for 15 years.

Mr. Trent currently serves on the boards of directors of Forsite Development Inc., TRC Companies, Inc. and AWP Inc. He has previously served on the board of trustees of The Keystone Energy Board, on the Accenture Global Energy Board, on the board of visitors of the Wake Forest University School of Business, and on the board of Electric Power Research Institute.

Mr. Trent holds a Juris Doctor degree, and a Bachelor of Science (Electrical Engineering).

Experience

Public board, deal/M&A/IPO/hostile defence, government/public affairs, human resources/compensation, operations/engineering/maintenance /construction, regulatory/legal, financial/commodity trading, risk management, cyber/physical security, strategic planning/leading growth, board/committee chair

Industry

Power, oil and gas infrastructure

Background

Engineer, lawyer

Government relations

USA

Seniority

Senior functional

Geographic diversity

USA

Public board interlocks

None

Board and committee membership		Meeting attendance
Board		N/A

Securities and DSUs held			
Common shares	0	Total common shares and DSUs	0
DSUs	0	Total market value common shares and DSUs	0
Percentage of Ownership Requirement	0%	Meets ownership requirement	In progress

Voting results 2016			
Votes in favour	N/A	Votes withheld	N/A

Other public directorships: TRC Companies, Inc. (1)



Brian Vaasjo (61)

President and CEO | Not independent | Director since May 2009 | Edmonton, AB

Brian Vaasjo has been the President and CEO of Capital Power since July, 2009. Prior thereto, he was Executive Vice President of EPCOR, and was President of EPCOR's Energy Division. At EPCOR, he was responsible for regional power generation, water operations and the growth of EPCOR's competitive power and water businesses across North America, as well as development and acquisition. He was President of Capital Power Income L.P. (CPILP) from September 2005 until July 2009 and Chairman of the board of its general partner from July 2009 to November 2011.

Mr. Vaasjo spent 19 years with the Enbridge Group of Companies and played a substantial role in several important acquisitions, developments and public offerings. He has a Master of Business Administration, is a Fellow of the Society of Chartered Professional Accountants, and has been on the boards of several non-profit organizations.

Experience

Public board, deal/M&A/IPO/hostile defence, government/public affairs, regulatory/legal, Alberta power markets, risk management, cyber/physical security

Industry

Power, oil & gas infrastructure

Background

CFO/financial expert, accountant

Government relations

Alberta, Canada (federal)

Seniority

Public CEO, senior functional

Geographic diversity

Edmonton

Public board interlocks

None

Board and committee membership	Meeting attendance
Board	13 of 13 (100%)
Audit Committee	4 of 4 (100%)
Corporate Governance, Compensation and Nominating Committee	5 of 5 (100%)
Health, Safety and Environment Committee	3 of 3 (100%)

Securities, DSUs and options held

Common shares	93,827	Total common shares and DSUs	93,827
DSUs	N/A	Total market value common shares and DSUs	\$2,409,477.36
Percentage of Ownership Requirement (see page 41)	135%	Meets ownership requirement (see page 41)	yes

As of March 6, 2017, Brian Vaasjo holds 65,050 performance share units (PSUs) and 1,192,289 stock options. Share ownership for Mr. Vaasjo is based on the sum of the number of common shares held by him and his earned PSUs as of December 31, 2016 (see page 41).

Voting results 2016

Votes in favour	62,039,928 (98.91%)	Votes withheld	683,217 (1.09%)
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Other public directorships: None

Mr. Vaasjo attends Audit Committee, CGC&N Committee and Health, Safety and Environment Committee (HSE) meetings as a guest and in his capacity as President and CEO of Capital Power.

MEETING ATTENDANCE AND COMMITTEE MEMBERSHIPS

We expect our directors to attend all board and relevant committee meetings. The CGC&N Committee reviews the attendance records to ensure each director has attended at least 80% of the meetings. If attendance falls below this level and there are no extenuating circumstances, the committee will discuss the situation and recommend to the board whether the board should seek the director's resignation.

Donald Lowry attends committee meetings as an ex-officio and non-voting member. Some directors also attend other committee meetings as guests, as noted below.

	Committee meetings									
	Board meetings			Audit	Corporate Governance, Compensation and Nominating (CGC&N)	Health, Safety and Environment (HSE)				
Donald Lowry	(chair)	13 of 13	100%	4 of 4	100%	5 of 5	100%	3 of 3	100%	
Albrecht Bellstedt		13 of 13	100%			(chair) 5 of 5	100%	3 of 3	100%	
Doyle Beneby		13 of 13	100%	4 of 4	100%			(chair) 3 of 3	100%	
Patrick Daniel		12 of 13	92.3%					3 of 3	100%	
Jill Gardiner		13 of 13	100%	4 of 4	100%	(chair) 4 of 5	80%			
Kelly Huntington		13 of 13	100%	4 of 4	100%			3 of 3	100%	
Philip Lachambre		13 of 13	100%	(chair) 4 of 4	100%	5 of 5	100%			
Brian Vaasjo		13 of 13	100%	4 of 4	100%	5 of 5	100%	3 of 3	100%	

Notes

- Ms. Gardiner was appointed chair of the CGC&N Committee on April 22, 2016, following her election as a director at our 2016 annual meeting of shareholders held on that date, and was a member of the committee at all times in 2016. Mr. Bellstedt served as chair of the CGC&N Committee until April 22, 2016, and was a member of the committee at all times in 2016.
- One of the 13 board meetings was a board meeting of Capital Power GP Holdings Inc., one of our subsidiaries and the sole general partner of Capital Power L.P., all of the general partnership units and limited partnership units of which are held by subsidiaries of ours. Our directors also serve on the board of directors of Capital Power GP Holdings Inc., and are compensated by us for doing so. Therefore, we have included this meeting in the total number of Board meetings.
- Mr. Vaasjo attends committee meetings as a guest and in his capacity as President and CEO of Capital Power.
- Ms. Stevenson's and Mr. Trent's appointments to the board will not become effective until April 3, 2017, and neither served as a director in 2016. As such, they have not been included in the table above.

OTHER DIRECTORSHIPS

Two of our director nominees serve together on other public company boards.

Name	The Canadian Imperial Bank of Commerce
Patrick Daniel	✓
Katharine Stevenson	✓

Notes

- The Canadian Imperial Bank of Commerce – Patrick Daniel and Katharine Stevenson serve together on the Corporate Governance Committee (which Ms. Stevenson chairs).

DIRECTOR EDUCATION

We endeavour to provide education and update contextual information as required to ensure that our directors have the most up-to-date knowledge to inform their decisions. Directors receive materials before each board meeting that include background information about items to be considered at the meeting. Directors are also encouraged to attend externally hosted education and Capital Power contributes to the cost. The table below lists the education we provided directly to our directors in 2016. You can find more information about education and ongoing development of directors on page 23.

Date	Event	Description	Attendees
February	Special Situations Update	Presentation by Walied Soliman, Partner of Norton Rose Fulbright Canada LLP	Donald Lowry Albrecht Bellstedt Doyle Beneby Patrick Daniel Jill Gardiner Kelly Huntington Philip Lachambre Allister McPherson Margaret Mulligan Brian Vaasjo
April	An Investor's Perspective	Presentation by Linda Ezergailis of TD Securities	Donald Lowry Albrecht Bellstedt Doyle Beneby Patrick Daniel Jill Gardiner Kelly Huntington Philip Lachambre Allister McPherson Brian Vaasjo
May	Board Offsite	Presentation by Jonathon Kaufman of Credit Suisse	Donald Lowry Albrecht Bellstedt Doyle Beneby Patrick Daniel Jill Gardiner Kelly Huntington Philip Lachambre Margaret Mulligan Brian Vaasjo
May	Plant tour	Tour of Southport	Donald Lowry Albrecht Bellstedt Doyle Beneby Patrick Daniel Jill Gardiner Kelly Huntington Philip Lachambre Margaret Mulligan Brian Vaasjo
May	Plant tour	Tour of Beaufort Solar	Donald Lowry Patrick Daniel Jill Gardiner Philip Lachambre Brian Vaasjo
May	Plant tour	Tour of Roxboro	Donald Lowry Patrick Daniel Jill Gardiner Brian Vaasjo
October	Plant tour	Tour of Genesee	Donald Lowry Albrecht Bellstedt Doyle Beneby Jill Gardiner Kelly Huntington Philip Lachambre Brian Vaasjo
November	Board Discussion	Presentation by Kelsen Vallee and David Williams of CIBC	Donald Lowry Albrecht Bellstedt Doyle Beneby Patrick Daniel Jill Gardiner Kelly Huntington Philip Lachambre Brian Vaasjo

2. Governance

Governance at Capital Power

We're committed to responsible corporate governance. We believe that effective governance is a major contributor to long term performance and investor confidence.

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

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

This section incorporates the corporate governance disclosure required by Form 58-101F1. We've also adopted a comprehensive Corporate Governance Policy which is available on our website (www.capitalpower.com).

Management also assessed our financial reporting procedures this year and concluded that we are in compliance as of December 31, 2016.

GOVERNANCE HIGHLIGHTS

✓	Voting is by individual director, we have a majority voting policy and we disclose the voting results on all items of business within five business days of a shareholder meeting
✓	We maintain separate chair and CEO positions so the board can function independently and monitor management's decisions and actions and effectively oversee our affairs
✓	The majority of our board nominees (9 out of 10) are independent
✓	The Chair of the board is independent
✓	The board has developed clear position descriptions for the Chair of the board, each committee and the CEO
✓	Our Audit Committee is 100% independent
✓	Our CGC&N Committee is 100% independent
✓	Directors must meet share ownership requirements within five years of joining the board (three times their annual cash and equity retainer in Capital Power DSUs and/or common shares). Capital Power's senior executive officers must also meet share ownership requirements (see page 41 for more information on the share ownership requirements for executive officers)
✓	Our board has a formal, written mandate
✓	Directors meet regularly without management present (in-camera)
✓	We expect 100% attendance of our directors. The CGC&N Committee reviews the attendance record to ensure directors have attended at least 80% of board meetings and their respective committee meetings
✓	The board has adopted a written code of business conduct and ethics, and monitors our compliance with it
✓	The board oversees strategic planning, risk management, succession planning and leadership development
✓	We conduct an advisory vote on executive compensation, giving shareholders a say on pay
✓	We adopted an incentive claw-back policy and anti-hedging policy, further aligning the interests of executives and shareholders
✓	We have orientation and continuing education programs for our directors
✓	We maintain a skills matrix to assist in planning, developing and managing the skills and competencies of the board
✓	Board and committee assessments are conducted every year. From 2016 and onwards, board evaluation involves annual one-on-one meetings between each director and Chair of the board, biennial self-assessments, and biennial peer-to-peer assessments conducted by an independent third party
✓	The board has adopted a Board Diversity Policy, which has minimum requirements regarding the proportion of women candidates in director search shortlists and an aspirational target for the proportion of women on our board
✓	The board has adopted a Director Tenure & Succession Policy which establishes term limits
✓	The board has adopted a Board Shareholder Engagement Policy

About the board

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

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

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

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

Ms. Stevenson and Mr. Trent have been appointed to the board effective April 3, 2017 to serve until the end of the annual meeting of shareholders on April 28, 2017.

Independence

Nine out of ten director nominees (90%) are independent according to the standards of independence established under Section 1.2 of NI 58-101. Brian Vaasjo is not considered independent because of his position as noted below.

Nominated directors	Independent	Not independent
Donald Lowry	✓	
Albrecht Bellstedt	✓	
Doyle Beneby	✓	
Patrick Daniel	✓	
Jill Gardiner	✓	
Kelly Huntington	✓	
Philip Lachambre	✓	
Katharine Stevenson	✓	
Keith Trent	✓	
Brian Vaasjo		✓ (President and CEO of Capital Power)

An independent, non-executive director chairs our board. The board met 13 times in 2016. The directors met without management for a total of 11 such meetings. You'll find the board's terms of reference in Appendix A.

Separate chair and CEO positions

We maintain separate Chair and CEO positions, each with their own position descriptions (or terms of reference). The Chair leads, manages and organizes the board with a strategic focus and presides over its meetings while encouraging strong participation and commitment from all directors. The Chair also works with the CEO to develop and maintain productive stakeholder relationships, and to ensure that the board represents shareholders' interests.

The CGC&N Committee recommends, and the board nominates, director candidates based on the skills matrix, their character and leadership strengths and other key qualities like breadth of experience, insight and knowledge, financial and compensation literacy, and business judgment.

The terms of reference for the Chair of the board, each committee, individual directors and the President and CEO include detailed position descriptions and are available on our website (www.capitalpower.com).

Ethics

Our ethics policy applies to all permanent and temporary employees and members of our board of directors. Everyone must read, understand and comply with the policy, and executives must certify their compliance with the policy quarterly. Our ethics policy is on our website (www.capitalpower.com), or you can ask our Corporate Secretary to send you a copy (see page 8).

The board has oversight and control over the policy including governance over all material changes to the ethics policy.

Board

The board is responsible for overseeing our compliance with the laws that apply to us. The board receives regular reports on compliance, including reports of any ethical breach, management's follow-up activities and strategies to mitigate risk.

Senior officers

All senior officers must certify compliance with the policy quarterly and the President and CEO and Senior Vice-President and CFO certify our quarterly and annual financial statements and related management's discussion and analysis (MD&A), as well as our 2016 AIF, for filing with the Canadian Securities Administrators.

Reporting a concern

We've worked hard to foster a culture where anyone can speak openly about ethical concerns. Employees can raise a concern with their manager or a member of senior management, or report a concern or possible violation anonymously through our Integrity Hotline.

Our Integrity Hotline is available 24 hours a day, seven days a week (call 1.866.363.8028 or go to www.CPCEthics.com). A third party operates the hotline on our behalf to ensure confidentiality.

Investigating ethical complaints

We investigate complaints promptly and thoroughly.

A written report is completed for every investigation process and its outcome, and is maintained on file by our third party provider.

Material interests

Under the board's terms of reference, a director must disclose to us in writing any material interest he or she has in a material contract with us, whether or not it is a current or proposed contract, or have the interest entered in the minutes of the board meeting, including its nature and extent. The director must refrain from participating in any discussion or vote on the matter. In practice, a director with a material interest recuses himself or herself from the board meeting when a discussion or vote takes place on such a matter.

Disclosure and insider trading policy

We must comply with laws and regulations when publicly disclosing important information about Capital Power, and all insiders must comply with insider trading and reporting requirements. We last substantially updated our disclosure and insider trading policy in 2012. It governs the dissemination of information to the public and guides our decisions and actions in providing clear and complete disclosure in a timely manner, in compliance with all securities regulations.

Our disclosure committee consists of senior managers and reports to, and is subject to, the supervision and oversight of our President and CEO. Our disclosure committee is responsible for reviewing all proposed disclosure before it is released publicly. The disclosure committee also reports its work and findings to our board and Audit Committee, and must promptly inform our board and Audit Committee of any material disclosure issues or concerns regarding any of our disclosure controls that come to the disclosure committee's attention.

Ethics training

All of our directors and employees must participate in ethics training every two years.

ROLE AND RESPONSIBILITIES

The board is responsible for overseeing our strategy and enterprise risk management (including compliance with laws and regulations). It approves all matters required under the *Canada Business Corporations Act*, and other legislation that applies to us, our articles and our by-laws.

The board can delegate the review and approval of issues to its standing committees, however, most committee recommendations must be approved by the entire board.

The board explicitly delegates certain powers to management by written policy and subject to specific limits. Examples include:

- contract execution and spending authority policy
- financial exposure management policy
- investment policy

Oversight and strategic planning

The board is responsible for overseeing our strategic and corporate planning, an annual process that is designed to:

- maximize shareholder value
- ensure that we operate consistently with our values
- assess the opportunities and risks of our business

As President and CEO, Brian Vaasjo leads the executive team and is responsible for Capital Power's strategic direction, sound management and performance.

Management follows a comprehensive planning process for developing our strategy, corporate plan and annual budget.

First quarter	Management begins the process for the following year by carrying out the following: <ul style="list-style-type: none">• assesses industry trends and the competitive environment• prepares commodity and economic forecasts• reviews how well it executed its strategy in the previous year• decides whether or not the strategy must be modified• determines what modifications to the strategy are necessary (if any)• adjusts its plans and objectives to execute the strategy• prepares a long-range financial forecast
Second quarter	Management uses the inputs to develop our strategy and corporate plan, which contains our objectives, activities, forecasts and a risk assessment, and submits the draft strategy and corporate plan to the board (generally in May). The board and management meet for a two-day, off-site planning session to discuss the strategic plan. Management highlights the risks and solicits feedback from the board and any proposed changes to the strategy and tactics.
Third quarter	Management reviews the feedback and makes changes to the strategy and corporate plan. It submits the revised strategy and corporate plan to the board for approval, generally at its July meeting.
Fourth quarter	In November, management updates its financial forecasts based on recent events, updated commodity forecasts and the current budget. Corporate performance measures are also established for the following year based on the approved budget. Management establishes the budget based on the approved strategy and plan, and submits it to the board for approval.

Enterprise risk management

Effectively managing risk is critical to maximizing shareholder value. We believe that risk management is everyone's responsibility, from the board to individual employees.

Our enterprise risk management (ERM) program is based on the ISO 31000 International Standard for Risk Management, and uses a systematic approach to identify, treat, report and monitor risk. ERM practices are embedded in two key corporate processes (strategic and long term planning, and operational planning and budgeting), so we can identify risks that could prevent us from achieving our strategic and business objectives and develop strategies to mitigate those risks. This includes assessing specific risk areas, including unpredictable or unusual risks as well as emerging risks to our business.

We expect everyone to understand the risks that fall within their areas of responsibility and to manage these risks within approved risk tolerances.

Open communication is a key part of the process. We need our people to share the best available information (quantitative and qualitative), drawing from historical data, experience, stakeholder feedback, observation, forecasts and their expert judgment.

The board reviews and approves our risk tolerances, ERM policy, risk management processes and accountabilities every year.

The President and CEO is ultimately accountable for managing our risks and approving the ERM framework. He manages ERM through the executive team, which consists of his direct reports.

The vice president of risk management has day-to-day responsibility for the ERM framework, and reports to the CFO. The vice president presents a risk report to the board twice a year and updates as required.

Succession planning and leadership development

We maintain succession plans for the CEO and senior management to support our future growth and to retain our talent. The CGC&N Committee reviews the plans at least once a year and reports them to the board.

The committee also oversees our performance management and talent development programs to ensure that we are developing our management talent to support our business needs.

ORIENTATION AND ONGOING DEVELOPMENT

We believe in the importance of orientation for new directors and continuing education for ongoing development of the skills and knowledge of the board.

The board adopted a director orientation and education policy that includes:

- guidelines for new directors
- types of education and orientation information for directors
- educational opportunities
- site visits
- conferences, symposiums and seminars

The Director Orientation & Education Policy was amended in July 2016.

Orientation

New directors receive information about their duties and obligations and our business and operations, as well as minutes and other documents from recent board meetings. They also receive a corporate governance manual prepared by management that includes our articles, by-laws and other board documents. Directors are responsible for familiarizing themselves with the content before their first board meeting.

New directors also spend a day with management and attend an orientation session to develop a basic understanding of Capital Power and our business before their first board meeting.

We may also provide additional information tailored to a new director's needs and interests, information on our current activities, and any other information that a new director requests. A new director, if his or her schedule permits, will also be given a tour of one or more of Capital Power's plants.

We encourage new directors to attend committee meetings as an ex-officio member to broaden their understanding of different aspects of our business and governance in general.

Ongoing development

Management regularly gives articles, papers and in-house seminars on issues relevant to Capital Power, our business, and the regulatory environment. Directors are responsible for reviewing the materials, attending the seminars, and staying up to date on relevant issues through the media and other public information sources. In addition, we regularly invite third parties to present to the board on relevant industry, business or governance topics. See our summary of director education events during 2016 on page 18.

We also offer periodic site visits, including tours of facilities and plants we own that are illustrative of each of the various types of facilities and plants we own and operate. Directors are responsible for attending these whenever practicable.

In February 2017, we adopted the practice of regularly providing our directors with a list of relevant external seminars and industry conferences. Directors can attend conferences, industry symposia and other seminars and we will reimburse them 100% of the cost (including reasonable travel expenses), as long as the Chair of the board or Chair of the CGC&N Committee believes that the content is specific to the power industry and Capital Power would benefit from the director's attendance, and pre-approves it, and the director submits original receipts with the expense claim. We will reimburse them 50% of the cost (including reasonable travel expenses), as long as the Chair of the board or Chair of the CGC&N Committee believes that the content is of a general governance nature that would be relevant to Capital Power and to other boards on which the director sits, and pre-approves it, and the director submits original receipts with the expense claim.

The CGC&N Committee recommends additional education opportunities for directors for the annual strategic planning sessions. You can learn more about our program in 2016 on page 18.

RECRUITMENT, ASSESSMENT AND TENURE

Skills matrix

The CGC&N Committee uses a skills matrix to identify and track the key skills and areas of strength that the board believes are important for overseeing our business, management and our future growth.

The table below shows the skills in each area and the number of directors who have these skills. You can learn more about each director's skills and experience in the director profiles beginning on page 11.

	Total	D. Lowry	A. Bellstedt	D. Boney	P. Daniel	J. Gardiner	K. Huntington	P. Lachambre	B. Vaasjo	K. Stevenson	K. Trent
Experience											
Public board	9	✓	✓	✓	✓	✓		✓	✓	✓	✓
Alberta power markets	4	✓	✓			✓			✓		
Deal/M&A/IPO/Hostile Defence	10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Government/Public affairs	7	✓		✓	✓		✓	✓	✓		✓
Health, safety and environment	4	✓			✓		✓	✓			
Human resources/Compensation	7	✓		✓	✓	✓	✓	✓			✓
Pensions	3						✓	✓		✓	
Operations/Engineering/Maintenance/Construction	6	✓		✓	✓		✓	✓			✓
Regulatory/Legal	6		✓		✓		✓	✓	✓		✓
Financial/Commodity trading	3						✓			✓	✓
Technology Development & Deployment	0										
Risk Management	10	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cyber/Physical Security	7	✓		✓	✓	✓	✓	✓	✓		✓
Strategic Planning/Leading Growth	6	✓			✓	✓	✓	✓			✓
CSR/Sustainability	3				✓		✓	✓			
Board/Committee Chair	8	✓	✓	✓	✓	✓		✓		✓	✓
Industry											
Power	9	✓	✓	✓	✓	✓	✓	✓	✓		✓
Oil and gas infrastructure	7	✓	✓		✓	✓		✓	✓		✓
Other resources/Industries	7	✓		✓	✓	✓	✓	✓		✓	
Background											
CFO/Financial expert	5					✓	✓	✓	✓	✓	
Accountant	1								✓		
Engineer	3			✓	✓						✓
Lawyer	2		✓								✓
Investment banker	3					✓	✓			✓	
Procurement/Contracts	1							✓			
Government relations											
Alberta	4	✓			✓			✓	✓		
British Columbia	1				✓						
Ontario	1				✓						
Canada (federal)	4	✓			✓			✓	✓		
USA	3				✓		✓				✓
Seniority											
Public CEO	3			✓	✓				✓		
Private CEO	3	✓		✓			✓				
Senior functional	8	✓	✓			✓	✓	✓	✓	✓	✓
Partner	1		✓								
Geographic diversity											
Edmonton	3	✓						✓	✓		
Calgary	3	✓	✓		✓						
British Columbia	1					✓					
Ontario	1									✓	
USA	3			✓			✓				✓
Term Limit		2021	2021	2024	2026	2027	2027	2021	N/A	2027	2027

Board Assessment

The CGC&N Committee is responsible for board assessment, which involves assessing individual directors, committees, committee chairs, the board Chair and overall board effectiveness. On November 18, 2015, the board adopted a new board and Director Evaluation Process (Evaluation Process). Pursuant to the Evaluation Process, and as of 2016, our ongoing board and director assessments and evaluations involve:

- annual one-on-one meetings between the Chair of the board and each director (such meetings serve to identify focus areas for the board to work on in terms of improving corporate governance, preserving share value and enhancing triple bottom line accountability, and these matters are discussed in camera at every meeting of the CGC&N Committee),
- biennial director self-evaluations (to be conducted in conjunction with the annual one-on-one meetings held by the chair), and
- biennial peer-to-peer evaluations for all directors, which must be conducted by an independent third party.

Every year, the board and each committee do a self-assessment (in accordance with their terms of reference), which involve in-camera discussions and one-on-one interviews with each committee chair by the chair of the CGC&N Committee. The Chair of the board also discusses board and committee performance with members of senior management.

Each director performed a self-assessment at the end of 2016 to be used for board development and succession planning purposes. These director self-assessments were discussed with the Chairs of the board and the CGC&N Committee. In addition, each director participated in a board evaluation, which was submitted anonymously, compiled, and the aggregate compiled results were provided to the chairs of the board and the CGC&N Committee.

Finally, the Chair of the board conducted one-on-one interviews with each director and with members of senior management in early 2017. Although not anonymous, the one-on-one interviews between the Chair and each director allowed the Chair to have a frank discussion about key areas of interest, including director performance, continued tenure, and areas of focus and personal development for the coming year. The results of the annual self-assessment, questionnaire and interviews were discussed by the CGC&N Committee and the board at their meetings in February 2017.

The board addresses all areas for improvement in board effectiveness that are identified through our assessment processes.

You can read more about the annual Evaluation Process in our Corporate Governance Policy on our website (www.capitalpower.com).

Director tenure and succession

On November 18, 2015, our board adopted a Director Tenure & Succession Policy (Tenure Policy) and a Succession Plan & Committee Rotation (Succession Plan).

Our Tenure Policy provides that:

- Management's primary tools for determining who to nominate to the board are our director skills matrix and our peer-to-peer director performance evaluations.
- In order to remain on the board, a director must be re-elected by our shareholders and receive satisfactory performance reviews.
- Non-management directors elected or appointed to the board prior to 2016 will have a maximum tenure of 12 years.
- Non-management directors elected or appointed to the board during or after 2016 will have a maximum tenure of 10 years.
- The board may extend the term of any director beyond the limits in the Tenure Policy if the board determines that Capital Power and the board would benefit from a director's service beyond the term limit (and any exercise of such discretion must be identified and disclosed to our shareholders in the circular in which such director is being nominated for election beyond his or her term limit).
- The CGC&N Committee reviews the anticipated retirement dates of our directors every year, and, in conjunction with this review, will consider the board's size and composition, succession planning needs associated with loss of skills and experience, the need for board continuity, and the need for new skills and experience on the board as our business and external conditions change.
- In conjunction with the above, the CGC&N Committee reviews our director skills matrix and uses the skills matrix to develop a list of potential candidates for nomination or appointment to the board in the future based on their skills and experience (this evergreen list of potential board directors is comprised of people the CGC&N Committee believes would be appropriate to join the board when there is a vacancy, and who would fill gaps in or complement the current skills matrix, and comply with our independence criteria for the board and its committees). The CGC&N Committee may also hire a search firm to identify potential candidates.

Shareholders elect directors at annual meetings; however, the board may appoint additional directors between annual meetings to fill vacancies.

The Succession Plan is intended to address board succession planning in the context of directors chairing and/or serving on the board's standing committees, which do much of the detailed, substantive work of the board and which work generally requires

specific subject-matter expertise (the qualifications of compensation committee members, in particular, has come under increased critical focus in recent years). Therefore, the Succession Plan provides that:

- The chairs of the board and the CGC&N Committee will establish and maintain a board succession plan.
- The CGC&N Committee will establish a development plan for each of our directors that feeds into the succession plan.
- A skills matrix will be used for each standing committee of the board in order to aid succession planning and director development.
- Committee chairs and memberships will be rotated as appropriate to facilitate director development, board succession planning, institutional knowledge, continuity and renewal.

Diversity

Effective April 3, 2017, Capital Power will have three directors who are women and who represent approximately 30% of our director nominees, and two executive officers who are women and who represent one third of our executive officers.

In November 2014, the board adopted a Board Diversity Policy with the goal of maintaining our competitive advantage by including and making good use of directors who are diverse in terms of their skills, regional and industry experience, background, gender and other qualities. Such differences among directors are to be considered in determining the board's optimum composition and balanced appropriately. All appointments to the board are made based on merit, in the context of the skills and experience the board as a whole requires to be effective.

Pursuant to the Board Diversity Policy, the CGC&N Committee is required to:

- Consider the benefits of all aspects of diversity (including, but not limited to, skills, regional and industry experience, background, and gender) when reviewing the composition of the board.
- Consider candidates for nomination to the board on merit against objective criteria with due regard for the benefits of diversity when identifying such candidates.
- Ensure that every search for new directors includes diverse candidates.
- Consider the balance of skills, experience, independence and knowledge of Capital Power on the board, and the diversity of the board, as part of the annual performance review of the board, its committees, and our individual directors.

In early 2017, the Board Diversity Policy was amended as follows:

- At least 50% of the slate of director candidates presented to the CGC&N Committee in every search for new directors must be women, and extra weight will be given to qualified female candidates in final nomination decisions.
- A goal of 30% was established for the minimum representation of women on both our board and executive team.
- The CGC&N Committee is required to consider annually the balance of skills, experience, independence and knowledge of Capital Power on the board, and the diversity of the board, as part of the performance review of the board, its committees, and our individual directors.

The Board Diversity Policy has been integrated with other board processes, including board assessment, and our annual review of board composition and diversity. The effectiveness of the Board Diversity Policy will be measured based on our goal of women representing at least 30% of our directors, and the policy will be examined in rotation by our internal audit department as part of their rotating audit of all corporate policies approved by the board.

Capital Power has adopted a goal of having women represent at least 30% of the members of our executive team. With respect to recruiting executive officers in the future, Capital Power would develop a list of criteria in terms of the desired skills and experience to be sought in the recruitment process and will recruit those candidates who best fulfill the needs, giving extra weight to any women who meet the criteria.

Recruitment

In 2016, and based on its assessment of the skills and experience the board will require over the next few years (see our skills matrix on page 24), the CGC&N Committee created the following list of required skills and experience to guide the search for two new directors:

- Audit committee experience
- Financial expertise (in particular, CFO/financial expert, investment banker, financial/commodity trading)
- C-level executive experience (Public CEO, private CEO, senior functional)
- Public board experience (including board/committee chair)
- Government relations experience
- Power industry experience (in particular, North America, renewable energy)

The committee also specifically tasked its external consultant to bring forward a short list that included female candidates (more than half of the shortlisted candidates were women). Following a comprehensive and thorough process, Katharine Stevenson and Keith Trent were appointed to the board effective April 3, 2017, and nominated to stand for election by our shareholders.

If all our director nominees are elected by our shareholders, then 30% of our directors will be women, and we will have achieved our minimum diversity goal.

SHAREHOLDER ENGAGEMENT

Maintaining a dialogue with shareholders is important, especially on topics like governance and compensation practices.

Shareholders can attend the annual meeting and pose questions to management. They can also learn more about Capital Power through the following:

- webcasts of our quarterly earnings conference calls with research analysts
- webcasts of our annual investor day for analysts and institutional investors with presentations by our executives
- executive presentations at institutional and industry conferences
- quarterly investor road shows in Canada and the United States

We also receive feedback through:

- analyst and institutional shareholder participation in perception studies that are administered by a third party
- our advisory vote on our approach to executive compensation
- a dedicated address for email inquiries and a toll-free investor phone line
- a confidential ethics hotline and website for shareholders and the public to report a concern

On November 17, 2016, the board adopted a Board Shareholder Engagement Policy (Engagement Policy). The Engagement Policy prescribes governance topics for discussion between the board and shareholders, information sought by the board from the shareholder for the purpose of arranging a meeting, guidelines regarding meeting attendance, and a means for shareholders to contact the board to request a meeting.

Shareholders who are interested in directly engaging with the board regarding those topics specified in the Engagement Policy are encouraged to review the Engagement Policy, which can be found on our website (www.capitalpower.com), and to contact the board at:

Board Office
Capital Power Corporation
1200, 10423 – 101 Street NW
Edmonton, AB T5H 0E9
Email: board@capitalpower.com

SHAREHOLDER PROPOSALS

If you want to send a shareholder proposal for us to consider including in the circular and proxy form for our 2018 annual meeting of shareholders, we must receive it by December 6, 2017, as required under the Canada Business Corporations Act, the corporate statute that governs Capital Power. We expect our 2018 annual meeting of shareholders to be held on or about April 27, 2018. Please send your proposal to the Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 – 101 Street, Edmonton, Alberta, Canada T5H 0E9.

Board committees

The board has three standing committees:

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

The board can also establish ad hoc committees whenever appropriate.

The CGC&N Committee reviews the composition of each committee after each annual meeting. It looks at director independence, director qualifications and individual skills and experience when it constitutes each committee, ensuring that each one has the necessary expertise to provide effective oversight and carry out its responsibilities. Each committee has its own terms of reference, which it reviews and approves every year. These are posted on our website (www.capitalpower.com). You can find more information about each director in the director profiles beginning on page 11.

AUDIT COMMITTEE

You can find information about this committee in our 2016 AIF and the terms of reference for the committee in Appendix A to our 2016 AIF which is posted on our website (www.capitalpower.com) and on SEDAR (www.sedar.com).

Members	Philip Lachambre (chair) Doyle Beneby, Jill Gardiner, Kelly Huntington Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	All members are financially literate as defined by Canadian securities laws and regulations: <ul style="list-style-type: none"> • Philip Lachambre is a former CFO, has other senior executive experience and has served as the chair of the audit committee for two public issuers and a private company • Doyle Beneby is a former CEO, has other senior executive experience and also has an MBA • Jill Gardiner has investment banking experience, is a member of another public company audit committee, has other previous audit committee experience (including as chair), and has an MBA • Kelly Huntington is a former CEO and CFO, has other senior executive and financial experience, is a chartered financial analyst and has an MBA Mr. Lachambre has been a member since our inception. Doyle Beneby joined the committee in May 2012, and Jill Gardiner and Kelly Huntington joined in May and June 2015, respectively. Philip Lachambre was appointed chair of the committee on February 20, 2015.
Key responsibilities	The committee provides assistance to the board in fulfilling its oversight responsibility to shareholders of Capital Power, the investment community and others in relation to the integrity of Capital Power's financial statements, financial reporting processes, systems of internal accounting and financial controls, the risk identification assessment conducted by management and the programs established by management and the board in response to such assessment, the internal audit function and the external auditors' qualifications, independence, performance and reports to Capital Power. In addition, the committee monitors, evaluates, advises or makes recommendations on matters affecting the financial and operational control policies and practices relating to Capital Power, including the external, internal or special audits thereof. The committee's terms of reference are available on our website (www.capitalpower.com).
Key activities and priorities in 2016	<ul style="list-style-type: none"> • reviewed our public disclosure documents for the year ended December 31, 2015 (annual report, audited financial statements, MD&A, AIF, quarterly financial statements and MD&A and press releases regarding our annual and quarterly financial results) and recommended them to the board for approval • monitored the external auditors (approved the audit plan, scope, and engagement letter and recommended the budget), reviewed the interim and year-end audit reports, and recommended the external auditors to the board for recommendation to our shareholders • conducted an annual assessment of the external auditors • monitored the internal auditors (approved the audit plan and reviewed the quarterly and annual audit status reports and quarterly commodity risk reports) • monitored risk management and internal controls (reviewed interim and annual certification of filings under CSox, procedures for accounting and auditing complaints, quarterly litigation and ethics reports, management compliance certificates, fraud risk assessment, tax compliance and exposures, corporate insurance program, significant accounting estimates, and reviewed GAAP and securities updates) • monitored commodity portfolio management activities (reviewed quarterly commodity risk reports, and Alberta commercial portfolio variance reports)

Key activities and priorities in 2016, continued

- recommended a normal course issuer bid to the board, and monitored our strategy regarding share buy-backs pursuant to our normal course issuer bid
- reviewed and recommended our short form base shelf prospectus, and a prospectus supplement and trust indenture in respect of a medium term note program
- reviewed and recommended our private placement of notes with Prudential Capital Group
- reviewed and recommended our public offering of cumulative minimum rate reset preference shares, series 7
- reviewed and recommended the extension and amendment of our club and syndicated credit facilities
- reviewed our Alberta and Southport cash generating units for impairment
- reviewed our financial exposure management, including investment, banking and treasury risk, credit ratings, corporate liquidity, and interest rate and foreign exchange risks
- received an update regarding amendments to our Credit Policy and procedures, and received quarterly Credit Reports regarding major credit risk exposures and counter-parties
- reviewed and recommended amendments to our Commodity Risk Management Policy
- recommended our common share dividend increase to the board for approval
- reviewed our IT security and industrial controls security
- reviewed our hurdle rates for project evaluation

Pre-approval policies and procedures

The committee must pre-approve any non-audit services to be provided by the external auditors. If, because of time constraints the committee is unable to give pre-approval, the committee chair has authority to pre-approve additional services up to \$100,000 per service and a maximum of \$250,000 per year, as long as he reports them at the next committee meeting for ratification.

In 2016, the committee chair pre-approved non-audit related services provided by the external auditors in the amount of \$39,000 plus \$3,000 in out-of-pocket expenses. The services pre-approved related to a review of our processes for compliance with CSox. The committee Chair's approval of those expenses was ratified by the Audit Committee.

The committee met 4 times in 2016, and met without management present at every meeting. The committee also met with the external auditor and with the internal auditor without management present at every meeting.

CORPORATE GOVERNANCE, COMPENSATION AND NOMINATING COMMITTEE

Members	Jill Gardiner (chair) Albrecht Bellstedt, Philip Lachambre, Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	All members have expertise in human resources management: <ul style="list-style-type: none">• Jill Gardiner has previous board chair experience, public and private company governance and compensation committee experience, has taught courses in human resource management at the University of Victoria, and has an MBA• Albrecht Bellstedt serves on a number of corporate boards, was a lawyer, was a senior executive and general counsel for a major Canadian energy infrastructure company, and was legal advisor to various public company boards from 1974 to 2007• Philip Lachambre is a former CFO, has senior executive experience with human resources and compensation matters, and has served on governance and human resources committees for a number of public and private companies Albrecht Bellstedt has been a member of the committee since its inception, and Jill Gardiner and Philip Lachambre joined the committee in May 2015. Jill Gardiner has been chair of the committee since April 2016.
Key responsibilities	The purpose of the committee is to: <ul style="list-style-type: none">• review and recommend to the board the establishment and maintenance of appropriate structures, processes and policies required within Capital Power to address governance issues and maintain compliance with recognized corporate governance guidelines• make recommendations regarding the board's effectiveness and to identify and recommend individuals to the board for nomination as board members• review and determine matters affecting personnel and compensation and key compensation and human resources policies for Capital Power, so that such policies provide total compensation which is competitive in the market The committee's terms of reference are available on our website (www.capitalpower.com).

Key activities and priorities in 2016*Board composition, development and compensation*

- reviewed and updated our director skills matrix and committee structure and membership
- reviewed and recommended to the board our Succession Plan, and reviewed CEO and executive succession planning
- recommended our director nominees to the board for our 2016 annual meeting of shareholders
- reviewed and recommended to the board certain clarifying amendments to our Director Orientation & Education Policy

Corporate governance

- reviewed and recommended for board approval our governance and compensation disclosure in the AIF and this circular, and the overall circular
- reviewed our compensation policies and practices, including management's key messages for compensation disclosure and risk management
- reviewed terms of reference of the board, all committees, the Chair, individual directors and CEO
- assessed director, board and committee performance
- undertook a search for new director candidates in response to retirements from the board
- reviewed and recommended to the board our Board Shareholder Engagement Policy
- reviewed our corporate governance practices and our disclosure of those practices
- reviewed and recommended the amendment and restatement of our Shareholder Rights Plan, and that the board recommend our shareholders approve those changes

Compensation and benefits

- reviewed and recommended for board approval the CEO's 2017 annual objectives
- reviewed and recommended for board approval the CEO's and executives' base salaries and short and long-term incentive awards, and reviewed and recommended for board approval stock option grants for non-executives
- reviewed and approved management's recommendations for collective bargaining mandates, base salary adjustments, short-term incentive plan awards (including merchant short-term incentive plan awards) and performance share unit and restricted share unit awards to non-executives, and our 2017 performance measures for the short-term incentive plan
- reviewed and approved changes to the short-term incentive plan performance range around funds from operations and the weighting between corporate and business objectives
- approved changes to our performance peer group and agreed on a methodology to accommodate the removal of a performance peer, and reviewed and recommended changes to the compensation peer group for executive compensation
- reviewed and recommended the termination of our 2009 stock option plan, as amended (the 2009 plan), and the further amendment of our LTI plan in order to increase the share reserve and to make other changes of a housekeeping nature
- reviewed and recommended certain amendments to our directors' deferred share unit plan and our executives' deferred share unit plan
- reviewed the governance of our pension and other benefit plans and the executive compensation program
- approved the health, safety and environment objective and performance indicators recommended by the HSE Committee, and other key performance metrics, in relation to our short-term incentive plan

Independent compensation consultant

The committee has an independent compensation consultant policy that sets out guidelines for the relationship between the committee, management and the independent consultant. The policy is available on our website (www.capitalpower.com).

The committee hired Hugessen Consulting Inc. as its independent compensation consultant in 2010. See page 43 for details about their services and fees.

The committee has retained an independent consultant for executive compensation matters because it recognizes the importance of receiving third party advice. This helps ensure that the committee's decisions and recommendations are appropriate for Capital Power and are consistent with market practices.

The consultant is responsible to the committee and must keep all matters confidential. It must also advise the committee chair of any potential conflicts of interest. The committee's consultant has never undertaken any work for management.

Willis Towers Watson continues to act as management's consultant and will continue to provide management with consulting advice and administrative support on compensation, pensions and benefit matters.

The committee met 5 times in 2016, and met without management present at every regularly scheduled meeting (3 out of 5 times).

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Members	Doyle Beneby (chair) Albrecht Bellstedt, Patrick Daniel, Kelly Huntington Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	<p>All members are knowledgeable about our health, safety and environment programs and policies. They are also skilled or experts in sustainable business practices, including health, safety, environment and social responsibility, and have other expertise relevant to the committee mandate.</p> <ul style="list-style-type: none"> Doyle Beneby has extensive senior executive operational experience with a utility and several energy companies in the US Albrecht Bellstedt was a lawyer and has experience as a senior executive in the power and energy infrastructure business and serves on a number of other boards Patrick Daniel was CEO of a large, publicly traded energy infrastructure company, has a Master of Science degree, and is a member of the Association of Professional Engineers and Geoscientists of Alberta Kelly Huntington is a former CEO and CFO of a power company, and has other leadership experience in the power industry <p>Doyle Beneby was appointed Chair of the committee on October 24, 2014, and served on the committee prior to his appointment as Chair. Albrecht Bellstedt has served on the committee since its inception. Patrick Daniel and Kelly Huntington joined the committee in May and June 2015, respectively.</p>
Key responsibilities	<p>The committee oversees matters relating to the impact of our operations on the environment and on the workplace health and safety of employees and contractors, including:</p> <ul style="list-style-type: none"> reviewing our strategies, goals and policies for the three areas and revising them as appropriate conducting due diligence monitoring our performance in these areas <p>The committee's terms of reference are available on our website (www.capitalpower.com)</p>
Key activities and priorities in 2016	<ul style="list-style-type: none"> reviewed the following: <ul style="list-style-type: none"> our overall performance in health, safety and the environment, including training, compliance and trends risk management and audit activities related to this area our annual disclosure on health, safety and the environment, which was recommended to the board for approval monitored and reported to the board on current, pending or threatened material legal or regulatory actions by or against Capital Power monitored changes and proposed changes to environmental laws and regulations monitored our progress with implementing a world class safety program reviewed our 2015 corporate responsibility report, which complies with the guidelines set out by the Global Reporting Initiative (GRI), the international standard for sustainable development reporting. A copy is posted on our website (www.capitalpower.com) reviewed our health, safety and environment objectives and performance indicators and other key performance metrics related to our short-term incentive plan, long-term business plan and operations, and recommended the same to the board and CGC&N Committee, as applicable received updates regarding our plant operations

The committee met 3 times in 2016, and met without management present at every meeting.

3. Compensation

Director compensation

Compensation discussion and analysis

APPROACH TO COMPENSATION

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

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

Share ownership

The board believes in aligning the interests of directors and shareholders, and the CGC&N Committee instituted share ownership guidelines in 2009, requiring directors to hold at least three times the total value of their annual cash and equity retainer. They must meet the requirement within five years of the date they were appointed or elected to the board.

As of March 6, 2017, four of the nominated directors meet the requirement (see page 36).

See the director profiles beginning on page 11 for the details of their individual holdings.

DECISION-MAKING PROCESS

We set the director fee schedule in 2009 as part of the plans for our initial public offering. Changes were made to the director fee schedule effective in April 2014 and January 2015. See the notes below our 2016 director fee schedule on page 33.

Benchmarking

Director compensation is benchmarked against a comparator group of companies that are similar in size and complexity.

With respect to compensation paid from 2009 to 2013, the comparator group was made up of companies that are publicly traded, primarily based in Alberta, classified as energy or utility companies, and earn revenue of between \$1 billion and \$10 billion.

In early 2014, Capital Power undertook a review of its director compensation, including a review of the director compensation comparator group. Effective April 25, 2014, the director compensation comparator group was changed to include the following companies:

Algonquin Power & Utilities Corp.	Inter Pipeline Fund
AltaGas Ltd.	Just Energy Group Inc.
ATB Financial Inc.	Keyera Corp.
ATCO Ltd.	Lightstream Resources Ltd.
AutoCanada Inc.	Northland Power Inc.
Bonavista Energy Corporation	Parkland Fuel Corporation
Canadian Western Bank	Pembina Pipeline Corporation
Emera Incorporated	Pengrowth Energy Corporation
Enerplus Corporation	Precision Drilling Corporation
ENMAX Corp.	Stantec Inc.
Ensign Energy Services Inc.	Superior Plus Corp.
EPCOR Utilities Inc.	TransAlta Corporation
Fortis Inc.	Veresen Inc.
Gibson Energy Inc.	

The director compensation peer group established on April 25, 2014, was intended to include comparably-sized companies (e.g., with revenues from \$250 million to \$5 billion, or approximately 0.25x to 4.0x our revenue) from the following industries:

- Utility and related companies from across Canada (16 of 27)
- Publicly-traded energy services and exploration and production companies from Alberta (6 of 27)
- General industry companies with headquarters in Edmonton (5 of 27)

ELEMENTS OF COMPENSATION

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

The table below shows our director fee schedule for 2016.

Component	Amount
Chair retainer	
Annual chair retainer	\$150,000/year
Annual chair equity retainer (paid in DSUs)	\$135,000/year
Director retainer	
Annual retainer	\$35,000/year
Annual equity retainer (paid in DSUs)	\$80,000/year
Committee retainer	
Audit Committee chair annual retainer	\$16,000/year
Corporate Governance, Compensation and Nominating Committee chair annual retainer	\$16,000/year
Annual retainers for other committee chairs	\$10,000/year
Attendance fees (in person or via teleconference)	
Board meetings	\$1,500/meeting
Committee meetings	\$1,500/meeting
Travel fees	
Travel allowance	\$500/round trip

Notes

Attendance fees

- The Chair of the board does not receive attendance fees for participating in committee meetings.

Travel fees

- Directors are entitled to be reimbursed for all reasonable travel expenses directly and necessarily incurred in connection with service on the board. When a director's travel serves multiple purposes, including non-Capital Power ones, Capital Power will contribute an amount that is no greater than that which would have been reasonably required to travel directly to and from the Capital Power business. Should a director be required to travel from their place of residence the day before a board or committee meeting, or should a member have to travel back to their residence the day following a meeting, then a travel allowance fee shall be allocated.

US resident directors

- US resident directors are paid the amounts listed above in US dollars (for example, US resident directors receive an annual retainer of US \$35,000 per year and an annual equity retainer of US \$80,000 per year). This change was made to reflect the disadvantage experienced by US resident directors on account of the weaker Canadian dollar.

DSU plan

In addition to the annual equity retainer, directors can elect to receive all or a portion of the annual cash retainer, committee retainer and/or committee chair retainer in DSUs.

Retainers are paid quarterly. DSUs are credited to directors as notional units which have the same downside risk and upside opportunity as common shares but do not have a dilutive effect. We calculate the number of DSUs to be granted by dividing the amount of the retainer by the volume-weighted average closing price of our common shares on the TSX for the five trading days immediately preceding the grant date. Using a five-day volume-weighted average is common practice among Canadian public companies and may be a better indication of share price at the time than using the share price from a single day. Prior to November 17, 2016, we calculated the number of DSUs to be granted by dividing the amount of the retainer by the simple average closing price of our common shares on the TSX for the five trading days immediately preceding the grant date.

DSUs vest immediately and cannot be redeemed until a director voluntarily resigns or retires from the board, is not re-elected or dies. DSUs earn dividend equivalents as additional whole or partial notional units at the same rate as dividends paid on our common shares.

DSUs are redeemed for cash. The plan provides that cash payments for redeemed DSUs shall be calculated using the volume-weighted average closing price of our common shares on the TSX for the five trading days immediately before the date that is six months after a director voluntarily resigns or retires from the board, is not re-elected or dies. Prior to November 17, 2016, cash payments for redeemed DSUs were calculated on the basis of a simple average closing price. We can amend the plan at any time as long as a change does not adversely affect the rights of directors to receive DSUs or any previously granted DSUs without their consent, unless the change is required by law.

2016 details

DIRECTOR COMPENSATION TABLE

The table below shows the type of compensation directors earned in 2016.

It does not include Brian Vaasjo as he does not receive director compensation because he is an employee of Capital Power and is compensated in his role as President and CEO.

Doyle Beneby and Kelly Huntington received their compensation in US dollars, but their amounts stated in the table below are in Canadian dollars.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Albrecht Bellstedt	73,333	80,000	–	–	–	2,000	155,333
Doyle Beneby	99,752	103,894	–	–	–	3,933	207,579
Patrick Daniel	59,000	80,000	–	–	–	2,000	141,000
Jill Gardiner	78,667	80,000	–	–	–	3,000	161,667
Kelly Huntington	86,720	103,894	–	–	–	3,933	194,547
Philip Lachambre	85,500	80,000	–	–	–	500	166,000
Donald Lowry	171,000	135,000	–	–	–	500	306,500
Allister McPherson	19,889	24,889	–	–	–	-	44,778
Margaret Mulligan	40,417	54,667	–	–	–	1,000	96,084

Notes

Compensation included meeting attendance fees in respect of a board meeting that occurred on December 29, 2015, and for which directors were compensated in January 2016 due to administrative considerations. All directors attended that meeting.

Compensation was pro-rated for some directors:

- Albrecht Bellstedt served as chair of the CGC&N Committee until April 22, 2016, and Jill Gardiner served as chair of the CGC&N Committee from and after April 22, 2016. The CGC&N Committee annual chair retainer for the second quarter of 2016 was pro-rated between them.
- Allister McPherson did not stand for re-election at the annual meeting of shareholders held on April 22, 2016, and his compensation was pro-rated to that date.
- Margaret Mulligan resigned from the board effective September 6, 2016, and her compensation was pro-rated to that date.
- Katharine Stevenson and Keith Trent did not serve as directors in 2016, and did not earn any compensation from Capital Power in 2016.

Some directors received their compensation in US dollars:

- Doyle Beneby earned fees totalling US \$76,500, share-based awards totalling US \$80,000, and other compensation totalling US \$3,000.
- Kelly Huntington earned fees totalling US \$66,500, share-based awards totalling US \$80,000, and other compensation totalling US \$3,000.

Fees earned

See the table on the next page for a breakdown of the total fees earned.

Share-based awards

Represents the annual equity retainer paid in DSUs. Before November 17, 2016, the number of DSUs granted was determined by dividing the amount of the retainer paid in DSUs by the simple average closing price for our common shares on the TSX for each of the five trading days immediately preceding the grant date. On or after November 17, 2016, the number of DSUs granted will be determined by dividing the amount of the retainer paid in DSUs by the volume-weighted average closing price for our common shares on the TSX for each of the five trading days immediately preceding the grant date.

All other compensation

Represents the travel allowance paid to directors.

BREAKDOWN OF FEES EARNED

The table below shows the breakdown of fees earned by directors in 2016. Four directors served as committee chairs and received a retainer for that role:

- Albrecht Bellstedt (CGC&N Committee)
- Jill Gardiner (CGC&N Committee)
- Philip Lachambre (Audit Committee)
- Doyle Beneby (HSE Committee).

Doyle Beneby and Kelly Huntington received their compensation in US dollars, but their amounts stated in the table below are in Canadian dollars.

Directors can elect to receive all or a portion of the annual cash retainer, committee retainer and/or committee chair retainer in DSUs. Attendance fees are only paid in cash.

Name	Total fees earned (\$)	Annual director retainer (\$)	Annual committee chair retainer (\$)	% of annual retainer earned paid in cash	% of annual retainer earned paid in DSUs	Attendance fee (\$)	
						Board meetings	Committee meetings
Albrecht Bellstedt	73,333	35,000	5,333	100%	0%	21,000	12,000
Doyle Beneby	99,752	45,611	13,032	100%	0%	27,436	13,673
Patrick Daniel	59,000	35,000	–	50%	50%	19,500	4,500
Jill Gardiner	78,667	35,000	10,667	100%	0%	21,000	12,000
Kelly Huntington	86,720	45,611	–	100%	0%	27,436	13,673
Philip Lachambre	85,500	35,000	16,000	100%	0%	21,000	13,500
Donald Lowry	171,000	150,000	–	100%	0%	21,000	–
Allister McPherson	19,889	10,889	–	100%	0%	6,000	3,000
Margaret Mulligan	40,417	23,917	–	100%	0%	10,500	6,000

Notes

Compensation was pro-rated for some directors:

- Albrecht Bellstedt served as chair of the CGC&N Committee until April 22, 2016, and Jill Gardiner served as chair of the CGC&N Committee from and after April 22, 2016. The CGC&N Committee annual chair retainer for the second quarter of 2016 was pro-rated between them.
- Allister McPherson did not stand for re-election at the annual meeting of shareholders held on April 22, 2016, and his annual directors' retainers were pro-rated to that date.
- Margaret Mulligan resigned from the board effective September 6, 2016, and her annual directors' retainers were pro-rated to that date.
- Katharine Stevenson and Keith Trent did not serve as directors in 2016, and did not earn any fees in 2016.

Some directors received their compensation in US dollars:

- Doyle Beneby earned fees totalling US\$76,500, comprised of US\$35,000 (annual director retainer), US\$10,000 (annual committee chair retainer), US\$21,000 (board meeting attendance), and US\$10,500 (committee meeting attendance).
- Kelly Huntington earned fees totalling US\$66,500, comprised of US\$35,000 (annual director retainer), US\$21,000 (board meeting attendance), and US\$10,500 (committee meeting attendance).

SHARE OWNERSHIP

The following table shows the common shares and DSUs each director nominee held as at March 6, 2017, and includes reinvested dividends. The value of common shares and DSUs reflects the higher of cost of acquisition or market price as of the date of the circular. Directors must meet the share ownership requirement within five years of being appointed.

Equity ownership of directors

As at March 6, 2017:

Name	Total common shares and DSUs (#)	Value (\$)	As a % of ownership requirement (%)	Meets ownership requirement	Deadline to meet ownership requirement
Albrecht Bellstedt	43,956	1,130,104	313	yes	July 9, 2014
Doyle Beneby	22,114	568,983	113	yes	April 27, 2017
Patrick Daniel	17,504	449,601	130	yes	February 17, 2020
Jill Gardiner	9,010	231,442	61	in progress	May 25, 2020
Kelly Huntington	8,325	213,901	46	in progress	June 3, 2020
Philip Lachambre	49,357	1,268,537	323	yes	July 9, 2014
Donald Lowry	29,954	668,284	78	in progress	October 1, 2018
Katharine Stevenson	0	0	0	in progress	April 3, 2022
Keith Trent	0	0	0	in progress	April 3, 2022

Notes

- As of the date of the circular, the closing price for our common shares on the TSX was \$25.68.
- Ms. Stevenson's and Mr. Trent's appointments as directors will be effective as of April 3, 2017.
- As of March 6, 2017, Brian Vaasjo held 93,827 common shares with a value of \$2,409,477.36 based on the TSX closing price for our common shares of \$25.68 on March 6, 2017. Mr. Vaasjo's share ownership requirement as CEO is calculated as of December 31, 2016 and can be found on page 41.

Share-based awards

The following table sets out information regarding DSUs outstanding as at December 31, 2016:

Name	Share-based awards (DSUs)			
	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Number of shares or units of shares that have vested (#)	Market value or payout value of vested share-based awards not paid out or distributed (\$)
Albrecht Bellstedt	0	0	35,502	824,710
Don Lowry	0	0	20,308	471,758
Doyle Beneby	0	0	20,729	481,536
Jill Gardiner	0	0	5,477	127,228
Kelly Huntington	0	0	7,165	166,441
Patrick Daniel	0	0	7,927	184,149
Philip Lachambre	0	0	32,325	750,907

Notes

- Directors do not receive stock options.
- DSUs vest in full when credited to directors.
- Number of shares or units of shares that have vested includes reinvested dividends
- Market value or payout value of vested share-based awards not paid out or distributed is based on \$23.23, the closing price of our common shares on the TSX on December 30, 2016.
- Katharine Stevenson and Keith Trent did not serve as directors during 2016, and were not awarded any DSUs in 2016.

Executive compensation

Letter to shareholders

Dear Fellow Shareholders,

On behalf of the Board of Directors, the Corporate Governance, Compensation and Nominating Committee is committed to providing you with comprehensive information on our approach to executive compensation – the philosophy and objectives, assessment of performance, and rationale for the compensation decisions for 2016 for our named executive officers.

Capital Power's executive compensation program (along with that for non-executive employees) is designed to 'pay for performance'. The program aligns incentive programs to our business strategy and its associated risks, to attract, retain, motivate and reward all employees to deliver long term shareholder value.

Where to find it

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Commencing in 2012, the board has held an annual 'say on pay' advisory vote to receive direct feedback from shareholders on executive compensation. We are pleased with the level of shareholder support to date – approval in the range of 96% to 99% in each of these years.

Committee Changes

In 2016, as part of our board succession planning, Capital Power changed the members of Corporate Governance, Compensation and Nominating Committee and appointed a new chair. Concurrent with this change, the Committee reaffirmed Hugessen's role as the board's independent executive compensation advisor.

Priorities in 2016

Reflective of the strong 'say on pay' outcomes, the committee maintained the executive compensation program. Notwithstanding this outcome, the committee devoted a significant portion of our 2016 work plan to monitoring developments and best practices in executive compensation. These include:

- reviewing the market competitiveness of Capital Power's executive compensation to ensure that it remains aligned with our compensation philosophy and business objectives.
- approving changes to our performance peer group, including agreeing on a methodology to accommodate the removal of a performance peer due to acquisition.
- reviewing and recommending the termination of our 2009 Stock Option Plan.
- recommending the further amendment of our LTI plan to increase the share reserve.
- reviewing the ongoing appropriateness of the Short Term Incentive Plan (STIP) performance range framework.
- reviewing CEO and executive team succession management plans.

2016 Performance (see page 50)

Despite ongoing challenging market and economic conditions in 2016 and sustained low power prices, Capital Power delivered strong shareholder performance, evidenced by a 31% increase in share price over the year. When combined with shareholder returns in 2015 and 2014, Capital Power's total shareholder return (TSR) was 22% or at the 53rd percentile of our performance peer group.

We measure performance through several financial and non-financial targets that align with Capital Power's long-term corporate strategy. Corporate measures include funds from operations (FFO), health, safety and environment and a strategic objective that varies year-to-year. Each named executive officer has additional business objectives related to operational performance, asset optimization activities, disciplined growth targets and succession planning. Overall, the board assessed corporate performance at slightly above target.

- We generated \$384 million of FFO which was 5% below target.
- We achieved above-target results for health, safety and environmental performance.
- The board assessed our 2016 strategic objective – securing appropriate compensation from the Government of Alberta for the early retirement of coal-fired power generating assets in Alberta – at target.
- In line with these efforts, we continued to develop our next wave of natural gas and renewables facilities.

2016 Compensation highlights

No changes were made to the 2016 base salaries of the named executive officers given the market environment at the time. Based on our annual performance, as outlined above, awards were made under the 2016 STIP for the named executive officers. Overall, the total performance result for executives was above target expectations, resulting in a payout factor of 102% of target for individuals at a “fully successful” level.

Over the three-year performance period from 2014 to 2016, we had relatively strong relative total shareholder return (TSR) performance that was above the 50th percentile of our performance peer group. This resulted in a final payout multiplier for our 2014 performance share units of 112% (of target) and a total payout of 134% of their original grant value.

2017 Program Changes (see page 47)

As part of our regular review of market compensation levels and with consideration of individual executive positioning relative to market, base salary increases were made to the Senior Vice President, Finance and CFO, and the Senior Vice President, Corporate Development and Commercial Services. In addition, we made a few minor changes to the design of our executive compensation programs for implementation in 2017, including:

- Updated the executive compensation peer group.
- Narrowing of the STIP performance range around FFO from +/-15% to +/-10% (of target) to reflect the expected decrease in volatility for 2017 and onward. In the absence of an organization-wide strategic objective for 2017, the Committee reallocated the 10% weighting to business objectives that are common among the executives. For the CEO, 30% will continue to count toward the business objectives that are common to other executives while 10% will count towards a strategic objective specific to the CEO.

Committee oversight and discretion (see page 46)

As a committee, we have the discretion to adjust payout levels for both the short and long term incentive (LTI) plans and for individuals to take into account any extenuating circumstances that are beyond the executive's control and result in an incentive award that inappropriately overpays or underpays, or creates an unintentional result. This discretion also applies to the “circuit-breaker” for executive compensation, whereby zero incentive awards will be paid when a threshold level of FFO is not achieved.

The committee exercised its discretion to adjust STIP payments for annual performance in each of 2015 and 2016. In 2016, the calculation of FFO in the STIP performance assessment excluded one-time expenditures outside of management's control. The adjustments were to exclude the impact of the termination of the Company's interest rate swaps in the fourth quarter of 2016 and a portion of the settlement payment associated with the termination of the Sundance Power Purchase Arrangement. As a result, FFO finished slightly below target, rather than in the lower end of the target range, which the committee believes better reflects the overall performance of the company through 2016. In 2015, the board reduced the STIP payouts to named executive officers for 2015 performance to reflect share price performance and the generally challenging environment facing Capital Power.

Mitigating risk (see page 51)

An engaged and high performing workforce is critical for us to successfully execute our strategy and drive long term shareholder value. Executive, senior leader and critical role succession plans are in place to develop and retain key talent. Development planning to build bench strength and improve readiness for future opportunities occurs at all levels of the organization. Through our ongoing commitment to our people, we will maintain a safe, healthy and responsible corporate culture and workplace that enables employees to do their best work. We strive to be the employer of choice in the markets we compete for talent.

We consider compensation risk in every compensation decision or recommendation we make to ensure our actions as a committee are consistent with Capital Power's policies and practices and appropriate based on market conditions and peer practices. For example, the anti-hedging policy and incentive claw back policy ensure that executives and other employees conduct themselves appropriately.

Looking ahead

This committee is experienced, knowledgeable and committed, and we are working hard to do what is right for Capital Power and its shareholders to support future growth and to benefit all stakeholders. We look forward to engaging in more dialogue with shareholders over the coming year.

You can contact the committee or the board through the Corporate Secretary, Capital Power Corporation, 12th floor, 10423 – 101 Street, Edmonton, Alberta T5H 0E9.

Sincerely,



Jill Gardiner
Chair, Corporate Governance, Compensation and Nominating Committee



Albrecht Bellstedt



Philip Lachambre

Compensation discussion and analysis

This compensation discussion and analysis (CD&A) discusses executive compensation for 2016 for our five most highly compensated executives (our *named executives*):

- Brian Vaasjo, President and CEO
- Brian DeNeve, Senior Vice President, Finance and CFO
- Mark Zimmerman, Senior Vice President, Corporate Development and Commercial Services
- Darcy Trufyn, Senior Vice President, Operations, Engineering and Construction
- B. Kathryn Chisholm, Q.C., Senior Vice President, Legal and External Relations

In this CD&A, all references to *committee* mean the board's CGC&N Committee, which has reviewed and approved the contents of this section.

APPROACH TO COMPENSATION

Philosophy and objectives

Our executive compensation is designed to pay for performance. We use direct and indirect compensation to create a total compensation package that is competitive with the Canadian energy and utility industry and companies that are similar to us in size and scope.

Our program aims to achieve three key objectives:

- Attract and retain high performing employees
- Link compensation with our business strategy and objectives
- Align total compensation with the interests of shareholders

The committee sets our strategy for executive compensation. It focuses on short, medium and long-term performance goals and the need for executives to have an ownership stake in Capital Power so we achieve our business priorities and enhance our value for shareholders.

Benchmarking

We benchmark our executive compensation against a comparator group of companies that we compete with for executive talent. To develop this group, we used a set of criteria which includes comparably-sized companies (e.g., with revenues generally from \$300 million to \$5 billion, or approximately 0.25x to 4.0x our revenue) from the following industries:

- Utility and related companies from across Canada (16 of 27)
- Publicly-traded energy services and exploration and production companies from Alberta (6 of 27)
- General industry companies with headquarters in Edmonton (5 of 27)

The list of peer companies is as follows:

Utilities in Canada	Energy Services & E&P Companies in Alberta	General Industry Companies in Edmonton
Algonquin Power & Utilities Corp.	Bonavista Energy Corporation	ATB Financial Inc.
AltaGas Ltd.	Enerplus Corporation	AutoCanada Inc.
ATCO Ltd.	Ensign Energy Services Inc.	Canadian Western Bank
Emera Incorporated	Lightstream Resources Ltd.	EPCOR Utilities Inc.
ENMAX Corp.	Pengrowth Energy Corporation	Stantec Inc.
Fortis Inc.	Precision Drilling Corporation	
Gibson Energy Inc.		
Inter Pipeline Fund		
Just Energy Group Inc.		
Keyera Corp.		
Northland Power Inc.		
Parkland Fuel Corporation		
Pembina Pipeline Corporation		
Superior Plus Corp		
TransAlta Corporation		
Veresen Inc.		

The group of 27 companies is well balanced from various perspectives, including size, industry and region. The table below summarizes Capital Power's positioning against the peer group (all values are in millions of \$).

Market	(\$ millions)		
	Total revenue ⁽¹⁾	Total enterprise value ⁽²⁾	Total assets ⁽¹⁾
25th Percentile	\$833	\$2,531	\$2,581
50th Percentile	\$2,183	\$5,331	\$4,879
75th Percentile	\$3,315	\$12,441	\$10,947
Capital Power Corporation	\$1,251	\$3,822	\$5,393
	35p	40p	58p

Notes

- (1) Total revenue and total assets as of December 31, 2015, except for ATB Financial and Just Energy Group Inc. which are as of March 31, 2016, and Canadian Western Bank which is as of October 31, 2016.
- (2) Total enterprise value as of December 31, 2016. Lightstream Resources has been excluded from the summary statistics due to the takeover by Ridgeback Resources that closed on December 29, 2016.

The committee and external consultants review the comparator group every year to make sure the composition is relevant. The executive compensation comparator group above was used by the committee to set compensation of the executives in 2016. In November 2016, the committee removed two companies that no longer met the peer group criteria (Fortis Inc. – due to size, and Lightstream Resources Ltd. – due to acquisition by a company that is outside the scope criteria) and replaced them with two companies that fell within the scope criteria detailed above (Innergex Renewable Energy Inc. and Baytex Energy Corporation). The committee will use the new peer group to make decisions on executive compensation on a going forward basis, starting in 2017.

We obtain market data from publicly available proxy circulars and third party compensation surveys to compare executive base salaries and short and long-term incentive awards for positions that are similar in scope and responsibility.

Each compensation element, and overall total direct compensation, is targeted at the median of the comparator group. The resulting total direct compensation (base salary and short and long-term incentives) will produce above median compensation in the event of superior corporate and individual performance.

Share ownership guidelines

We require executives to own shares in Capital Power to align their interests with those of our shareholders. Minimum requirements increase by level of executive, and they must meet the requirements within five years of being appointed to the position:

Level of executive	As a multiple of base salary
President and CEO	3 x
Senior Vice President, Finance and CFO	2 x
All other senior vice presidents	1 x

The share ownership guidelines were reviewed and approved by the committee in 2014.

Share ownership for each executive is based on the sum of the number of common shares and executive Deferred Share Units (DSUs) held, and the number of earned (but unvested) performance share units (PSUs). Only earned PSUs, the portion of the award with a completed performance tranche, are included in the calculations because executives can use the proceeds from their PSU award payout to buy common shares to meet their share ownership requirements. More detail on the vesting schedule for PSUs is provided in a section that follows, titled Elements of Compensation on page 44.

Option grants do not count towards an executive's minimum ownership requirement.

The following table shows the common shares and PSUs each named executive held at December 31, 2016. The value of common shares reflects the higher of cost of acquisition or market price. Total earned PSUs include dividend equivalents and is based on \$23.23, the closing price of our common shares on the TSX on December 30, 2016. The estimated value of the earned PSUs represents the payout value described above on an after tax basis (using a marginal tax rate of 48%).

Name	Total common shares (#)	Total earned PSUs (#)	Value (\$)	Total common shares and earned PSUs held as a percentage of ownership requirement (%)	Meets ownership requirement	Deadline to meet the requirement
Brian Vaasjo	93,132	61,662	\$2,933,248	135%	yes	July 1, 2014
Bryan DeNeve	22,557	15,844	\$706,027	107%	yes	May 1, 2020
Darcy Trufyn	32,223	16,130	\$957,835	282%	yes	October 13, 2014
Mark Zimmerman	5,303	4,439	\$176,813	54%	in progress	November 2, 2020
Kathryn Chisholm	19,376	13,483	\$582,534	182%	yes	July 1, 2014

Notes

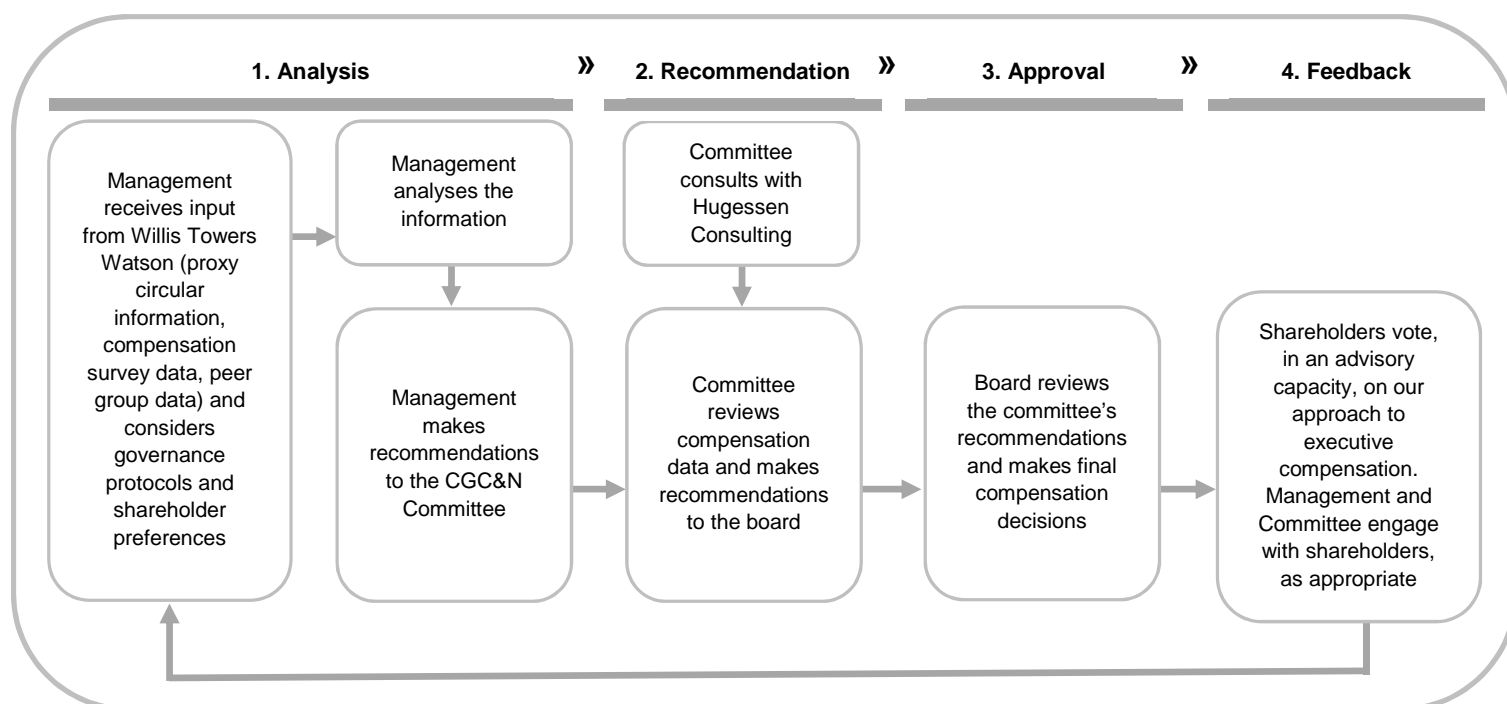
- Bryan DeNeve was appointed Senior Vice President, Finance and CFO on May 1, 2015, resetting his share ownership guideline to two (2) times his base salary with a new deadline of five (5) years from the date of appointment.
- Mark Zimmerman commenced employment with Capital Power on November 2, 2015 in the position of Senior Vice President, Corporate Development and Commercial Services, and has been subject to share ownership guidelines since his date of hire.

We have an anti-hedging policy that prohibits insiders from engaging in any transaction in which they could benefit, directly or indirectly, if the value of any Capital Power security falls. In addition, any employee or director that has a minimum share ownership requirement is prohibited from encumbering those interests.

We do not require our executives to maintain their share ownership after they retire from Capital Power.

We have a deferred share unit (DSU) plan that allows executives to voluntarily defer all or a portion of their annual short-term incentive award into DSUs. The DSU plan helps to facilitate share ownership by providing executives a way to acquire share units on a pre-tax basis. The voluntary DSU deferral program is capped at the level required by executives to comply with their guidelines. Similar to the DSUs for the directors, executives cannot access the value of their DSUs until they leave the Company. As of December 31, 2016, no named executives held DSUs. However, as of the date of the circular, one executive held DSUs. Bryan DeNeve elected to defer a portion of his 2016 STIP award into executive DSUs, and received a grant of 784 executive DSUs on February 28, 2017, with an expected value of \$20,213.

DECISION-MAKING PROCESS



All executive compensation decisions are based on a formal process that involves human resources management, the committee and the board. Management's external consultant (Willis Towers Watson) and the committee's independent compensation consultant (Hugessen Consulting) also provide input.

Analysis

Compensation planning is integrated with the annual business planning and budgeting process. Financial and operational targets are set based on the overall strategic plan and business priorities for the year.

Human resources management researches the market with input from Willis Towers Watson that includes data from proxy circulars filed with Canadian securities commissions, and peer group analysis.

Management assesses the information and makes recommendations to the committee.

Recommendation

The committee reviews the compensation strategy and program design to make sure they align with our business needs. It reviews the total compensation of the CEO and other named executives against market data and recommends any changes to compensation levels to the board. The committee approves the annual salary increase budget for non-executives and the design of the STIP.

The committee also reviews the CEO's performance and his individual performance assessments of the other executives, and recommends the executive STIP awards to the board. It also reviews and approves the total payout of the STIP and the measures for the LTI plan to make sure they reinforce our key priorities.

Independent advice

The committee has retained an independent consultant for executive compensation matters because it recognizes the importance of receiving third party advice from a subject matter expert. This helps ensure that the committee's decisions and recommendations are made in an objective and arms-length manner in addition to being appropriate for Capital Power and consistent with market practices.

The consultant provides independent advice on:

- CEO compensation
- Peer groups for executive and director compensation, as well as performance assessment
- The performance framework
- Considerations related to levels of compensation in the competitive market provided by management and its advisor
- Other compensation and related governance matters included within the committee's mandate

The consultant is responsible to the committee and must keep all matters confidential. It must also advise the committee chair of any potential conflicts of interest.

In 2011, the board adopted a policy that sets out broad guidelines for the independent consultant relationship. The policy limits the consultant's exposure to management and requires the committee to pre-approve any work plan undertaken with management, among other things. The committee's consultant has never undertaken any work for management. Hugessen Consulting has been the committee's consultant since 2010. The table below shows the fees paid to them for the last two years.

	2016	2015
Executive compensation fees	\$18,719.55	\$25,701.38
All other fees	\$0	\$0
Total	\$18,719.55	\$25,701.38

Management can retain its own consultant for human resources matters, and has retained Willis Towers Watson since our inception.

Approval

The board reviews the committee's recommendations and approves all decisions on executive compensation.

ELEMENTS OF COMPENSATION

Total direct compensation includes base salary and short and long-term incentive awards.

A target compensation mix is set for each executive. The mix is based on level and role, the individual's relative ability to influence our business results and competitive practices. Incentive awards are at risk because they are not guaranteed — they also account for the largest portion of the mix.

Compensation mix

Name	Base salary (%)	Short-term incentive (%)	Long-term incentives (%)	Total (%)
Brian Vaasjo	29	22	49	100
Bryan DeNeve	34	19	47	100
Darcy Trufyn	35	19	46	100
Kathryn Chisholm	42	21	38	100
Mark Zimmerman	38	21	42	100

The next table describes each element in more detail.

Component	Objective	What it rewards
Base salary	Provide a competitive base level of fixed compensation based on responsibilities, scope and market data	Experience, expertise, knowledge and scope of responsibilities
Short-term incentive	Provide compensation that is based on achieving annual performance targets that support our overall strategic direction	Achievement of annual corporate objectives and individual performance goals
Long-term incentive	Provide equity-based compensation for sustaining mid-to long-term performance and aligns the interests of executives and shareholders Used to retain executives longer term	Achievement of mid to long-term performance results and growth in share price

Base salary

Base salaries are targeted at the median of the compensation comparator group, and are based on the responsibilities of each position, individual experience, expertise and knowledge when compared with the market, individual performance and internal equity.

Short-term incentive

The STIP is designed to provide a competitive annual bonus based on corporate and individual performance while reinforcing our focus on strong leadership. The plan focuses on the achievement of corporate results and incents participants to meet or exceed individual business-specific objectives and clearly defined business-related leadership expectations.

Target awards are set for each position as a percentage of base salary, and are targeted at the median of the comparator group for executive positions with similar responsibilities. The table below shows the target incentive for each named executive for 2016.

Name	As a % of base salary		
	Minimum (%)	Target (%)	Maximum (%)
Brian Vaasjo	0	75	150
Bryan DeNeve	0	55	110
Darcy Trufyn	0	55	110
Mark Zimmerman	0	55	110
Kathryn Chisholm	0	50	100

STIP awards are based on performance over the 2016 calendar year and are paid out in March 2017.

Performance measures and weightings

Performance under the STIP is based on the following measures and weightings for the executive group:

Performance measure	Weighting													
Corporate measures														
Funds from operation (FFO)	50%	Corporate measures have a threshold, target and stretch value for each metric. There will be no payout for the corporate measures if performance is below threshold.												
Corporate Strategic Objective	10%													
Health, Safety and Environment (HSE) Index	10%													
<table border="1"> <thead> <tr> <th>Performance</th> <th>Payout (as a % of STIP target value)</th> </tr> </thead> <tbody> <tr> <td>Threshold (minimum)</td> <td>50%</td> </tr> <tr> <td>Target</td> <td>100%</td> </tr> <tr> <td>Stretch (maximum)</td> <td>200%</td> </tr> </tbody> </table>			Performance	Payout (as a % of STIP target value)	Threshold (minimum)	50%	Target	100%	Stretch (maximum)	200%				
Performance	Payout (as a % of STIP target value)													
Threshold (minimum)	50%													
Target	100%													
Stretch (maximum)	200%													
Individual measure														
Business objectives	30%	The individual measure is assessed through the performance management process. Performance against business objectives is measured and rated against a five-point scale that determines the payout:												
<table border="1"> <thead> <tr> <th>Rating</th> <th>Payout (as a % of STIP target value)</th> </tr> </thead> <tbody> <tr> <td>Unacceptable</td> <td>0%</td> </tr> <tr> <td>Stronger performance required</td> <td>50%</td> </tr> <tr> <td>Fully successful</td> <td>100%</td> </tr> <tr> <td>Frequently exceeds expectations</td> <td>150%</td> </tr> <tr> <td>Outstanding</td> <td>200%</td> </tr> </tbody> </table>			Rating	Payout (as a % of STIP target value)	Unacceptable	0%	Stronger performance required	50%	Fully successful	100%	Frequently exceeds expectations	150%	Outstanding	200%
Rating	Payout (as a % of STIP target value)													
Unacceptable	0%													
Stronger performance required	50%													
Fully successful	100%													
Frequently exceeds expectations	150%													
Outstanding	200%													

Note

- Brian Vaasjo's individual objectives for 2016 were the same as our corporate objectives.

The maximum payout is capped at 200% of target.

The following requirements must be met for an individual to receive the maximum payout:

- Stretch results for corporate performance
- Outstanding performance against business objectives

Payout formula

The target incentive opportunity (target award) for each position is a percentage of base salary. Performance is assessed against each measure and its weighting. Results against each of the three performance measures are added together to determine the final STIP award:

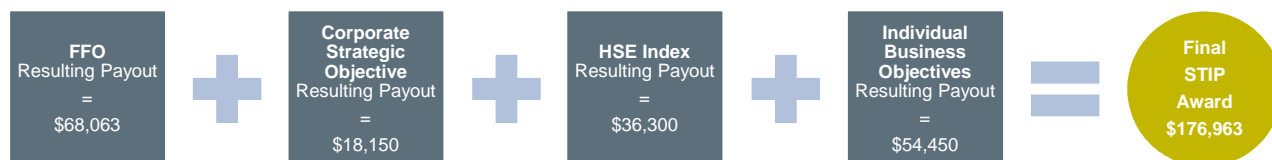


The example below shows how the final STIP award is determined under the plan based on the following assumptions:

- Base salary – \$330,000
- Target incentive – 55%

Performance assumptions

- Funds from operation (FFO) result – Midpoint between Threshold and Target
- Corporate Strategic Objective – Target
- HSE Index result – Stretch
- Business objectives result – Fully Successful



The STIP includes a circuit breaker which is set at a level below the threshold value of FFO. In the event that FFO is below the circuit breaker value, the STIP will not pay out, except for the compensation related to the HSE Index component of the incentive. Notwithstanding this circuit breaker guideline, the committee may still use informed judgment and discretion when determining the

level of incentives that may be paid for all components of the short-term incentive when the minimum circuit breaker level is not met, or as the committee deems appropriate in the circumstances.

The Corporate Strategic Objective (weighted at 10%) chosen by the board for the 2016 financial year was obtaining appropriate compensation from the Government of Alberta for the early retirement of coal-fueled power generating assets in Alberta.

Measurement of the HSE Index includes two threshold conditions to be met in order for the metric to contribute to a payout of the STI award. The threshold conditions, which apply to two of the lagging indicators (Total Recordable Injury Frequency (TRIF) and Environment Incidents), are:

- should there be a fatality or permanent disabling injury, then TRIF is said to have not met threshold performance and will not contribute towards the STIP award.
- should there be a major or critical environmental incident, then the Environment Incident measure will be deemed to have not met threshold performance and will not contribute towards the STIP award.

Committee oversight and discretion

The committee has the discretion to adjust payout levels for the overall plan and for individuals to take into account any unusual factors or extenuating circumstances that are beyond the executive's control and result in an incentive award that inappropriately overpays or underpays, or creates an unintentional result. The committee exercised its discretion with respect to the 2016 and 2015 awards, as described in our Letter to shareholders on page 37.

Long-term incentive

We grant a LTI award to:

- Align the interests of our executives and shareholders
- Motivate executives to deliver strong mid and long-term performance
- Retain executives over the long term

The award typically consists of two components — 50% of the targeted value in performance share units (PSUs) and 50% in stock options.

We can also grant restricted share units (RSUs), stand-alone stock appreciation rights (SARs) and tandem SARs to the named executives under the LTI plan, but have not done so to date.

Awards are granted annually, generally at the target value based on the grant levels approved by the committee and recommended to the board for approval. The committee stress tests the LTI award using different performance scenarios to test the expected values of the award and assess the competitiveness of total compensation relative to the compensation peer group.

The size of the grant is based on the target award and grant level approved by the committee and the board.

The committee assesses the CEO's performance and recommends his LTI award to the board for its review and approval. The CEO prepares recommendations for the other plan participants based on their level of responsibility, performance and market competitiveness. He submits these to the committee which then recommends the awards to the board for its review and approval.

The committee and the board do not consider grants from previous years when determining new awards.

Board oversight and discretion

The board has the discretion to amend or discontinue the LTI plan at any time, subject to compliance with the requirements of the TSX.

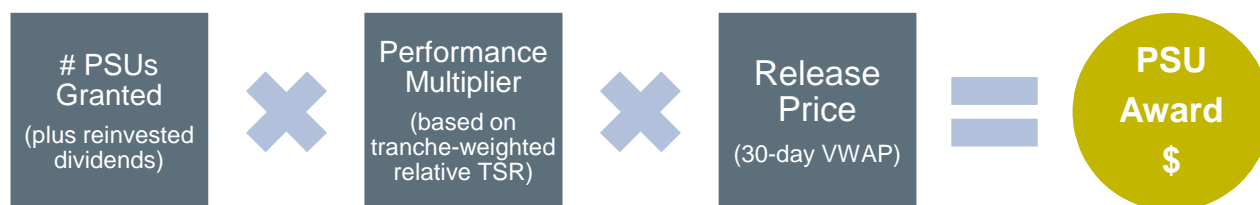
Performance share units

Form of award	Notional share-based awards
Who participates	Executives and senior management
Dividends	Dividend equivalents (at the same rate as dividends paid on our common shares)
Vesting	Cliff vest at the end of three years, on January 1
Payout	Cash (or, prior to February 17, 2017, shares issued from treasury at the board's discretion) – see Amendment to the LTI plan starting on page 49.
Assignment	Generally, cannot be transferred unless it is to the participant's spouse (as beneficiary), or a personal holding corporation or family trust that the participant controls for the benefit of his or her children or grandchildren (if they are minors) after the participant dies. Outstanding PSUs are for the benefit of and are binding on the beneficiary.
Termination	<i>Resignation/termination for cause</i> – all PSUs are forfeited <i>Termination without cause</i> – vesting of PSUs is based on actual performance to the end of the quarter preceding the date of termination, and pro-rated to the last day worked. <i>Retirement/Disability</i> – vesting of PSUs is based on actual performance to the end of the quarter preceding the date of termination, and pro-rated to the last day worked. <i>Death</i> – vesting of PSUs is based on target performance and is pro-rated to the last day worked

As of the date of this circular, only cash-settled PSUs have been issued to the named executives.

PSUs focus on relative performance, using TSR, defined as growth in share price (including reinvested dividends) to measure our performance against our peers.

Payout formula



The actual payout or realized value of PSUs is based on our relative TSR ranking and our 30-day volume-weighted average share price at the end of the three-year performance period. Only cash-settled PSUs have been issued to date, and after February 18, 2017 only cash-settled PSUs will be issuable under the LTI plan. See Amendment to the LTI plan on page 49.

Performance peer group

Our performance peers are companies with similar business characteristics that we compete with for investment capital.

All of the companies in the performance peer group are publicly-traded Canadian companies classified as power producers or utilities with enterprise values greater than \$1 billion, with strong dividend yields and low volatility (as measured through a company's beta, namely the measure of volatility relative to the market as a whole).

The following is a list of the companies used to measure our TSR performance for the 2014, 2015 and 2016 PSU grants:

Algonquin Power & Utilities Corp.	Fortis Inc.
AltaGas Ltd.	Innergex Renewable Energy Inc.
Atlantic Power Corporation	Northland Power Inc.
Brookfield Renewable Energy Partners L.P.	TransAlta Corporation
Canadian Utilities Limited	TransCanada Corporation
Capstone Infrastructure Corporation ⁽¹⁾	Veresen Inc.
Emera Incorporated	

Notes

- (1) Capstone Infrastructure Corporation (Capstone) was acquired by iCON Infrastructure on May 4, 2016. Capstone has been included in the relative TSR performance assessments of PSU grants until its acquisition date on May 4, 2016 but is excluded from new measurement periods that begin after the acquisition date (i.e. 2017 and onwards).

The difference between the executive compensation comparator group and the performance peer group reflects the different purposes of each of the groups, namely benchmarking executive pay versus benchmarking company performance. The executive compensation comparator group represents the market for executive talent while the performance peer group represents companies that share similar risks and opportunities and are operational and strategic competitors.

Independent consultants and the committee review the peer group every year to identify the external benchmarks that represent the competitors for investor dollars and operating peers with comparable risks and opportunities. Many of the peers do not have the same commodity exposure as us, so we anticipate that performance relative to these companies will be impacted by our position within the commodity cycle. Given the limited number of direct performance peers, we believe that the current group best represents other Canadian companies with similar business and operational strategies.

Payout multiplier

Relative TSR is measured over four tranches: an averaging period of three years, based on 60% annual performance (20% per year); and, 40% of three-year cumulative performance. Payouts are made at the end of the three-year performance period based on the weighted average of the payout multipliers over the four measurement periods and our share price at the end of the period.

The table below shows the TSR rankings and corresponding payout multipliers for the formula:

If we achieve a TSR ranking of:	Then the payout multiplier for each tranche is
75 th percentile or higher	200% of target
50 th percentile (median)	100% of target
25 th percentile	50% of target
Below the 25 th percentile	0% of target

The payout multiplier is interpolated on a straight-line basis if performance falls between ranges.

Stock options

Stock options promote a focus on increasing our absolute share price over the longer term.

We've made six grants of stock options since our inception in 2009, a one-time grant under the 2009 plan and subsequent grants under our current LTI plan.

The one-time grant under the 2009 plan replaced the value of outstanding 2006, 2007, 2008 and 2009 EPCOR phantom options held by EPCOR employees who joined Capital Power in 2009. The exercise price was at least the same as the IPO price when the options were granted on July 8, 2009. No additional grants were made under this plan. The one and only options grant made under the 2009 plan expired on July 8, 2016, and the 2009 plan was terminated by the board on November 17, 2016.

The exercise price for stock options granted under the current LTI plan is the closing price of our common shares on the TSX on the day immediately preceding the grant date (the fair market value).

Current LTI plan	
Form of award	The right to purchase our common shares at a price that is at least the fair market value on the grant date
Participants	Executives and senior management
Vesting	One-third each year beginning on the first anniversary of the grant date (unless stated otherwise when the options are granted)
Term	Expire after seven years (or less as stated when the options are granted) If the expiry date falls during a black-out period, the expiry date is extended to 10 days after the black-out period ends
Payout	Based on when the participant exercises the options The participant only realizes a value if the share price is higher than the exercise price when they exercise the options
Assignment	Generally, cannot be transferred, unless it is to the participant's spouse (as beneficiary), a personal holding corporation or family trust that the participant controls for the benefit of his or her children or grandchildren (if they are minors) after the participant dies or a participant's ex-spouse by way of legally binding separation agreement and notarized letter of direction. Any outstanding options are for the benefit of and are binding on the party holding exercise rights

Current LTI plan	
Termination	<p><i>Resignation</i> – unvested options are forfeited and vested options expire up to 30 days after termination</p> <p><i>Termination without cause</i> – all options expire up to 30 days after termination and continue to vest during that period</p> <p><i>Retirement/disability/death</i> – all options expire up to 12 months after termination and continue to vest during that period</p> <p><i>Termination for cause</i> – vested and unvested options are forfeited upon termination</p>

The committee and the board believe that stock options form an important component of a competitive compensation package for executives and senior managers. They help attract and retain strong talent and motivate them to execute our business strategy successfully.

The board recognizes the need to strike a proper balance between a long-term compensation program for management employees that aligns their interests with those of shareholders, and potential shareholder concerns about dilution from the ongoing granting and exercising of stock options.

Stock option valuation

Stock options are valued using the estimated accounting grant date fair value (determined by using the binomial option pricing model) or 15% of the calibration price, whichever is greater. For the 2016 stock option grant, a value ratio of 15% was used.

Amending or terminating the plans

We must receive shareholder approval to make any of the following changes:

- increase the maximum number of shares that can be granted under the plan
- reduce the exercise price below the market price of the shares on the grant date
- cancel and re-issue an award under different terms which has the effect of reducing the exercise price of the award
- increase the limits of the number of common shares that can be reserved for issue to insiders or to any participant
- reduce the exercise price of an outstanding award
- extend the term beyond seven years
- extend the term of any outstanding awards
- allow a participant to assign their options to someone not currently allowed under the plan
- change the definition of persons eligible to participate in the plan.

The board can amend the LTI plan to make housekeeping or administrative changes as set out in the plan documents if they meet the TSX requirements. The board can also terminate the plans at any time.

Any changes do not affect the rights that participants have already accrued.

Share reserve

The plans limit the number of common shares that may be reserved for issue:

- up to 10% of the total common shares issued and outstanding to all insiders in any year
- up to 5% of the total common shares issued and outstanding to any participant

The number of common shares reserved for issue for stock options awarded to insiders represents approximately 2.4% of the common shares outstanding (96,152,416 as at December 31, 2016).

A total of 7,094,506 common shares can be issued under the plans as at December 31, 2016.

For additional discussion of our equity compensation plans, please see page 61.

Amendment to the LTI plan

After a review of our LTI plan in 2016, the board has determined that additional shares will be required to support future LTI awards under the LTI plan. We believe that this is required to maintain our market-competitive position as well as support ownership and value-creation over the long-term. If our shareholders approve the proposed amendment of our LTI plan:

- 3,306,906 common shares would be available for issuance pursuant to the exercise of stock options, and
- The increase to the share reserve results in a total potential dilution level of approximately 7.3%, which is consistent with the typical market range for Canadian companies of a similar size, and is anticipated to support several annual award cycles.

The key features of our LTI plan include (and, if our shareholders approve the proposed amendment, will continue to include):

- annual grants to named executives will continue to consist of 50% time-based stock options and 50% performance share units, which are fully-at-risk,

- non-employee directors are not eligible to participate and there are caps on grants to insiders generally, and
- LTI awards support our share ownership philosophy and provide for “double trigger” vesting following a change in control.

The LTI plan currently provides that the aggregate number of common shares which may be issued under the LTI plan is limited to 7,094,506. Any amendment to this maximum number of common shares which may be issued to settle awards under the LTI plan is subject to approval by way of resolution of our common shareholders.

As at March 6, 2017:

- no stock options are outstanding under the 2009 plan (the one and only options grant made under the 2009 plan expired on July 8, 2016, and the 2009 plan was terminated by the board on November 17, 2016);
- a total of 3,752,164 stock options and a total of 516,558 share units are outstanding under the LTI plan;
- a total of 2,135,436 common shares have been issued pursuant to the exercise of stock options granted under the plans;
- a total of 3,752,164 common shares outstanding may be issued pursuant to stock options granted under the LTI plan; and
- a total of 1,206,906 common shares may be issued for future grants under the LTI plan.

The board and the CGC&N Committee continue to believe that the ability to grant stock options to our officers and senior managers as part of their compensation package is extremely important to our ability to attract and retain the needed talent to successfully execute our business strategy. The board recognizes the need to strike a proper balance between a long-term compensation program for management employees that aligns their interests with those of shareholders and potential shareholder concerns regarding dilution caused by the ongoing granting and exercising of stock options.

Based on recommendations from management, the board approved that a recommendation be made to the shareholders to approve at the 2017 annual meeting of shareholders an amendment to the LTI plan to increase the number of common shares that may be issued pursuant to future grants by 2,100,000 to a total of 3,306,906. If shareholders approve the amendment to the LTI plan, on or after April 28, 2017, the aggregate number of common shares that may be issued under the LTI plan would be limited to 9,194,506 common shares.

The maximum 9,194,506 common shares reserved for issuance pursuant to the amendments to the LTI plan would represent approximately 9.5% of the outstanding common shares as at March 6, 2017. The 3,306,906 common shares reserved and available for issuance pursuant to the amendments to the LTI plan would represent approximately 3.4% of the outstanding Common Shares as at March 6, 2017.

Our annual run rate (in terms of the number of stock options granted as a percentage of outstanding common shares) has remained low and the board currently anticipates that the maximum 9,194,506 common shares issuable pursuant to the amendments to the LTI plan will, if approved by our shareholders, permit future grants of stock options up to and including the end of the 2020 fiscal year without us having to seek further approval from shareholders.

In addition, on November 17, 2016 and February 17, 2017, the board exercised its discretion to approve other amendments of a housekeeping nature to the LTI plan, in particular to restrict share-based settlement to stock options only. This amendment reflects how we have settled non-stock option grants in practice, and the board views this change as a housekeeping matter. To date, all PSUs and RSUs granted under the LTI plan have been cash settled; no SARs have been granted. In addition, the board approved other housekeeping amendments to the LTI plan to, among other things, remove references to the 2009 stock option plan (which has been terminated), the special voting shares (which our shareholders voted to remove from authorized capital at our 2016 annual meeting of shareholders), and the exchangeable limited partnership units of Capital Power L.P. (all of which were exchanged by EPCOR for common shares in 2015, and which are no longer relevant for our LTI plan).

See Appendix D for the full text of our LTI plan, and which shows the proposed amendment to increase the share reserve that is subject to approval by our shareholders.

ASSESSING PERFORMANCE

Our executive compensation is designed to pay for performance, rewarding individuals for results that meet or exceed our corporate objectives and business strategy within the risk tolerances approved annually by the board.

The Business Planning and Review (BPR) process is Capital Power’s integrated business planning, risk management, budgeting and performance management process. The planning stream of the BPR process is designed to:

- align departmental business plans with our corporate plan and strategy
- promote cross-functional coordination
- increase accountability for deliverables and cross-functional commitments
- link plans with resources through integration with the budget process

The business planning process starts with the development of the CEO’s business plan. The business plan has a number of key initiatives that support the long term corporate strategy and a number of interim deliverables or milestones, most of which are delegated to the executive team. These delegated deliverables become the executive team’s deliverables, for which they identify

and delegate, as appropriate, interim deliverables. The business planning process follows this cascading approach down to all managerial positions.

The BPR system provides a framework to ensure that executive and managerial positions are working in concert to move Capital Power in the desired direction, ultimately focused on supporting our overall vision and corporate strategy.

The STIP provides competitive annual bonuses that reflect corporate and individual performance against business plan deliverables. Corporate measures focus on corporate results and create joint accountability among the executives. Individual performance objectives allow for the differentiation of payouts based on individual contributions. Individual performance is assessed relative to how well each executive meets their annual individual deliverables in their business plan.

The LTI plan promotes a focus on increasing our share price in both absolute and relative terms. In absolute terms, share performance directly affects the value that executives can realize from their share unit and stock option holdings. In relative terms, higher or lower share performance relative to that of our performance peer group will result in higher or lower payouts from PSU holdings. This emphasis on longer-term performance, with the value directly tied to share price, is intended to align executive interests with those of our shareholders over a longer time horizon. Adhering to the business plans and accomplishing the key initiatives that support our corporate strategy can result in appreciation in our share price.

Risk management

The board establishes acceptable levels of risk, and these govern our business decisions and risk management policies. Compensation risk is factored into every compensation decision or recommendation the committee makes to ensure decisions and actions are consistent with our policies and practices and appropriate based on market conditions and peer practices. The committee also conducts a compensation risk assessment every November. It reviews our compensation structure, policies and practices and the key risks affecting our business and independent power producers generally, and presents its findings to the board.

The committee looked at risk in the following key areas in 2016, and concluded that none of our current compensation practices are reasonably likely to have a material adverse effect on Capital Power. The table below describes the findings in more detail:

Operations risk	<ul style="list-style-type: none"> • We mitigate operations risk by using a combination of measures and weights to assess corporate performance under the short-term incentive plan. • <i>Funds from operations</i> (FFO) is the primary measure under the annual incentive plan (50% weighting for executives in 2016). • Performance is also assessed using plant specific measures, like successful maintenance outages or other activities that support plant availability.
Acquisition and development risk	<ul style="list-style-type: none"> • Business development activities may not affect the FFO in the years the activities are specifically undertaken, but it will affect FFO in each of the following years. FFO discourages the acquisition or development of plants that will not make a strong contribution to our results. • Annual performance measures for our business development employees relate to the quality of business acquisitions, as measured by accretion to our earnings per share attributable to each acquisition or development project.
Derivatives and energy trading risk	<ul style="list-style-type: none"> • We manage our exposure to electricity, natural gas and foreign exchange spot prices and interest rates: <ul style="list-style-type: none"> • Members of our commodity portfolio management team (CPM) participate in a separate short-term incentive payment program (MSTIP) so we can attract and retain this specialized skill and ensure that compensation for traders is competitive with the commodity trading market. MSTIP awards are scaled on the basis of performance, ranging from zero to a multiple of a participant's base salary. They share a portion of value created by the team (defined as EBITDA in excess of budgeted targets measured against defined increments). CPM management conducts individual and team performance assessments and allocates an award in accordance with a formula based on each participant's target incentive percentage, the year-end EBITDA variance to budget, and individual performance ratings. • Risk taking is limited: <ul style="list-style-type: none"> • Value creation is capped, and the components used to determine the profit are reviewed by our finance and commodity risk management departments. • The SVP, Corporate Development and Commercial Services and Vice President, CPM do not participate in MSTIP. They participate in the annual STIP (FFO is the primary measure for corporate performance) and the LTI plan, which has a longer-term focus. • The commodity risk management group reviews all trades and reports directly to the CFO, and participates in the STIP. Participants have individual performance measures related to managing the risks associated with commodity trading.

Disclosure risk

- Each individual who contributes directly to our public disclosure has a personal performance measure to avoid any material restatement.
 - Each member of the management team must certify quarterly that he or she has disclosed to their executive (for senior managers) or the board (for executives) every significant event or condition that could materially affect Capital Power or our results and updated them appropriately.
 - Our incentive claw-back policy applies to everyone at Capital Power.
-

To further mitigate compensation risk, the board adopted two key policies on compensation risk in 2011 on the committee's recommendation. These policies are contained in our Corporate Governance Policy which can be found on our website (www.capitalpower.com).

Anti-hedging policy

Our anti-hedging policy prohibits insiders from engaging in trading activities that would allow them to benefit from a decrease in the value of our securities. It also prohibits employees and directors from encumbering their shares.

Incentive claw-back policy

The incentive claw-back policy allows us to recoup incentive compensation awards in certain situations.

All executives must reimburse us their incentive compensation, regardless of individual wrongdoing, if we have to restate our financial and other results and it leads to a lower payment than otherwise would have been made. Other employees must reimburse us if they were involved in misconduct contributing to the need to restate our financial or other results.

Any reimbursement is in addition to any legal actions taken by Capital Power, law enforcement agencies or regulators.

The committee also considers risk when making any compensation recommendation to the board, and can use its discretion to adjust payout levels for the compensation plans and for individuals.

COMPENSATION DECISIONS FOR 2016

The board, on the committee's recommendation, approved the following decisions on executive compensation for performance in 2016.

Base salary

Based on management's executive compensation review, the base salaries of the named executive officers were considered to be competitively positioned and were unchanged in 2016.

Base salaries for the Senior Vice President, Finance and CFO, and the Senior Vice President, Corporate Development and Commercial Services were increased by 6% for 2017. These adjustments were based on management's executive compensation review. The President and CEO, Senior Vice President, Operations, Engineering and Construction, and Senior Vice President, Legal and External Relations did not receive a base salary adjustment in 2017 as their base salaries remain competitively positioned.

2016 STIP award

	Base salary		Target incentive		Corporate performance results + Individual performance results		2016 STIP award
Brian Vaasjo	\$725,000	x	75%	x	(71.94% + 60%)	=	\$717,424
Bryan DeNeve	\$330,000	x	55%	x	(71.94% + 45%)	=	\$212,246
Darcy Trufyn	\$340,000	x	55%	x	(71.94% + 45%)	=	\$218,678
Mark Zimmerman	\$330,000	x	55%	x	(71.94% + 45%)	=	\$212,246
Kathryn Chisholm	\$320,000	x	50%	x	(71.94% + 45%)	=	\$187,104

Note

- Bryan DeNeve elected to defer a portion of his 2016 STIP award into executive DSUs. The STIP award paid in cash to Mr. DeNeve was \$192,033, with the remainder granted as 784 executive DSUs on February 28, 2017, with an expected value of \$20,213.

Corporate performance

Performance measure	Weighting	Target	Result	Performance assessment
Financial				
Funds from operations (FFO)	50%	\$405 million	\$401 million	Below target
<ul style="list-style-type: none"> cash provided by operating activities (IFRS-defined term), less changes in operating working capital 				
Corporate Strategic Objective				
Appropriate Compensation for the early retirement of coal-fueled power generation in Alberta	10%	Achieve appropriate compensation	Achieved	Target
<ul style="list-style-type: none"> a measurement of achievement as identified by the board 				
Corporate safety				
Health, Safety & Environment (HSE) Index	10%	1.00	1.04	Above target
<ul style="list-style-type: none"> a measurement of safe, healthy and environmentally accountable work performance. Utilizes a weighted combination of five (5) leading indicators and two (2) lagging indicators 				

Note

- For STIP performance assessment purposes, the \$384M FFO reported in the MD&A was adjusted to remove one-time expenditures outside of management's control. The adjustments were to exclude the impact of the termination of the Company's interest rate swaps in the fourth quarter of 2016 and a portion of the settlement payment associated with the termination of the Sundance power purchase arrangement. As a result, FFO finished slightly below target, which better reflects the overall performance of the company through 2016.

Individual performance

Named executive	Business objectives rating	Comments
Brian Vaasjo President and CEO	Outstanding	Mr. Vaasjo achieved Outstanding on his 2016 Individual Measures. Measures relating to maintenance, capital expenditures, general and administrative costs, safety and environment were all exceeded. Operating performance met expectations. Contributions to the settlements on the Sundance Power Purchase Arrangement issues and coal compensation were excellent. Strategic objectives relating to executing one power purchase agreement was met while development of carbon emission reductions and continuing to develop the base of future growth opportunities in the US were exceeded and development of Alberta renewable opportunities was excellent.
Bryan DeNeve Senior Vice President Finance and CFO	Frequently Exceeds Expectations	Mr. DeNeve achieved Frequently Exceeds Expectations on his 2016 Individual Measures. Measures associated with costs in his areas of responsibility, tax and timing of quarter end closings, all exceeded expectations. Financing activities during the year were outstanding. Mr. DeNeve's continued development in the CFO role also exceeds expectations.
Darcy Trufyn Senior Vice President Operations, Engineering and Construction	Frequently Exceeds Expectations	Mr. Trufyn achieved Frequently Exceeds Expectations on his 2016 Individual Measures. Safety and environment results exceeded expectations while cost performance was outstanding and operating results met expectations. Continuing and sustained operational improvements and development of carbon emission reductions was excellent.
Mark Zimmerman Senior Vice President, Corporate Development and Commercial Services	Frequently Exceeds Expectations	Mr. Zimmerman achieved Frequently Exceeds Expectations. The objective of executing one power purchase agreement was met while continuing to develop the base of future opportunities was exceeded in the US and development of Alberta renewable opportunities was excellent. Commodity portfolio management performance in 2016 and contributions to the carbon emission reduction initiatives and the Sundance Power Purchase Arrangement settlement exceeded expectations.
Kathryn Chisholm Senior Vice President Legal and External Relations	Frequently Exceeds Expectations	Ms. Chisholm achieved Frequently Exceeds Expectations on her 2016 Individual Measures. Regulatory and government relations advocacy efforts were very effective in 2016. Contributions to the settlements on the Sundance Power Purchase Arrangement issue and coal compensation exceeded expectations. Cost management results for her areas of responsibility also exceeded expectations.

Payment of 2014 PSU awards

PSU awards are at-risk compensation. The named executives realized 134% of the grant value of the 2014 PSU awards when they vested on January 1, 2017. The table below is based on \$23.09, the 30-day volume-weighted average closing price of our common shares on the TSX immediately preceding the vesting date.

	Accumulated PSUs		Payout multiplier	Payout
	2014 grant plus reinvested dividends (#)		based on relative TSR (%)	realized value (\$)
Brian Vaasjo	35,642	x	112	822,974
Bryan DeNeve	7,171	x	112	165,578
Kathryn Chisholm	7,402	x	112	170,912
Darcy Trufyn	7,402	x	112	170,912

Notes

- The product of the Accumulated PSUs and Payout multiplier is rounded down to the nearest whole share unit. As per LTI plan rules, fractional share units are not released.
- Mark Zimmerman* – did not hold PSUs granted in 2014. Mr. Zimmerman became eligible for and received his first LTI grant in March 2016.

Relative TSR

TSR measures the change in value of an investment over a period of time, representing the return that an investor receives from changes in share price and dividends paid.

We calculated TSR for the period ending December 31, 2016 for the 2014 PSU grant as follows:

- Starting and ending share price – share price is the simple average closing share price of the 30 trading days prior to the start and end of the measurement period, which reduces the possible impact of short-term share price fluctuations at the beginning

and end of the performance period. For the 2014 PSU grant we calculate the starting share price from November 18, 2013 to December 31, 2013 and the ending share price from November 17, 2016 to December 30, 2016.

- Reinvested dividends – dividends are reinvested on the dividend payment date.
- Performance peer group – the following 13 companies were used to measure our TSR performance for the 2014 PSU grant:

Algonquin Power & Utilities	Fortis Inc.
AltaGas	Innergex Renewable Energy
Atlantic Power Corporation	Northland Power
Brookfield Renewable Energy Partners LP	TransAlta
Canadian Utilities Limited	TransCanada
Capstone Infrastructure ⁽¹⁾	Veresen Inc.
Emera Inc.	

Note

- (1) Capstone Infrastructure Corporation (Capstone) was acquired by Icon Infrastructure on May 4, 2016. Capstone has been included in the relative TSR performance assessments of PSU grants until its acquisition date in 2016, but is excluded from any new measurement periods that begin after the acquisition date (i.e. 2017 and onwards).

The following table details the results of Capital Power's relative TSR for the 2016 PSU award.

	Tranche 1 (2014)	Tranche 2 (2015)	Tranche 3 (2016)	Tranche 4 (2014-2016)
25th Percentile	8.5%	-19.5%	13.7%	9.7%
50th Percentile	19.9%	-0.7%	29.5%	47.0%
75th Percentile	32.3%	10.2%	41.1%	68.2%
Capital Power Corporation	32.8%	-31.2%	45.1%	32.5%
Payout Factors	200%	0%	200%	80%
Weighted Average	40%	0%	40%	32%
	(200% x 20%)	(0% x 20%)	(200% x 20%)	(80% x 40%)
Aggregate Weighted Average (Payout Factor)		112%		
		(40% + 0% + 40% + 32%)		

In the aggregate (weighted average basis), our TSR finished slightly above the 50th percentile, resulting in a payout factor of 112%. See Performance share units on page 47.

2017 LTI award

The board approved a grant of PSUs and stock options, effective as of March 9, 2017, to the named executives and other eligible participants. Based on a review of the LTI targets against market competitive data for our peers, management determined that the named executives will not receive an adjustment of their LTI targets in 2017.

PSUs will vest on January 1, 2020 and the realized value will depend on our relative TSR against the performance peer group and our volume-weighted average closing share price on the 30 trading days preceding the vesting date.

The realized value of the option award depends on our share price over time and when the executive exercises the options. Options vest one third each year beginning on the first anniversary of the grant date and expire after seven years.

Look back analysis

Executive compensation includes cash and equity-based compensation with terms varying from one year for annual base salary and the short-term incentive plan, and from three to seven years for our long-term incentives.

Compensation under our incentive programs is variable, or at-risk, to motivate executives to deliver strong corporate and individual performance. Equity-based compensation also adds another element of risk and motivation because executives can realize a higher value of their long-term incentives the stronger our shares perform over time.

The table below gives a compensation look back for Brian Vaasjo, our President and CEO, since our inception. It compares the grant date value of compensation awarded to Brian Vaasjo for his performance as President and CEO with the actual value that he has received from his compensation during his tenure.

On a weighted average basis over the cumulative period of 2010 to 2016, Mr. Vaasjo has realized 9% less than the expected value of the compensation that the committee awarded him (awarded compensation) while the shareholder's investment has increased by 33%. The value changes ranged from -25% to +59% for Mr. Vaasjo and from +2% to +63% for the shareholder.

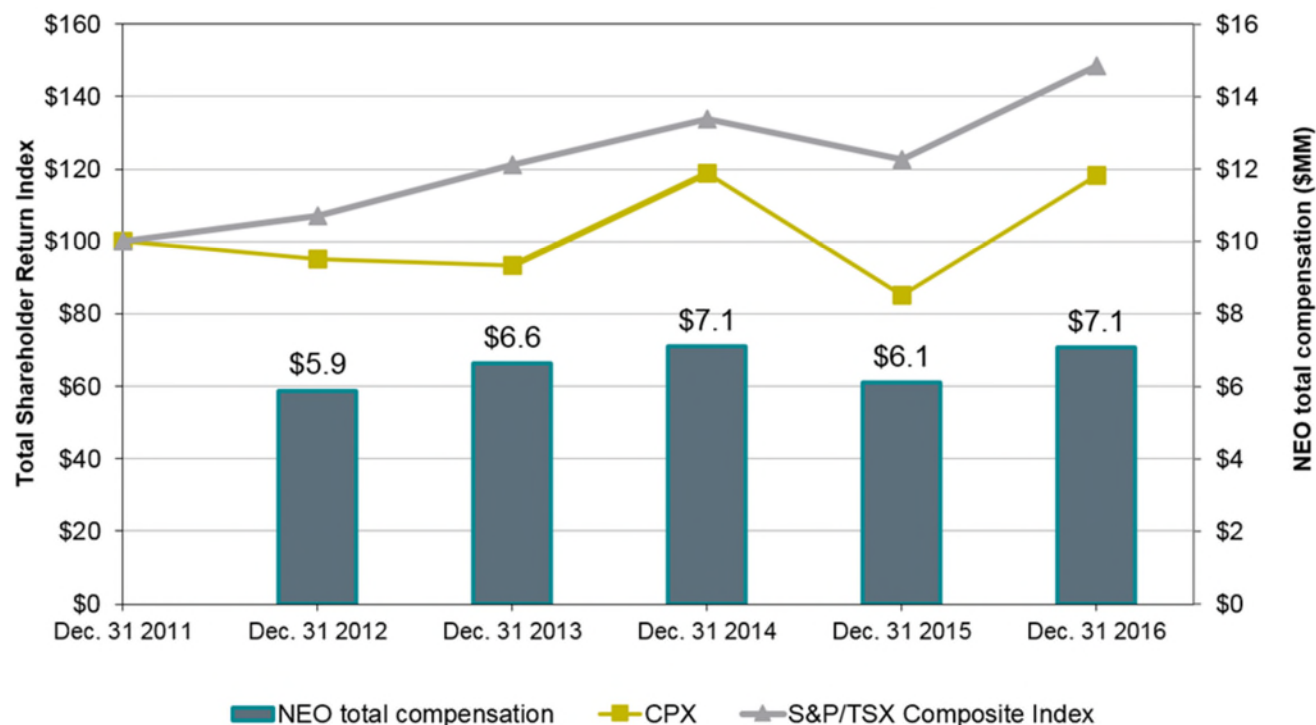
	Targeted compensation ⁽¹⁾	Awarded compensation ⁽²⁾	Actual compensation value as of December 31, 2016 ⁽³⁾	Value of \$100		
				Period	Mr. Vaasjo ⁽⁴⁾	Shareholder ⁽⁵⁾
2010	\$2,020,000	\$2,170,731	\$1,763,566	2010JAN01 to 2016DEC31	\$81	\$163
2011	\$2,165,750	\$2,556,592	\$1,959,321	2011JAN01 to 2016DEC31	\$77	\$140
2012	\$2,283,750	\$2,148,072	\$1,710,675	2012JAN01 to 2016DEC31	\$80	\$125
2013	\$2,283,750	\$2,511,620	\$2,021,645	2013JAN01 to 2016DEC31	\$80	\$131
2014	\$2,589,370	\$2,643,606	\$2,150,950	2014JAN01 to 2016DEC31	\$81	\$132
2015	\$2,449,511	\$2,558,959	\$1,912,255	2015JAN01 to 2016DEC31	\$75	\$102
2016	\$2,480,957	\$2,654,631	\$4,218,576	2016JAN01 to 2016DEC31	\$159	\$141
				Weighted average ⁽⁶⁾	\$91	\$133

Notes

- (1) Includes salary as noted in Mr. Vaasjo's employment agreement, target short-term incentive award and the expected value of the long-term incentive award as of the date of grant.
- (2) Includes actual salary earned, actual short-term incentive award in respect of performance during the year, and the expected value of the long-term incentive award as of the date of grant.
- (3) Includes actual salary earned, actual short-term incentive award in respect of performance during the year, the value at maturity of share units granted (or current value for units that are outstanding), the value of stock options exercised during the period, and the in-the-money value of stock options that remain outstanding. Share units and options are valued at the closing price of our common shares on the TSX on December 30, 2016 of \$23.23 per share.
- (4) Represents the actual value to Mr. Vaasjo for each \$100 awarded in total direct compensation during the fiscal year indicated.
- (5) Represents the cumulative value of a \$100 investment in common shares made on the first trading day of the period indicated, including reinvested dividends.
- (6) The weighted average for Mr. Vaasjo and the shareholder has been calculated using the "targeted compensation" as the common multiplier.

SHARE PERFORMANCE

The following graph compares the annual change in the cumulative total shareholder return on our common shares to the cumulative total return on the S&P/TSX Composite Index and total compensation paid to our named executives. The calculation for the 5-year period assumes an investment of \$100 in our common shares (CPX) on December 31, 2011 and the reinvestment of dividends.



	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016
Capital Power (CPX)	\$100	\$95	\$93	\$119	\$85	\$118
S&P/TSX Composite Index	\$100	\$107	\$121	\$134	\$123	\$149

Total compensation as shown in the graph and in the summary compensation table is the sum of the following elements:

- base salary
- short-term incentive
- grant date fair value of long-term incentive awarded
- pension
- all other compensation.

Executive compensation will be affected by our share performance over the long term because a significant portion is equity based, aligning the interests of executives and shareholders. While the grant date fair value of our stock option and share unit grants do not vary with corporate or share performance, award payouts are directly tied to our share performance.

- For stock options and PSUs, there is a direct correlation between our share price performance and the actual gains realized by our executives.
- For PSUs, there is the additional factor of performance relative to that of our peer group which will result in higher or lower payments.

This relationship is illustrated in the look back analysis (see previous section) where the actual value earned through the various compensation elements shows an alignment with our shareholder returns.

2016 details

SUMMARY COMPENSATION TABLE

The table below shows the compensation each named executive received for the fiscal years ended December 31, 2016, 2015, and 2014. Brian Vaasjo does not receive compensation as a director of Capital Power.

Name and principal position	Year	Salary (\$)	Option-based awards (\$)	Share-based awards (\$)	Non-Equity incentive plans (Annual) (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Brian Vaasjo President and CEO	2016	725,000	606,107	606,099	717,424	223,087	87,259	2,964,976
	2015	752,885	590,384	590,378	625,313	139,343	89,783	2,788,086
	2014	725,000	669,719	650,901	597,986	168,706	82,244	2,894,556
Bryan DeNeve Senior Vice President, Finance and CFO	2016	330,000	219,083	219,086	212,246	83,223	50,682	1,114,320
	2015	342,692	173,881	173,886	208,725	49,567	52,120	1,000,871
	2014	324,615	134,761	130,969	199,603	248,068	49,652	1,087,668
Darcy Trufyn Senior Vice President, Operations, Engineering and Construction	2016	340,000	217,362	217,370	218,678	14,701	93,878	1,101,989
	2015	353,077	179,151	179,161	243,100	14,340	89,289	1,058,118
	2014	334,615	139,106	135,185	205,652	12,465	65,737	892,760
Mark Zimmerman Senior Vice President, Corporate Development and Commercial Services	2016	330,000	178,513	178,516	212,246	13,005	50,953	963,233
	2015	50,769	-	-	27,923	2,538	10,732	91,962
	2014	-	-	-	-	-	-	-
Kathryn Chisholm Senior Vice President, Legal and External Relations	2016	320,000	141,631	141,638	187,104	84,960	50,768	926,101
	2015	332,308	137,957	137,960	208,000	58,256	52,060	926,541
	2014	320,000	139,106	135,185	199,959	143,697	49,601	987,548

Notes

- Share-based awards values represent accounting fair value of PSUs for all named executives.
- *Mark Zimmerman* – commenced employment with Capital Power on November 2, 2015 and has held the position of SVP, Corporate Development and Commercial Services since his date of hire. Mr. Zimmerman's 2015 STIP award was pro-rated for service in the 2015 calendar year. Mr. Zimmerman became eligible for and received his first LTI grant in March 2016.

Salary

Base salaries for the Senior Vice President, Finance and CFO, and the Senior Vice President, Corporate Development and Commercial Services were increased by 6% for 2017. These adjustments were based on management's executive compensation review. The President and CEO, Senior Vice President, Operations, Engineering and Construction, and Senior Vice President, Legal and External Relations did not receive a base salary adjustment in 2017 as their base salaries remain competitively positioned.

Share-based awards

Amounts are the grant date fair value of the PSU awards consistent with the accounting valuation and in accordance with IFRS.

The table below shows the accounting fair value reported in our financial statements:

	2016	2015	2014
	Accounting	Accounting	Accounting
Fair value	\$17.62	\$25.73	\$23.16

Option-based awards

Amounts are the grant date fair value of the option awards consistent with the accounting valuation and in accordance with IFRS. We adopted a minimum option valuation factor of 15% for 2014, 2015 and 2016. The actual fair values in 2014, 2015 and 2016 were less than the minimum; therefore, the minimum was adopted for all three grants.

	2016	2015	2014
	Accounting	Accounting	Accounting
Volatility	16.5%	15.4%	15.2%
Dividend yield	8.14%	5.27%	5.08%
Expected life	4.5 years	4.5 years	4.5 years
Risk-free rate	0.73%	1.29%	1.85%
Vesting discount	0%	0%	0%
Fair value	\$2.60	\$3.73	\$3.72

Non-equity incentive plans

Annual

- Amounts are the actual STIP awards earned for that year and paid in March of the following year.
- Bryan DeNeve elected to defer a portion of his 2016 STIP award into executive DSUs. The STIP award paid in cash to Mr. DeNeve was \$192,033, with the remainder granted as 784 executive DSUs on February 28, 2017, with an expected value of \$20,213.

Long-term

Capital Power does not have a long-term non-equity incentive plan.

Pension value

- 2016 pension value represents compensatory changes from January 1, 2016 to December 31, 2016. The 2016 pension value reflects changes in the obligation due to actual salary experience during 2016 and includes service cost based on a 2.00% increase in pensionable earnings for 2015 and a 3.50% per annum increase thereafter.
- 2015 pension value represents compensatory changes from January 1, 2015 to December 31, 2015. The 2015 pension value reflects changes in the obligation due to actual salary experience during 2015 and includes service cost based on a 4.50% increase in pensionable earnings for 2015 and a 4.25% per annum increase thereafter.
- 2014 pension value represents compensatory changes from January 1, 2014 to December 31, 2014. The 2014 pension value reflects changes in the obligation due to actual salary experience during 2014 and includes service cost based on a 3.75% increase in pensionable earnings for 2014 and a 4.25% per annum increase thereafter.

All other compensation

2016 amounts include:

- an executive benefit allowance of \$14,000, an executive business allowance of \$25,000 and employer contributions to the savings plan of \$36,250 for Brian Vaasjo.
- an executive benefit allowance of \$14,000, an executive business allowance of \$15,000 and employer contributions to the savings plan of \$16,500 for Bryan DeNeve.
- an executive benefit allowance of \$14,000, an executive business allowance of \$15,000 and employer contributions to the savings plan of \$17,000 for Darcy Trufyn.
- an executive benefit allowance of \$14,000, an executive business allowance of \$15,000 and employer contributions to the savings plan of \$16,000 for Kathryn Chisholm.

Darcy Trufyn received a payment of \$21,233 on June 30, 2016 that represents an entitlement under the defined contribution component of the Capital Power Supplemental Retirement Plan for service accrued in 2015. The payment attributed to service in 2016, which has not yet been paid, is \$19,554.

Mark Zimmerman accrued service under the defined contribution component of the Capital Power Supplemental Retirement Plan in 2016. The payment attributed to this service, which has not yet been paid, is \$12,570.

INCENTIVE PLAN AWARDS

Outstanding share based and option based awards

The table below shows each named executive's outstanding incentive plan awards as of December 31, 2016.

Name	Grant date	Option-based awards				Share-based awards		
		Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market value or payout value of vested share-based awards not paid out or distributed (\$)
Brian Vaasjo	March 09/10	171,060	22.5	March 09/17	124,874			-
	March 21/11	206,591	24.9	March 21/18	-			-
	March 26/12	231,701	24.27	March 26/19	-			-
	March 14/13	182,607	21.76	March 14/20	268,432			-
	March 12/14	180,032	24.8	March 12/21	-	31,823	827,969	-
	March 04/15	158,195	24.88	March 04/22	-	27,370	254,319	-
	March 01/16	233,163	17.33	March 01/23	1,375,662	37,680	350,127	-
Bryan DeNeve	March 09/10	11,086	22.5	March 09/17	8,093			-
	March 21/11	35,929	24.9	March 21/18	-			-
	March 26/12	35,611	24.27	March 26/19	-			-
	March 14/13	32,743	21.76	March 14/20	48,132			-
	March 12/14	36,266	24.8	March 12/21	-	6,403	166,597	-
	March 04/15	46,592	24.88	March 04/22	-	8,061	74,906	-
	March 01/16	84,279	17.33	March 01/23	497,246	13,620	126,560	-
Darcy Trufyn	March 09/10	31,580	22.5	March 09/17	23,053			-
	March 21/11	38,474	24.9	March 21/18	-			-
	March 26/12	39,617	24.27	March 26/19	-			-
	March 14/13	36,252	21.76	March 14/20	53,290			-
	March 12/14	37,394	24.8	March 12/21	-	6,609	171,960	-
	March 04/15	48,004	24.88	March 04/22	-	8,306	77,178	-
	March 01/16	83,617	17.33	March 01/23	493,340	13,514	125,569	-
Mark Zimmerman	March 01/16	68,672	17.33	March 01/23	405,165	11,098	103,124	-
Kathryn Chisholm	March 09/10	28,528	22.5	March 09/17	20,825			-
	March 21/11	42,665	24.9	March 21/18	-			-
	March 26/12	43,772	24.27	March 26/19	-			-
	March 14/13	35,667	21.76	March 14/20	52,430			-
	March 12/14	37,394	24.8	March 12/21	-	6,609	171,960	-
	March 04/15	36,966	24.88	March 04/22	-	6,396	59,429	-
	March 01/16	54,484	17.33	March 01/23	321,456	8,805	81,820	-

Notes

- Share-based awards number and market payout value includes PSUs for all named executives.
- Value of unexercised in-the-money options — the greater of zero dollars or the difference between the closing price of our common shares on the TSX on December 30, 2016 of \$23.23 per share and the option exercise price, times the number of outstanding vested and unvested stock options.
- Number of shares or units of shares that have not vested — includes reinvested dividends.
- Market or payout value of share-based awards that have been earned but not vested — the closing price of our common shares on the TSX on December 30, 2016 of \$23.23 per share multiplied by the number of earned PSUs. The values in this column represent earned payout value corresponding to the performance multiplier for completed performance periods, as detailed in the table below:

Grant	Tranche 1	Tranche 2	Tranche 3	Tranche 4
2014	20% weight x 200% TSR result = 40%	20% weight x 0% TSR result = 0%	20% weight x 200% TSR result = 40%	20% weight x 80% TSR result = 160%
2015	20% weight x 0% TSR result = 0%	20% weight x 200% TSR result = 40%	N/A	N/A
2016	20% weight x 200% TSR result = 40%	N/A	N/A	N/A

Notes

- *Market value or payout value of vested share-based awards not paid out or distributed* — On December 31, 2016 no PSUs had vested. The named executives realized 134% of the grant value of the 2014 PSU awards when they vested on January 1, 2017. See Compensation Decisions for 2016 – Payment of 2014 PSU Awards starting on page 54.

Incentive plan awards – value vested or earned during the year

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Brian Vaasjo	-	256,592	717,424
Bryan DeNeve	-	46,011	212,246
Darcy Trufyn	-	50,934	218,678
Mark Zimmerman	-	n/a	212,246
Kathryn Chisholm	-	50,108	187,104

Notes

- *Mark Zimmerman* – The share-based awards column represents the value of the 2013 PSU grant which vested on January 1, 2016. Mr. Zimmerman became eligible for and received his first LTI grant in March 2016.
- *Option-based awards – Value vested during the year* — the difference between the closing price of our common shares on the TSX on the respective vesting date and the option exercise price of the respective option grant, multiplied by the number of stock options that vested during the year.
- *Share-based awards – Value vested during the year* — values shown are 2013 PSU awards that vested on January 1, 2016 and were paid to the named executives on February 26, 2016.
- *Non-equity incentive plan compensation – Value earned during the year* — values shown are STIP awards. Capital Power does not have a long-term non-equity incentive plan.
- *Bryan DeNeve* – Bryan DeNeve elected to defer a portion of his 2016 STIP award into executive DSUs. The STIP award paid in cash to Mr. DeNeve was \$192,033, with the remainder granted as 784 executive DSUs on February 28, 2017, with an expected value of \$20,213.

Stock options

None of the named executives exercised any stock options in 2016.

EQUITY COMPENSATION PLANS

We adopted our two equity compensation plans for executives and employees — the 2009 plan and the LTI plan — before our initial public offering in 2009 and did not need shareholder approval under the TSX requirements. The initial public offering prospectus disclosed the two equity compensation plans. The one and only options grant made under the 2009 plan expired on July 8, 2016, and the 2009 plan was terminated by the board on November 17, 2016.

At our 2012 annual meeting, shareholders approved an increase in the maximum number of shares reserved for issue under the two stock option plans. The limit is 7,094,506 (increased from 5,000,000 in 2012), representing approximately 7.4% of the common shares outstanding as at December 31, 2016. Based on recommendations from management, the board has approved a recommendation be made to shareholders at our 2017 annual shareholder meeting to approve a further increase to the maximum number of shares reserved for issue under the LTI plan by 2,100,000 to a total of 3,306,906. If approved, the board estimates the reserve will allow future grants of stock options until the end of 2020. See Amendment to the LTI plan on page 49.

Of the total number of common shares that can be issued under the LTIP plan, 977,624 options were issued under the LTI plan in 2016. No further options may be issued under the 2009 plan, which has now been terminated.

The table below gives details about the equity compensation plans as at December 31, 2016:

Plan category	Number of securities to be issued upon exercise of outstanding stock options (a)		Weighted average exercise price of outstanding stock options (b)	Number of securities remaining available for future issue (excluding securities reflected in column (a)) (c)		Total stock options outstanding and available for grant (a) + (c)	
	% of common shares outstanding	#		% of common shares outstanding	#	% of common shares outstanding	#
Equity compensation plans approved by security holders	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Equity compensation plans not approved by security holders	4.3%	4,126,912	\$22.46	1.2%	1,198,950	5.5%	5,325,862
Total	4.3%	4,126,912	\$22.46	1.2%	1,198,950	5.5%	5,325,862

Note

- Stock options were granted for 2,183,100 common shares under the 2009 plan, and 7,256,374 common shares under the current LTI plan for a total of 9,439,474 options. Of the total granted under the two plans, stock options for 3,543,918 common shares have been cancelled or expired, and stock options for 1,768,644 common shares have been exercised.

The table below shows the stock option overhang, dilution and run rate. See Stock options on page 48 for details.

Rate	Description	2016	2015	2014
Overhang	<ul style="list-style-type: none"> • the total potential dilution from stock options • the total number of stock options outstanding plus the number of shares available for future issue, divided by the number of common shares outstanding 	5.50%	5.35%	5.37%
Dilution	<ul style="list-style-type: none"> • the current dilution from stock options • the total number of stock options outstanding divided by the number of common shares outstanding 	4.26%	3.71%	3.72%
Run rate	<ul style="list-style-type: none"> • shows the size of annual stock option grants and indicates how quickly the stock option reserve is being used • the total number of stock options issued in a year, divided by the number of common shares outstanding 	1.01%	0.67%	0.72%

The Company regularly monitors dilution levels and, where warranted, will consider changes to the LTI plan award mix to manage the situation.

The table below is a summary of the stock options granted by the board and run rate since our inception:

Year	Number of common shares to be issued for stock options previously granted	As a percentage of common shares outstanding at year-end (run rate)
2009	2,183,100	2.79% (one-time grant in 2009)
2010	1,246,046	1.59%
2011	1,445,457	1.65%
2012	1,449,568	1.48%
2013 ⁽¹⁾	740,304	0.75%
2014	725,571	0.72%
2015	671,804	0.67%
2016	977,624	1.01%

Note

- (1) In November 2012, the committee approved a change to the mix of LTIs for the 2013 award at the management level to better manage dilution and reduced the targeted value in stock options to 25% (from 50%).

Copies of the plan documents are available on SEDAR (www.sedar.com). See also Stock options on page 48.

RETIREMENT BENEFITS

Pension and other benefits help provide long-term financial security and retain executives.

We have a defined benefit plan and a defined contribution plan for Canadian employees. US employees may participate in our 401(k) plan.

Canadian management employees are also eligible to participate in our supplemental retirement plan if their pension benefits under either plan are limited because of the maximum pension or contribution limits defined in the *Income Tax Act* (Canada) (Income Tax Act).

Defined benefit plan

Our defined benefit plan is the Local Authorities Pension Plan (LAPP), a multi-employer, contributory pension plan for employees of municipalities, hospitals and other public entities in Alberta, governed by the *Public Sector Pension Plans Act* (Alberta) and subject to the limits of the Income Tax Act. Brian Vaasjo, Bryan DeNeve, and Kathryn Chisholm participate in this plan.

Benefits are based on the average of the best five consecutive years of pensionable earnings and years of service. Pensionable earnings are equal to base salary plus actual bonus, up to a maximum of 20% of base salary (beginning January 1, 2004) limited for each year of service after 1991 to the maximum annual accrual under the Income Tax Act.

The benefit formula is 1.4% of the average of the best five consecutive years' annual pensionable earnings up to the average Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, plus 2% of the average of the best five consecutive years' annual pensionable earnings in excess of the five-year average YMPE. The benefit formula is multiplied by years of service up to a maximum of 35 years.

Employee and employer contribution rates are explained in the plan rules, and adjusted from time to time by the plan's board of trustees based on recommendations from the plan's actuary.

In 2016, members were required to contribute 10.39% up to the YMPE plus 14.84% of pensionable earnings in excess of the YMPE, and employers contributed 11.39% up to the YMPE and 15.84% of pensionable earnings in excess of the YMPE.

Participants can receive an unreduced pension when they turn 65 or have 85 points (age plus years of service). The pension is reduced by 3% for each year that the combination of the individual's age and years of service is less than 85 or for each year the participant is younger than 65, whichever provides the lower reduction. No pension is paid if a participant has not completed two years of service.

The pension is indexed annually to 60% of the increase in the Alberta consumer price index.

The table below shows the reconciliation of the accrued benefit obligation for each named executive. The compensatory change reflects:

- the current employer service cost for the supplemental retirement plan (SRP)
- any change in the SRP obligation because of an unexpected increase in compensation during the period
- any change in the obligation because of plan changes
- changes in employer contributions.

The actual increase in compensation may be different from the expected increase used in actuarial assumptions, and will also vary among the named executives and from year to year.

Name (a)	Number of years of credited service (#) (b)	Annual benefits payable (\$)		Opening present value of defined benefit obligation (\$) (d)	2016 Compensatory changes (\$) (e)	2016 Non- compensatory changes (\$) (f)	Closing present value of defined benefit obligation (\$) (g)
		At year end (c1)	At age 65 (c2)				
Brian Vaasjo	18.5577	430,996	523,027	5,442,084	223,087	651,996	6,294,113
Bryan DeNeve	14.2922	126,453	246,633	1,342,492	83,223	190,219	1,592,880
Kathryn Chisholm	12.2615	108,638	209,493	1,098,008	84,960	160,004	1,319,918

Notes

(b) Number of years of credited service

- Brian Vaasjo — the amount reflects credited service under the LAPP and 17 years of credited service under the SRP.
- Bryan DeNeve — the amount reflects credited service under the LAPP and SRP.
- Kathryn Chisholm — the amount reflects credited service under the LAPP and 12.3142 years of credited service under the SRP.

Annual benefits payable

- (c1) At year end — Accrued Defined Benefit pension under the LAPP and SRP as at December 31, 2016 and payable at normal retirement age of 65 based on highest average earnings, average YMPE and pensionable service as at December 31, 2016. An unreduced pension is payable at the earliest of age 65 or 85 points.
- (c2) At age 65 — the amount payable on retirement at age 65, assumes continued service accrual to age 65 and that the highest average earnings and estimated CPP, at age 65, remain unchanged from December 31, 2016.

(d) Opening present value of defined benefit obligation

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).

(e) 2016 Compensatory changes

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).
- Includes \$23,054 in LAPP employer contributions for all named executives.

(g) Closing present value of defined benefit obligation

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).

Defined contribution plan

Contributions to the defined contribution plan are based on pensionable earnings up to the annual limits imposed under the Income Tax Act. Participants contribute 5% of pensionable earnings, and Capital Power contributes 5%, 6.5% or 8% of pensionable earnings depending on the participant's years of service.

Darcy Trufyn and Mark Zimmerman participate in this plan. The following table is a reconciliation of the accumulated value as at the end of the last two years. The compensatory change is the employer contribution we made on their behalf.

Name (a)	Accumulated value at Dec 31, 2015 (\$) (b)	2016 Compensatory changes (\$) (c)	Accumulated value at Dec 31, 2016 (\$) (d)
Darcy Trufyn	189,032	14,701	238,970
Mark Zimmerman	3,839	13,005	32,813

The plan was amended in late 2010 to allow executive participants to suspend their membership and transfer the account balance to a locked-in retirement savings vehicle. We pay a lump sum equivalent to what would have been paid into the plan if they had continued to participate, after deducting any payroll withholding or other taxes.

Executive participants have the right to resume participation in the plan in the future. Company contributions will also resume, but only for future service as of the date the suspension is lifted.

Supplemental retirement plan

All of the named executives participate in our SRP, which is non-registered, unfunded and non-contributory. It provides benefits that cannot be provided under our Canadian pension plans because of maximum pension or contribution limits under the Income Tax Act.

Pensionable earnings include base salary and target bonus.

If a named executive was a member of the EPCOR supplemental pension plan (SPP) before our inception in July 2009, the terms of the plan are the same and we have assumed all obligations from EPCOR relating to entitlements accrued under their SPP. The SRP provides a defined benefit pension that is equal to 2% of the average pensionable earnings in excess of an earnings threshold, multiplied by years of service after January 1, 2000, and has the same early retirement and indexing provisions as our defined benefit plan. All of the named executives participate in the defined benefit SRP except for Darcy Trufyn and Mark Zimmerman.

For new hires after July 2009, the SRP provides benefits that exceed the contribution limits of the Income Tax Act and are on a defined contribution basis. Darcy Trufyn and Mark Zimmerman participate in the defined contribution SRP.

An executive who chooses to withdraw from the defined contribution plan is still eligible to participate in the SRP for earnings that exceed the pension maximum or contribution limits of the Income Tax Act.

401(k) plan

Participants make voluntary, pre-tax contributions of eligible compensation, less any withholding taxes. Contributions were limited to a maximum of US\$18,000 in 2016, not including up to US\$6,000 in catch-up contributions for employees who were 50 or older.

Eligible compensation includes total salary and wages during the year as reported on the W-2, including pre-tax contributions to the plan. Annual compensation exceeding US\$265,000, as adjusted for cost of living increases, is not included.

We match 100% of the employee's pre-tax contributions, up to a maximum of 7% of compensation. We also have the option every year to make an additional matching contribution and/or additional employer contribution on behalf of each eligible participant.

Interest credited on 401(k) accounts is the rate of return on investment options selected by the participant.

None of the named executives participate in the 401(k) plan.

OTHER BENEFITS

Other benefits support employee wellbeing and are based on the executive's scope of responsibilities.

We review the plans periodically to assess their competitiveness and whether they continue to meet our business and human resources objectives.

Health and welfare benefits

Benefit plans are designed to protect the health of employees and their dependents, and cover them in the event of death or disability. Executives participate in the same benefits program as our other full-time employees.

Executive benefit allowance

In addition to health and welfare benefits, Canadian-based executives also receive an executive benefit allowance to offset their costs. The allowance is paid biweekly.

Executive business allowance

Executives receive an annual taxable allowance to offset the cost of various business related expenses like memberships and other out-of-pocket costs associated with performing their duties.

Financial planning allowance

Brian Vaasjo is eligible to receive an annual financial planning allowance of up to \$5,000. The other named executives are eligible to receive an annual financial planning allowance of up to \$3,500.

Savings plan

Our savings plan allows all Canadian-based, non-unionized employees to contribute up to 100% of their base salary towards a range of investment options, including our common shares. Participation is voluntary.

We match employee contributions up to a maximum of 5% of base salary.

TERMINATION AND CHANGE OF CONTROL

We have employment agreements with each named executive. See Appendix B for a description of the compensation and benefits for each named executive if their employment is terminated.

The table below shows the estimated incremental amounts that would be paid if the named executive had been terminated on December 31, 2016 because of a termination without cause or a double trigger change of control (which requires both a change of control and termination of the executive for good reason). No incremental amounts are triggered by the other termination scenarios.

Name	Length of service for calculating the severance payment	For Termination without Cause				For Double Trigger Change of Control		
		Estimated severance (\$)	Estimated value of vested stock options (\$)	Estimated value of vested Share Units (\$)	Total including Estimated Severance (\$)	Estimated value of vested stock options (\$)	Estimated value of vested Share Units (\$)	Total including Estimated Severance (\$)
Brian Vaasjo	36 months	3,909,396	458,554	1,650,826	6,018,775	1,375,662	2,762,505	8,047,562
Bryan DeNeve	24 months	1,075,546	165,749	440,197	1,681,492	497,246	830,115	2,402,907
Darcy Trufyn	19 months	869,222	493,340	447,400	1,809,962	493,340	836,259	2,198,821
Mark Zimmerman	13 months	582,504	405,165	137,484	1,125,153	405,165	412,490	1,400,159
Kathryn Chisholm	22 months	921,744	321,456	364,223	1,607,423	321,456	624,001	1,867,201

Notes*Estimated value of vested stock options*

The difference between \$23.23, the closing price of our common shares on the TSX on December 30, 2016, and the respective exercise price for each options grant, times the number of outstanding unvested stock options that would vest under the termination scenario.

Estimated value of Share Units

The estimated value of PSUs is based on the closing price of our common shares on the TSX on December 30, 2016 of \$23.23 per share multiplied by the number of PSUs that are unvested and pro-rated by time elapsed in the 3-year term. The values in this column represent the estimated payout value corresponding to the weighted average performance multiplier over the four performance periods, as detailed in the table below:

Grant	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Total Performance Multiplier to December 31, 2016
2014	20% weight x 200% actual TSR result = 40%	20% weight x 0% actual TSR result = 0%	20% weight x 200% actual TSX result = 40%	40% weight x 80% actual TSR result = 32%	112%
2015	20% weight x 0% actual TSR result = 0%	20% weight x 200% actual TSR result = 40%	20% weight x 100% assumed TSR result = 20%	40% weight x 61% assumed TSR result = 24%	84%
2016	20% weight x 200% actual TSR result = 40%	20% weight x 100% assumed TSR result = 20%	20% weight x 100% assumed TSR result = 20%	40% weight x 100% assumed TSR result = 40%	160%

4. Other Information

Copies of the circular and our most recent AIF and annual report (which includes our management's discussion and analysis and consolidated financial statements for the year ended December 31, 2016) are available free of charge:

- go to our website (www.capitalpower.com), or
- request a copy from our Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 – 101 Street, Edmonton, Alberta T5H 0E9.

Our disclosure documents and any reports, statements or other information we file with Canadian Securities Administrators or other similar regulatory authorities are available on SEDAR (www.sedar.com).

We want your feedback

We work hard to maintain a comprehensive investor communications program, and welcome your feedback on our website, disclosure documents and other corporate information, including our:

- annual report
- annual information form
- quarterly reports
- management proxy circular
- presentations and webcasts
- dividend history
- ethics policy
- investment overview
- corporate responsibility report
- community investment
- consultation initiatives

Investor inquiries

T. 780.392.5305
1.866.896.4636 (toll-free)
F. 780.392.5124
E. investor@capitalpower.com

General inquiries

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Edmonton, Alberta T5H 0E9
T. 780.392.5100
F. 780.392.5124
W. www.capitalpower.com

The board has approved the contents of this circular and has authorized us to send it to all shareholders of record.

By order of the board,



B. Kathryn Chisholm, Q.C.
Corporate Secretary
Capital Power Corporation
Edmonton, Alberta

March 6, 2017

Appendix A

Board of Directors – Terms of Reference

I. INTRODUCTION

- A. The Board of Directors (the “Board”) has the power to manage, or supervise the management of, the business and affairs of Capital Power Corporation (the “Corporation”) except as limited or restricted by the *Canada Business Corporations Act* (the “Act”) and the Corporation’s Articles and By-laws.
- B. The Corporation hereby adopts these terms of reference for the Board, which set out the specific responsibilities to be discharged by the Board. The purpose of these terms of reference is to assist the Board in annually assessing its performance.
- C. The President and Chief Executive Officer (the “CEO”) and Management formulate strategies and plans and present them to the Board for approval. The Board approves the goals of the business, the objectives and policies within which it is managed, and then assumes a stewardship role and evaluates Management performance. Reciprocally, the CEO keeps the Board fully informed of the Corporation’s progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

II. BOARD COMPOSITION

- A. The Board will consist of a minimum of 3 and a maximum of 12 Directors.
- B. A majority of the members of the Board will be independent pursuant to National Policy 58-201 *Corporate Governance Guidelines* (as implemented by the Canadian Securities Administrators and as amended from time to time) (“NP 58-201”).
- C. The Board should consist of professional and competent members with an appropriate mix of skills and abilities to ensure that the Board carries out its duties and responsibilities in the most effective manner and that the Corporation meets its legal, financial and operational objectives.
- D. The Directors will be elected at the annual general meeting of the Corporation each year and will hold office until their successors are duly elected or appointed.

III. RESPONSIBILITIES

All of the following responsibilities are undertaken within the parameters and restrictions established by the Act, the Articles, and the By-laws.

A. Managing the Affairs of the Board

The Board supervises the management of the affairs of the Board by establishing committees (the “Committees”) to provide more detailed review of important areas of responsibility, delegating certain of its authorities to Management, reserving certain powers to itself and making certain recommendations to the shareholders. This process includes:

- i) appointing Committees and/or advisory bodies, which at a minimum shall be comprised of an Audit Committee, a Corporate Governance, Compensation and Nominating Committee (the “CGCN Committee”) and a Health, Safety and Environmental Committee;
- ii) delegating responsibilities to, and seeking the advice of, the Committees and establishing and periodically reviewing/approving their respective terms of reference;
- iii) approving terms of reference for the Chair and Individual Directors;
- iv) implementing processes to evaluate the performance of the Board, the Committees and the Directors in fulfilling their respective responsibilities;
- v) on the recommendation of the CGCN Committee, implementing processes for new Director orientation and ongoing Director development;
- vi) appointing the Secretary;

- vii) on the recommendation of the CGCN Committee, implementing effective governance processes to fulfill its responsibility for oversight and control;
- viii) making recommendations to the shareholders in the following areas:
 - a) on the recommendation of the CGCN Committee, director nominees, other than the nominees of EPCOR Utilities Inc.;
 - b) on the recommendation of the Audit Committee, the appointment of the external auditors; and
 - c) any special business items to be addressed by the shareholders that may be brought forward by the Board or the Corporation from time to time;
- ix) delineating the authority to be retained by the Board and that to be delegated to the Committees and the CEO;
- x) publishing a corporate governance statement annually, describing how each of the principles of good governance in NP 58-201 (or its successor) is put into practice;
- xi) at least annually, assessing the management, development and effective performance of the Board, including reviewing and considering any amendments to be made to these terms of reference; and
- xii) considering as a Board and not delegating to any Committee:
 - a) any submission to the shareholders of the Corporation of a question or matter requiring the approval of the shareholders;
 - b) the filling of a vacancy among the Directors or the Corporation's auditor or the appointment of additional Directors;
 - c) the issuance of securities, including shares of a series, except as authorized by the Board;
 - d) the declaration of dividends;
 - e) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
 - f) the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Corporation from the Corporation or from any other person, or the procurement or agreement to procure purchasers for any shares of the Corporation;
 - g) approval of the annual audited financial statements, quarterly financial statements and quarterly reports, management proxy circulars, take-over bid circulars, directors' circulars, prospectuses, annual information forms and other disclosure documents required to be approved by the directors of a corporation under securities laws, regulations or rules of any applicable stock exchange; or
 - h) the adoption, amendment or repeal of the By-laws.

B. Strategy and Plans

The Board has the responsibility to:

- i) participate with Management in developing and adopting the Corporation's strategic planning process including:
 - a) providing input to Management on emerging trends and issues;
 - b) reviewing and approving, on an annual basis, Management's strategic plans (long term business plans), which will take into account, among other things, the opportunities and risks of the business of the Corporation; and
 - c) reviewing and approving, on an annual basis, the Corporation's financial objectives, plans and actions, including significant capital allocations and expenditures;
- ii) approve annual capital and operating budgets which support the Corporation's ability to meet the objectives established in the strategic plan; and
- iii) monitor the Corporation's progress towards its goals, and to revise and alter its direction through Management in light of changing circumstances.

C. Management and Human Resources

With the assistance of the CGCN Committee, the Board will be responsible for:

- i) the appointment, termination and succession of the CEO;
- ii) approving CEO compensation;

- iii) approving terms of reference for the CEO;
- iv) monitoring CEO performance and reviewing CEO performance at least annually, against agreed upon written objectives;
- v) providing advice and counsel to the CEO in the execution of the CEO's duties;
- vi) approving compensation and benefits for directors;
- vii) approving decisions relating to senior Management, including the:
 - a) appointment and termination of executive officers; and
 - b) compensation and benefits for executive officers;
- viii) satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation;
- ix) ensuring succession planning programs are in place, including programs to train, develop and monitor senior Management;
- x) approving certain matters relating to all employees, including:
 - a) the overarching compensation policy/program for employees;
 - b) new benefit programs or material changes to existing programs; and
 - c) material benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs;
- xi) satisfying itself as to the oversight and governance of, and approving all material amendments to, the Corporation's pension plans;
- xii) ensuring there are adequate procedures for the Board to be apprised on a timely basis of concerns relating to unethical behavior, fraudulent activities or violation of the Corporation's policies.

D. Business and Risk Management

The Board has the responsibility to:

- i) with the assistance of the Audit Committee, monitor corporate financial performance against the operating and capital plans, including assessing operating results to evaluate whether the Corporation's business is being properly managed and meeting its objectives;
- ii) ensure Management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;
- iii) receive, at least annually, reports from Management and, where applicable, from the Committees, on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;
- iv) understanding principal risks and determine whether the Corporation achieves a proper balance between risk and returns, and that Management ensures that systems are in place to address the risks identified; and
- v) with the assistance of the Audit Committee, assess and monitor management control systems, including evaluating and assessing information provided by Management and others (e.g., internal and external auditors) about the effectiveness of management control systems.

E. Financial and Corporate Issues

The Board has the responsibility to:

- i) with the assistance of the Audit Committee, at least annually, provide oversight of a review to ensure the implementation and integrity of the Corporation's internal control and management information systems;
- ii) with the assistance of the Audit Committee, monitor operational and financial results;
- iii) on the recommendation of the Audit Committee, approve annual and quarterly financial statements, and approve the release thereof by Management;
- iv) declare dividends from time to time;
- v) approve debt financing, banking resolutions and significant changes in banking relationships;

- vi) review coverage, deductibles and key issues regarding corporate insurance policies;
- vii) approve commitments that may have a material impact on the Corporation; and
- viii) approve the commencement or settlement of litigation that may have a material impact on the Corporation.

F. Shareholder and Corporate Communications

The Board has the responsibility to take all reasonable steps to:

- i) ensure the Corporation has in place effective communication processes with shareholders and major stakeholders;
- ii) with the assistance of the Audit Committee, ensure that the financial performance of the Corporation is adequately reported to the shareholders, other security holders and regulators on a timely and regular basis;
- iii) on the recommendation of the Audit Committee, ensure the financial results are reported fairly and in accordance with generally accepted accounting principles; and
- iv) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.

G. Policies and Procedures

The Board has the responsibility to take all reasonable steps to:

- i) with the assistance of the CGCN Committee (where applicable), approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;
- ii) with the assistance of the CGCN Committee, direct Management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- iii) on recommendation from the relevant Committee, review and approve significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment);
- iv) with the assistance of the CGCN Committee, develop and adopt corporate governance principles and guidelines for the Corporation and review such corporate governance guidelines annually; and
- v) with the assistance of the CGCN Committee, adopt and monitor a written code of business conduct and ethics applicable to all directors, officers and employees of the Corporation addressing:
 - a) conflicts of interest and the procedures to be established and monitored for identifying and dealing with conflicts of interest;
 - b) protection and proper use of corporate assets and opportunities;
 - c) confidentiality of corporate information;
 - d) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees;
 - e) compliance with applicable laws, rules and regulations; and
 - f) reporting of any illegal or unethical behaviour.

IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

A. The Board is responsible for directing Management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.

B. The Act includes the following as legal requirements for Directors:

- i) to act honestly and in good faith with a view to the best interests of the Corporation;
- ii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable situations; and
- iii) to act in accordance with the obligations contained in the Act, and any other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws.

V. MEETINGS

Meet at least four times per year and, wherever feasible, receive meeting materials at least five (5) business days in advance of meetings and review meeting materials prior to attending each meeting.

Appendix B

Employment Contracts – Termination and Change of Control Benefits

The following table summarizes the treatment of the named executives' compensation and benefits if they are no longer employed by Capital Power. *Change of control* and *termination without cause/resignation* are based on adverse changes to the terms of employment.

	Resignation	Retirement/Disability	Death	Termination without cause	Termination for cause	Double trigger change of control
Salary and benefits	All salary and benefits programs end.					
STIP	Annual STIP payment is forfeited.	Annual STIP payment is paid at target on a pro rata basis.			Annual STIP payment is not paid.	Annual STIP payment is paid at target and included in severance
Stock options¹	All unvested options under the LTI plan are forfeited. Vested options granted under the LTI plan expire on the original expiry date or 30 days after termination of employment, whichever is earlier.	Unvested options under the LTI plan continue to vest and can be exercised for 12 months following termination of employment before they expire. Vested options expire on the original expiry date or 12 months after the date of termination, whichever is earlier.		Except as noted below for Brian Vaasjo and Bryan DeNeve, all unvested options under the LTI plan will vest and expire on the original expiry date or 30 days after termination of employment, whichever is earlier. For Brian Vaasjo and Bryan DeNeve, in respect of options granted under the LTI plan on or after January 1, 2015, all unvested options will continue to vest and can be exercised for 12 months following termination of employment before they expire.	All unvested and vested options under the LTI plan are forfeited.	All unvested options under the LTI plan will vest and expire on the original expiry date or 30 days after termination of employment, whichever is earlier.
Share Units	All PSUs are forfeited.	Vesting of PSUs is pro-rated to the date of termination and based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination.	Vesting of PSUs is pro-rated to the date of termination and based on target performance. Payouts occur within 90 days of the date of termination.	Vesting of PSUs is pro-rated to the date of termination and based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination.	All PSUs are forfeited.	All unvested PSUs vest immediately and pay out based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination.
Pension LAPP/DB SRP	Vested pension is paid as a commuted value or deferred benefit.	Vested pension is paid as a deferred or immediate benefit or commuted value.	Vested pension is paid as a commuted value or deferred (if less than 55) or immediate benefit (if 55 or older).		Vested pension is paid as a commuted value or a deferred (if less than 55) or immediate benefit (if 55 or older). Vested benefit under the SRP may be forfeited at Capital Power's sole discretion.	Vested pension is paid as a commuted value or a deferred (if less than 55) or immediate benefit (if 55 or older).
DC RPP/SRP	Vested DC account balance as lump sum or	Vested DC account balance as lump sum or annuity.	Vested DC account balance as lump sum or	Vested DC account balance as lump sum or	Vested DC account balance as lump sum or annuity.	Vested DC account balance as lump sum or annuity.

¹ All options under the 2009 plan expired in 2016, and the 2009 plan was terminated.

	Resignation	Retirement/Disability	Death	Termination without cause	Termination for cause	Double trigger change of control
	annuity. No additional SRP accrual contributions made in year of termination if termination date is prior to Dec 31.	Employer contribution for SRP benefits accrued.	annuity. Employer contribution for SRP benefits accrued.	annuity. Employer contribution for SRP benefits accrued.	Employer contribution for SRP accrued. Vested pension may be forfeited at Capital Power's sole discretion.	Employer contribution for SRP benefits accrued.
Severance <i>(Brian Vaasjo)</i>	Not applicable.			Severance is provided representing a minimum of 24 months plus one month for each year of service with Capital Power to a maximum of 36 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.	Not applicable.	Severance is provided representing a total of 24 months each of salary, STIP at target, annual company benefits, pension contributions and annual business allowance. The severance notice period is capped at 36 months.
Severance <i>(Darcy Trufyn, Mark Zimmerman and Kathryn Chisholm)</i>	Not applicable.			Severance is provided representing a total of 12 months plus 1/2 a month for each year of service with EPCOR, plus one month for each year of service with Capital Power to a maximum of 24 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.	Not applicable.	Severance is provided representing a total of 12 months plus 1/2 month of each year of service with EPCOR, plus one month for each year with Capital Power to a maximum of 24 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.
Severance <i>(Bryan DeNeve)</i>	Not applicable.			Severance is provided representing a total of 12 months plus 1 month for each year of service with EPCOR, plus one month for each year of service with Capital Power to a maximum of 24 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.	Not applicable.	Severance is provided representing a total of 12 months plus 1 month of each year of service with EPCOR, plus one month for each year with Capital Power to a maximum of 24 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.

Appendix C

BY-LAW NO. 2

A by-law relating generally to the
transaction of the business and
affairs of

CAPITAL POWER CORPORATION

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BE IT ENACTED as a by-law of the Corporation as follows:

SECTION ONE
INTERPRETATION

1.01 Definitions. - In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the *Canada Business Corporations Act*, or any statute that may be substituted therefor, and the regulations to the Act, as from time to time amended;

"appoint" includes "elect" and vice versa;

"articles" means the articles attached to the certificate of Incorporation of the Corporation, as from time to time amended or restated;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"Corporation" means the corporation incorporated under the Act by the said certificate to which the articles are attached, and named "Capital Power Corporation";

"director" means a member of the board;

"including" means including, without limitation;

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders; and "special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

"prescribed" means prescribed in accordance with the Act; and

"recorded address" has the meaning set forth in section 11.08.

Save as aforesaid, words and expressions defined in the Act, including "distributing corporation", "electronic document" and "resident Canadian", have the same meanings when used herein. Words importing the singular number include the plural and vice versa; and words importing a person include an individual, partnership, association, body corporate, trustee, executor, administrator and legal representative.

SECTION TWO BUSINESS OF THE CORPORATION

2.01 Registered Office. - The registered office of the Corporation shall be in the province in Canada and at such location therein initially as is specified in the articles from time to time.

2.02 Corporate Seal. - The Corporation may, but need not, adopt a corporate seal and if one is adopted it shall be in a form approved from time to time by the board.

2.03 Financial Year. - Until changed by the board, the financial year of the Corporation shall end on the last day of December in each year.

2.04 Execution of Instruments. - Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any one director or officer of the Corporation. In addition, any one director or officer of the Corporation may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.05 Banking Arrangements. - The banking business of the Corporation, including the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe.

2.06 Voting Rights in Other Bodies Corporate. - The signing officer of the Corporation under section 2.04 may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officer executing or arranging for the same. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Divisions. - The board may cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions upon such basis, including types of business or operations, geographical territories, product lines or goods or services, as may be considered appropriate in each case. In connection with any such division the board or, subject to any direction by the board, the chief executive officer may authorize from time to time, upon such basis as may be considered appropriate in each case:

(a) Subdivision and Consolidation - the further division of the business and operations of any such division into sub-units and the consolidation of the business and operations of any such divisions and sub-units;

(b) Name - the designation of any such division or sub-unit by, and the carrying on of the business and operations of, any such division or sub-unit under, a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all places required by law; and

(c) Officers - the appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any of such officers so appointed, provided that any such officers shall not, as such, be officers of the Corporation.

SECTION THREE BORROWING AND SECURITY

3.01 Borrowing Power. - Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell, pledge or hypothecate bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;
- (c) give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 Delegation. – Unless the articles of the Corporation otherwise provide, the board may from time to time delegate to a director, a committee of the board, or an officer of the Corporation any or all of the powers conferred on the board by section 3.01 to such extent and in such manner as the board may determine at the time of such delegation.

SECTION FOUR DIRECTORS

4.01 Number of Directors. - Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum number of directors provided in the articles. The board shall consist of not fewer than the minimum number of directors required by the Act for a distributing corporation.

4.02 Qualification. - No person shall be qualified for election as a director if such person is less than 18 years of age, is of unsound mind and has been so found by a court in Canada or elsewhere, is not an individual, or has the status of a bankrupt. Unless the articles otherwise provide, a director need not be a shareholder. Subject to the Act, at least 25 per cent of the directors shall be resident Canadians, or if the number of directors is fewer than four, at least one director shall be a resident Canadian. At least such number of directors as may be specified by the Act, other applicable law or stock exchange requirements shall not be officers or employees of the Corporation or of its affiliates.

4.03 Election and Term. - The election of directors shall take place at each annual meeting of shareholders. Each director shall hold office for the stated term at the time of their election at any such meeting of shareholders, or, if not stated, until the close of the first annual meeting of shareholders following the director's election and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. Subject to the articles, the number of directors to be elected at any such meeting shall be the number of directors then in office unless the directors otherwise determine. Where the shareholders adopt an amendment to the articles to increase the number or maximum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment. The election shall be by resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.04 Removal of Directors. - Subject to the Act, the shareholders may by resolution passed at a meeting of shareholders specially called for such purpose remove any director from office and the vacancy created by such removal may be filled at the same meeting, failing which, subject to the Act, it may be filled by the board.

4.05 Vacation of Office. - A director ceases to hold office on death, on removal from office by the shareholders, on ceasing to be qualified for election as a director, on receipt of a written resignation by the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later. Subject to the Act, a quorum of the board may appoint a qualified individual to fill a vacancy in the board.

4.06 Appointment of Additional Directors. - If the articles of the Corporation so provide, the directors may, within the maximum number permitted by the articles, appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of the shareholders, but the total number of

directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.

4.07 Action by the Board. - The board shall manage, or supervise the management of, the business and affairs of the Corporation. The powers of the board may be exercised at a meeting (subject to sections 4.08 and 4.09) at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office.

4.08 Canadian Directors Present at Meetings. - Subject to the Act, the board shall not transact business at a meeting, other than filling a vacancy in the board, unless at least 25 per cent of the directors present are resident Canadians, or if the Corporation has fewer than four directors, at least one of the directors present is a resident Canadian, except where a resident Canadian director who is unable to be present approves in writing, or by telephonic, electronic or other communication facility, the business transacted at the meeting; and the required number of resident Canadians would have been present had that director been present at the meeting.

4.09 Meeting by Telephone. - Subject to the Act, if all the directors of the Corporation consent thereto generally or in respect of a particular meeting, a director may participate in a meeting of the board or of a committee of the board by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, and a director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board.

4.10 Signed Resolutions. - Any resolution in writing may be signed in counterparts and if signed as of any date shall be deemed to have been passed on such date.

4.11 Place of Meetings. - Subject to the articles, meetings of the board may be held at any place in or outside Canada.

4.12 Calling of Meetings. - Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the chief executive officer, the president or any two directors may determine.

4.13 Notice of Meeting. - Notice of the time and place of each meeting of the board shall be given in the manner provided in Section Eleven to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including, if required by the Act, any proposal to:

- (a) submit to the shareholders any question or matter requiring approval of the shareholders;
- (b) fill a vacancy among the directors or in the office of auditor, or appoint additional directors;
- (c) issue securities except as authorized by the board;
- (d) issue shares of a series except as authorized by the board;
- (e) declare dividends;
- (f) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (g) pay a commission for the sale of shares except as authorized by the board;
- (h) approve a management proxy circular;
- (i) approve a take-over bid circular or directors' circular;
- (j) approve any annual financial statements; or
- (k) adopt, amend or repeal by-laws.

A director may in any manner waive a notice of a meeting of directors, and attendance of a director at a meeting of directors is a waiver of notice of the meeting, except where a director attends a meeting for the purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

4.14 First Meeting of New Board. - Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.15 Adjourned Meeting. - Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.16 Regular Meetings. - The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.17 Chair. - The chair of any meeting of the board shall be the first mentioned of such of the following directors who is present at the meeting: chair of the board, or the lead director of the board as appointed by the board. If no such officer is present, the directors present shall choose one of their number to be chair.

4.18 Quorum. - Subject to the articles and subject to section 4.08, the quorum for the transaction of business at any meeting of the board shall ~~(i) consist of two directors or such greater number of directors as the board may from time to time determine and (ii) require such number of directors who are individuals other than nominees of the holder or holders of Special voting Shares in the capital of the Corporation to constitute a majority of the directors in attendance at the meeting,~~ no less than 50% of the directors serving on the board at the time such meeting is held.

4.19 Votes to Govern. - At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

4.20 Conflict of Interest. - A director or officer of the Corporation shall disclose to the Corporation, in the manner and to the extent provided by the Act, any interest that such director or officer has in a material contract or transaction, whether made or proposed, with the Corporation, if such director or officer (a) is a party to the contract or transaction; (b) is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (c) has a material interest in a party to the contract or transaction. Such a director shall not vote on any resolution to approve the same except as provided by the Act.

4.21 Remuneration and Expenses. - The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

SECTION FIVE COMMITTEES

5.01 Committees of the Board. - The board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which pertain to items which, under the Act, a committee of the board has no authority to exercise.

5.02 Transaction of Business. - The powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Canada.

5.03 Audit Committee. The board shall appoint annually from among its number an audit committee to be composed of not fewer than three directors who meet the independence and other requirements as may be specified by the Act, other applicable law or stock exchange requirements and who are not officers or employees of the Corporation or its affiliates. The audit committee shall have the powers and duties provided in the Act and in other applicable law and in addition, such other powers and duties as the board may determine.

5.04 Advisory Bodies. - The board may from time to time appoint such advisory bodies as it may deem advisable.

5.05 Procedure. - Unless otherwise determined by the board, each committee and advisory body shall have power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

SECTION SIX OFFICERS

6.01 Appointment. - The board may from time to time appoint a chief executive officer, a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a chief financial officer and such other officers as the board may determine, including one or more assistants to any

of the officers so appointed. One person may hold more than one office. The board may specify the duties of and, in accordance with this by-law and subject to the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to section 6.02, an officer may but need not be a director.

6.02 Chair of the Board. - The board shall from time to time also appoint a chair of the board who shall be a director. The board may also appoint the chair of the board as the chief executive officer. The board may assign to the chair any of the powers and duties that are by any provisions of this by-law assigned to the chief executive officer. The chair shall have such other powers and duties as the board may specify.

6.03 Chief Executive Officer. - The chief executive officer shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business and affairs of the Corporation and such other powers and duties as the board may specify. During the absence or disability of the president, or if no president has been appointed, the chief executive officer shall also have the powers and duties of that office.

6.04 President. - The president shall be the chief operating officer and, subject to the authority of the chief executive officer, shall have such other powers and duties as the board may specify. If no chief executive officer is appointed by the board, the president shall be the chief executive officer.

6.05 Secretary. - The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat. The secretary shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board. The secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation to the extent one is adopted, and of all books, records and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose, and shall have such other powers and duties as otherwise may be specified.

6.06 Chief Financial Officer. - The chief financial officer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation. The chief financial officer shall render to the board whenever required an account of all transactions as chief financial officer and of the financial position of the Corporation and shall have such other powers and duties as otherwise may be specified.

6.07 Powers and Duties of Officers. - The powers and duties of all officers shall be such as the Willis of their engagement call for or as the board or (except for those whose powers and duties are to be specified only by the board) the chief executive officer may specify. The board and (except as aforesaid) the chief executive officer may, from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.08 Term of Office. - The board, in its discretion, may remove any officer of the Corporation. Otherwise each officer appointed by the board shall hold office until a successor is appointed or until the officer resigns.

6.09 Agents and Attorneys. - The Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to subdelegate) of management, administration or otherwise as may be thought fit.

6.10 Conflict of Interest. - An officer shall disclose any interest in a material contract or material transaction, whether made or proposed, with the Corporation in accordance with section 4.20.

SECTION SEVEN PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Limitation of Liability. - All directors and officers of the Corporation in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, and without limiting any defences available to a director or an officer under the Act or otherwise, no director or officer shall be liable for the acts, omissions, failures, neglects or defaults of any other director, officer or employee, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon

which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on the part of such director or officer, or for any other loss, damage or misfortune which shall happen in the execution of the duties of office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act or from liability for any breach thereof.

7.02 Indemnity. - Subject to the Act, the Corporation shall indemnify a director or an officer, a former director or officer, or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation, or other entity, if such individual (a) acted honestly and in good faith with a view to the best interests of the Corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful.

7.03 Advance of Costs. - The Corporation shall advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to in section 7.02. The individual shall repay the moneys if the individual does not fulfill the conditions of section 7.02.

7.04 Additional Circumstances. - The Corporation shall also indemnify an individual referred to in section 7.02 in such other circumstances as the Act or law permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law.

7.05 Insurance. - Subject to the Act, the Corporation may purchase and maintain insurance for the benefit of an individual referred to in section 7.02 hereof as the board may from time to time determine.

SECTION EIGHT SHARES

8.01 Allotment of Shares. - Subject to the Act and the articles, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

8.02 Commissions. - The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of such person's purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares. The board may, to the extent permitted by the Act, delegate this authority to a committee of directors.

8.03 Registration of Transfers. - Subject to the Act, no transfer of a share shall be registered in a securities register except upon presentation of the certificate representing such share with an endorsement which complies with the Act made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any reasonable fees prescribed by the board.

8.04 Non-recognition of Trusts. - Subject to the Act, the Corporation may treat the registered holder of any share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

8.05 Share Certificates. - Every holder of one or more shares of the Corporation shall be entitled, at the holder's option, to a share certificate, or to a non-transferable written acknowledgement of such right to obtain a share certificate, stating the number and class or series of shares held by such holder as shown on the securities register. Subject to the Act, such certificates shall be in such form as the board may from time to time approve. Any such certificate shall be signed in accordance with section 2.04 and need not be under the corporate seal. Notwithstanding the foregoing, unless the board otherwise determines, certificates representing shares in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers under section 2.04 or, in the case of a certificate which is not valid unless countersigned by or on behalf of a transfer agent and/or registrar and in the case of a certificate which does not require a manual signature under the Act, the signature of the signing officer under section 2.04 may be

printed or otherwise mechanically reproduced in facsimile thereon. Every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A certificate executed as aforesaid shall be valid notwithstanding that one or both of the officer whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.06 Replacement of Share Certificates. - The board or any officer or agent designated by the board may direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.07 Joint Shareholders. - If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.08 Deceased Shareholders. - In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

8.09 Transfer Agents and Registrars. - The board may from time to time appoint one or more agents to maintain, in respect of each class of shares of the Corporation issued by it, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to the functions of such person and one person may be designated both registrar and transfer agent subject to any applicable stock exchange requirements. The board may at any time terminate such appointment.

8.10 Record Dates. - The board may, within the prescribed period, fix in advance a date as the record date for the purpose of determining the shareholders: (a) entitled to receive notice of a meeting of shareholders; (b) entitled to vote at a meeting of shareholders; (c) entitled to receive payment of a dividend; or (d) for any other purpose, and, unless waived in accordance with the Act, notice of any such record date shall be given within the prescribed period in the manner provided in the Act.

SECTION NINE DIVIDENDS

9.01 Dividends. - Subject to the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation. Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

9.02 Dividend Cheques. - A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the holder's recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.03 Record Date. - The board may, within the prescribed period, fix in advance a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend and notice of the record date shall be given within the prescribed period in the manner provided by the Act. If no date is so fixed, the record date for the determination of the shareholders entitled to receive payment of any dividend or for such other purposes shall be at the close of business on the day on which the directors pass the resolution relating thereto.

SECTION TEN
MEETINGS OF SHAREHOLDERS

10.01 Annual Meetings. - Subject to the Act, the board shall call an annual meeting of shareholders: (a) not later than 18 months after the Corporation comes into existence; and (b) subsequently, not later than 15 months after holding the last preceding annual meeting but no later than six months after the end of the Corporation's preceding financial year. The annual meeting of shareholders shall be held for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

10.02 Special Meetings. - The board shall have power to call a special meeting of shareholders at any time.

10.03 Place of Meetings. - Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in Canada if the board shall so determine. A meeting of shareholders may be held at a place outside Canada if the place is specified in the articles or all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place. A shareholder who attends a meeting of shareholders held outside Canada is deemed to have agreed to it being held outside Canada except when the shareholder attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully held. A meeting held pursuant to section 10.05 shall be deemed to be held at the place where the registered office of the Corporation is located.

10.04 Participation in Meeting by Electronic Means. - Any person entitled to attend a meeting of shareholders may participate in the meeting, in accordance with the Act, by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes available such a communication facility. A person participating in a meeting by such means is deemed for the purposes of the Act to be present at the meeting.

10.05 Meeting held by Electronic Means. - If the directors or the shareholders of the Corporation call a meeting of shareholders pursuant to the Act, those directors or shareholders, as the case may be, may determine that the meeting shall be held, in accordance with the Act, entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting.

10.06 Notice of Meetings. - Notice of the time and place of each meeting of shareholders shall be given in the manner provided in Section Eleven within the prescribed period to each director, to the auditor, and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting or is otherwise entitled to notice of a meeting under the articles. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting.

10.07 List of Shareholders Entitled to Notice. - For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of and to vote at the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting, within the time period required by the Act. If a record date for notice of the meeting is fixed pursuant to section 10.08, the shareholders listed shall be those registered at the close of business on such record date. If no record date for notice is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given or, where no such notice is given, on the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained, and at the meeting for which the list was prepared. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such meeting shall be deemed to be a list of shareholders. Each shareholder whose name appears on the list prepared as aforesaid is entitled to vote the shares shown opposite their name at the meeting to which the list related.

10.08 Record Date for Notice. - The board may, within the prescribed period, fix in advance a date as the record date for the purpose of determining the shareholders entitled to receive notice of and vote at a meeting of shareholders, and notice of the record date shall be given within the prescribed period in the manner provided by the Act. If no such record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of and to vote at the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, shall be the day on which the meeting is held.

10.09 Meetings Without Notice. - A meeting of shareholders may be held without notice at any time and place permitted by the Act (a) if all the shareholders entitled to vote thereat are present or duly represented or if those not present or represented waive notice of or otherwise consent to such meeting being held, and (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held; so long as such shareholders, auditors or directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Canada, shareholders not present or duly represented, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.10 Chair, Secretary and Scrutineers. - The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chair of the board, the chief executive officer, president, or a vice president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

10.11 Persons Entitled to be Present. - The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

10.12 Quorum. - Subject to the Act in respect of a majority shareholder, a quorum for the transaction of business at any meeting of shareholders shall be two persons present, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

10.13 Proxyholders and Representatives. - Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, to attend and act as the shareholder's representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or the shareholder's attorney authorized in writing and shall conform with the requirements of the Act. The Corporation shall recognize any individual authorized by a resolution of the directors or governing body of a body corporate or association to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chair of the meeting. Any such proxyholder or representative need not be a shareholder.

10.14 Time for Deposit of Proxies. - The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours, excluding Saturdays and holidays, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or if, no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chair of the meeting or any adjournment thereof prior to the time of voting.

10.15 Joint Shareholders. - If two or more persons hold shares jointly, any one of them present or duly represented at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present or represented and vote, they shall vote as one the shares jointly held by them.

10.16 Votes to Govern. - At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.

10.17 Show of Hands. - Subject to the Act, any question at a meeting of shareholders shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote, subject to any provision of the Act restricting the ability of a proxyholder

or alternate proxyholder to vote by way of show of hands where such person has conflicting instructions from more than one shareholder. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or defeated and an entry to that effect in the minutes of the meeting shall be prima facie proof of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question. Any vote referred to in section 10.16 and this section 10.17 may be held, subject to and in accordance with the Act, partly or entirely by means of a telephonic, electronic or other communication facility, if the Corporation makes available such a communication facility. Any person participating in a meeting of shareholders under section 10.04 or 10.05 and entitled to vote at that meeting may vote, subject to and in accordance with the Act by means of the telephonic, electronic or other communication facility that the Corporation has made available for that purpose.

10.18 Ballots. - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chair may require a ballot or any person who is present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which such person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.19 Adjournment. - The chair at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

SECTION ELEVEN NOTICES

11.01 Method of Giving Notices. - Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given, subject to any provisions in the Act regarding certain types of communications or documents, if delivered personally to the person to whom it is to be given; if delivered to the person's recorded address or if mailed to such person at such recorded address by prepaid ordinary mail; if sent to such person at such recorded address by any means of prepaid transmitted or recorded communication; or if sent by email or other form of electronically transmitted message, providing an electronic document subject to and in accordance with the Act. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice so sent by any means of transmitted or recorded communication or by email or other form of electronically transmitted message, providing an electronic document shall be deemed to have been given when dispatched or transmitted. A notice so delivered shall be deemed to have been received when it is personally delivered; a notice so mailed shall be deemed to be received at the time it would be delivered in the ordinary course of mail and a notice so sent by any means of transmitted or recorded communication or by email, electronic document or other form of electronically transmitted message shall be deemed to have been received on the day it is dispatched or transmitted. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by the secretary to be reliable.

11.02 Notice to Joint Shareholders. - If two or more persons are registered as joint holders of any share, any notice may be addressed to all such joint holders, but notice addressed to one of such persons shall be sufficient notice to all of them.

11.03 Computation of Time. - In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the day of giving the notice shall be excluded and the day of the meeting or other event shall be included.

11.04 Undelivered Notices. - If any notice given to a shareholder pursuant to section 11.01 is returned on two consecutive occasions because the shareholder cannot be found, the Corporation shall not be required to give any further notices to such shareholder until informed in writing by the shareholder of a new address.

11.05 Omissions and Errors. - The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 Persons Entitled by Death or Operation of Law. - Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives title to such share prior to the name and address of such person being entered on the securities register (whether such notice was given before or after the happening of the event upon which such person became so entitled) and prior to such person furnishing to the Corporation the proof of authority or evidence of entitlement prescribed by the Act.

11.07 Waiver of Notice. - Any shareholder, proxyholder, director, officer, auditor or member of a committee of the board, or any other person entitled to receive notice of a meeting of shareholders or any other notice from the Corporation, may at any time waive any notice, or waive or abridge the time for any notice, required to be given to such person under the Act, the articles, the by-laws or otherwise, and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or a committee of the board which may be given in any manner.

11.08 Interpretation. - In the by-laws, "recorded address" means: in the case of a shareholder, the address as recorded in the securities register; in the case of joint shareholders, the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and in the case of a director, officer, auditor or member of a committee of the board, the latest address as shown in the records of the Corporation.

11.09 Electronic Documents. - A requirement under these by-laws that a notice, document or other information be provided in writing may be satisfied by providing an electronic document and a requirement under these by-laws for a signature or that a document be executed, in relation to an electronic document, may be satisfied, in each case, if the requirements in the Act in respect thereof are met.

SECTION TWELVE EFFECTIVE DATE

12.01 Effective Date. - This by-law shall come into force when made by the board in accordance with the Act.

12.02 Repeal. - All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed, or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles (as defined in the Act) or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue to be good and valid except to the extent inconsistent with this by-law and until amended or repealed.

The foregoing by-law was made by the directors of the Corporation on the 25th day of June, 2009, ~~and~~ was confirmed without variation by the shareholders of the Corporation on the 25th day June, 2009, was further amended by the directors of the Corporation on the 17th day of November, 2016, and was further confirmed without variation by the shareholders of the Corporation on the 28th day of April, 2017.

Appendix D

AMENDED AND RESTATED OMNIBUS LONG TERM INCENTIVE PLAN

CAPITAL POWER CORPORATION

AMENDED AND RESTATED
OMNIBUS LONG TERM INCENTIVE PLAN

June 24, 2009, as amended and restated on April 27, 2012, March 1, 2013, ~~and as further amended and restated on~~
November 20, 2014, November 17, 2016, February 17, 2017 [and as further amended and restated on April 28, 2017](#)

CAPITAL POWER CORPORATION
OMNIBUS LONG TERM INCENTIVE PLAN

PART I

1. PURPOSE

This Omnibus Long Term Incentive Plan has been established by the Corporation to provide performance oriented incentives to certain employees of the Corporation, its Subsidiaries and Designated Affiliated Entities, and to Consultants, to foster a responsible balance between short term and long term results, and to attract and retain qualified individuals to build and maintain a strong spirit of performance and entrepreneurship.

This Plan consists of four parts, the first part ("Part I") commencing with Section 1, consisting of general provisions applicable to the Plan as a whole; the second part ("Part II") commencing with Section 6, consisting of the Option Program; the third part ("Part III") commencing with Section 10, consisting of the SAR Program and the fourth part ("Part IV") commencing with Section 13, consisting of the Share Unit Program.

2. PLAN DEFINITIONS AND INTERPRETATIONS

In this Omnibus Long Term Incentive Plan, the following terms have the following meanings:

2.1 [Intentionally deleted.]

2.2 "**Affiliate**" has the meaning ascribed thereto in the *Securities Act* (Alberta);

2.3 "**Applicable Law**" means any applicable provision of law, domestic or foreign, including, the *Securities Act* (Alberta), the U.S. *Securities Act of 1933*, as amended, the U.S. *Securities Exchange Act 1934*, as amended, the *Income Tax Act (Canada)*, as amended and the Code, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder and Stock Exchange Rules;

2.4 "**Associate**" has the meaning ascribed thereto in the *Securities Act* (Alberta);

2.5 "**Beneficiary**" means any person designated by the Participant by written instrument filed with the Corporation to receive any amount, securities or property payable under the Plan in the event of a Participant's death or, failing any such effective designation, the Participant's estate;

2.6 "**Blackout Period**" means a period of time during which the applicable Participant cannot exercise an Option or SAR, or sell Shares, due to policies of the Corporation in respect of insider trading;

2.7 "**Board**" means the Board of Directors of Capital Power Corporation;

2.8 "**Business Day**" means any day other than a Saturday, a Sunday or a statutory holiday observed in the Province of Alberta;

2.9 "**Change of Control**" means the occurrence of any of the following events:

- (a) the initial acquisition by any person, or any persons acting jointly or in concert (as determined by the *Securities Act* (Alberta)), whether directly or indirectly, of voting securities of the Corporation which, together with all other voting securities of the Corporation held by such person or persons, constitutes, in the aggregate, more than 50% of all outstanding voting securities of the Corporation;
- (b) an amalgamation, arrangement, or other form of business combination of the Corporation with another corporation which results in the holders of voting securities of that other corporation holding, in the aggregate, more than 50% of all outstanding voting securities of the corporation resulting from the business combination;
- (c) a sale, disposition, lease or exchange to or with another person or persons (other than a Subsidiary) of property of the Corporation representing all or substantially all of the assets of the Corporation,

determined as of the date of the most recently published audited annual or unaudited quarterly interim financial statements of the Corporation;

- (d) a change in the composition of the Board over any twelve month period such that more than 50% of the persons who were directors of the Corporation at the beginning of the period are no longer directors at the end of the period, unless such change is as a result of normal attrition; or
 - (e) the Board determines that for purposes of this Plan, a Change in Control of the Corporation has occurred.
- 2.10 **"Code"** means the Internal Revenue Code of 1986 of the United States of America, as amended or replaced and in effect from time to time;
- 2.11 **"Committee"** means such committee, if any, created or appointed by the Board to administer the Plan pursuant to the provisions contained herein;
- 2.12 **"Corporation"** means Capital Power Corporation, and where applicable, its Subsidiaries and their respective successors and assigns, and any reference in the Plan to action by the Corporation means action by or under the authority of the Board or the Committee or any person that has been designated for that purpose by the Corporation;
- 2.13 **"Consultant"** means, in the case of a citizen or resident of a country other than the United States, a Non-US Consultant and, in the case of a citizen or resident of the United States, a US Consultant;
- 2.14 **"Continuous Service"** means that the provision of services to the Corporation, a Subsidiary or Designated Affiliated Entity in any capacity of employee, officer or Consultant is not interrupted or terminated, whether by resignation, removal, discharge, termination of engagement or otherwise. In the case of an employee whose employment is terminated by the Corporation, a Subsidiary or Designated Affiliated Entity, Continuous Service shall be terminated on the date of notice of termination is given to the employee and in the case of an employee who resigns, his or her employment shall terminate on the Participant's last day of active employment with the Corporation, Subsidiary or Designated Affiliated Entity, as the case may be. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers between locations of the Corporation, or (iii) any change in status as long as the individual remains in the service of the Corporation or a Subsidiary in any capacity of employee, officer or Consultant (except as otherwise provided in a written agreement between the Corporation and the Participant). An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave. For purposes of an ISO, Continuous Service is considered interrupted on the first day that is more than three months after the first day of an approved leave of absence unless reemployment upon expiration of such leave is guaranteed by statute or contract;
- 2.15 **"Date of Grant"** of an Option, a SAR or a Share Unit, as the case may be, means the date the Option, SAR or Share Unit is granted to a Participant under the Plan, or such later date as the Company may specify at the time the grant is made;
- 2.16 **"Designated Affiliated Entity"** means a person (including a trust or a partnership) or corporation in which the Corporation has a significant investment and which the Corporation designates as such for the purposes of this Plan;
- 2.17 **"Disability"** means long-term disability in accordance with the normal policy of the Corporation;
- 2.18 **"Earliest Exercise Date"** in respect of an Option or SAR, as the case may be, means the earliest date on which the Option or SAR may be exercised, which may be the Date of Grant;
- 2.19 **"Effective Date"** means June 24, 2009, when this Plan was approved by the Board;
- 2.20 **"Effective Outstanding Shares"** means at any particular time, the number of Shares that would be outstanding at that time;
- 2.21 **"Eligible Person"** has the meaning ascribed to it in Section 3.1 hereof;
- 2.22 [Intentionally deleted.]

- 2.23 “**Expiry Time**” means, in relation to an Option or SAR, 5:00 p.m. (Edmonton time) on the Latest Exercise Date or such other time on the Latest Exercise Date as may be specified in a grant agreement in relation to an Option or SAR;
- 2.24 “**Fiscal Year**” means the financial year of the Corporation;
- 2.25 “**including**” means including without limitation;
- 2.26 “**Independent Broker**” means a registered broker which is independent under Stock Exchange Rules;
- 2.27 “**ISO**” means an incentive stock option within the meaning of Section 422 of the Code;
- 2.28 “**Latest Exercise Date**” means the latest date on which an Option or SAR, as the case may be, may be exercised, as designated by the Corporation at the time the Option or SAR is granted, provided that if such date should occur during a Blackout Period, or within 10 Business Days of the end of a Blackout Period, subject to Applicable Law, such date shall be deemed to be the date that is the tenth Business Day following the date of expiry of such Blackout Period;
- 2.29 “**Market Price**” for purposes of Parts II, III and IV of the Plan has the meaning ascribed thereto in the applicable Part;
- 2.30 “**Non-US Consultant**” means a person providing services to the Corporation and meeting the criteria for a “consultant” established under National Instrument 45-106 of the Canadian Securities Administrators as amended from time to time and excluding, for greater certainty, a Director;
- 2.31 “**Offeror**” or “**offeror**” has the meaning ascribed to that term for purposes of the *Securities Act* (Alberta);
- 2.32 “**Option**” means a right granted under the Plan to a Participant to purchase Shares in accordance with the Plan;
- 2.33 “**Optionee**” means a Participant to whom an Option has been granted and who continues to hold such Option;
- 2.34 “**Option Price**” has the meaning ascribed to it in Section 7.1(b) hereof;
- 2.35 “**Option Program**” means the Option program described in Part II of the Plan, as amended and restated from time to time;
- 2.36 “**Original Security**” has the meaning ascribed to it in Section 3.20 hereof;
- 2.37 “**Participant**” means an Eligible Person who has agreed to participate in the Plan on such terms as the Corporation may specify at the time he or she is designated as an Eligible Person;
- 2.38 “**Plan**” means this Omnibus Long Term Incentive Plan, consisting of the Option Program, the SAR Program and the Share Unit Program, as amended and restated from time to time;
- 2.39 “**Replacement Security**” has the meaning ascribed to it in Section 3.20 hereof;
- 2.40 “**Retirement**” means the retirement of a Participant from employment with the Corporation, a Subsidiary or a Designated Affiliated Entity in accordance with the normal retirement policy of his or her employer;
- 2.41 “**SAR**” means a stock appreciation right granted under the SAR Program to a Participant in accordance with the SAR Program;
- 2.42 “**SAR Program**” means the stock appreciation rights program described in Part III of the Plan, as amended and restated from time to time;
- 2.43 “**Share Unit**” means a unit allocated to a Participant under the Share Unit Program in accordance with Section 14 that is credited by means of an entry on books of the Corporation to a Participant pursuant to the Plan, representing the right to receive a cash payment equal to the Market Price, in the manner, and subject to the terms, set forth in the Plan and any instrument evidencing the grant of such unit;

- 2.44 **“Share Unit Program”** means the Share Unit program described in Part IV of the Plan, as amended and restated from time to time;
- 2.45 **“Shares”** means the Common Shares in the capital of the Company, and includes any shares in the capital of the Company into which such shares may be converted, reclassified, re-designated, subdivided, consolidated, exchanged or otherwise changed, whether pursuant to a capital reorganization, amalgamation, merger, arrangement or other scheme of reorganization;
- 2.46 [Intentionally deleted.]
- 2.47 **“Stock Exchange Rules”** means the applicable rules of any stock exchange upon which shares of the Corporation are listed;
- 2.48 **“Stock Plan Administrator”** means the person appointed by the Corporation to perform various administrative functions with respect to the Plan and designated as the “stock plan administrator”;
- 2.49 **“Strike Price”** has the meaning ascribed thereto in Section 10.1.
- 2.50 **“Subsidiary”** means a subsidiary body corporate of the Corporation as defined by the *Canada Business Corporations Act*;
- 2.51 **“Take-over Bid”** means a take-over bid, as defined in the *Securities Act* (Alberta), which is a “formal bid” as defined in such Act, and which is made for all of the issued and outstanding Shares in the capital of Capital Power Corporation and may exclude (i) those Shares in the capital of Capital Power Corporation which are then owned by the offeror under such Take-over Bid, and/or (ii) those Shares in the capital of Capital Power Corporation which the offeror under such Take-over Bid then otherwise has, directly or indirectly, the right to acquire.
- 2.52 **“Trading Day”** means any day on which Shares actually trade on the TSX;
- 2.53 **“TSX”** means the Toronto Stock Exchange;
- 2.54 [Intentionally deleted.]
- 2.55 **“US Consultant”** means (i) a natural person; (ii) who provides *bona fide* services to the Corporation; and (iii) which services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Corporation's securities;
- 2.56 **“US Optionee”** has the meaning ascribed to it in Section 9.1;
- 2.57 **“Vesting Date”** has the meaning ascribed to it in Section 7.1(c) hereof; and
- 2.58 **“VWAP”** means the volume weighted average trading price of the Shares, calculated by dividing the total value by the total volume of Shares traded for the relevant period.
- 2.59 **“Year”** in respect of an Option, SAR or Share Unit, as the case may be, means a 12-month period commencing on the Date of Grant of the Option, SAR or Share Unit, as the case may be, or on any anniversary of such date.
- 2.60 The terms “security based compensation arrangement” and “insider” have the meanings ascribed to them in the TSX requirements relating to security based compensation arrangements.
- 2.61 Certain defined terms used herein have the meanings ascribed to them in the Option Program, the SAR Program or the Share Unit Program for the purposes of the applicable Program.
- 2.62 In this Plan, unless the context requires otherwise, words importing the singular number may be construed to extend to and include the plural number, and words importing the plural number may be construed to extend to and include the singular number.
- 2.63 The Market Price may be expressed or designated in U.S. or Canadian dollars, as the Corporation may determine to be appropriate.

2.64 This Plan is established under the laws of the Province of Alberta and the rights of all parties and the construction of each and every provision of the Plan and any Option, SAR or Share Unit granted hereunder shall be construed according to the laws of the Province of Alberta and the federal laws of Canada applicable therein.

3. GENERAL

3.1 The Corporation may, from time to time, designate one or more regular employees of the Corporation, a Subsidiary or a Designated Affiliated Entity or Consultants as "Eligible Persons" for the purposes of the Plan. If any such person agrees to participate in the Plan on such terms as the Corporation may specify at the time he or she is designated as an Eligible Person, he or she shall become a Participant in the Plan.

3.2 The transfer of an employee from the Corporation to a Subsidiary or a Designated Affiliated Entity, from a Subsidiary or a Designated Affiliated Entity to the Corporation, or from one Subsidiary or Designated Affiliated Entity to another Subsidiary or Designated Affiliated Entity, shall not be considered a termination of Continuous Service for the purposes of the Plan, nor shall it be considered a termination of Continuous Service if a Consultant becomes an employee of the Corporation immediately after his or her consulting engagement ends or vice-versa. If an employee who holds an ISO (as defined in Section 9.1) becomes a Consultant immediately after his or her termination of Continuous Service, such ISO will cease being treated as an ISO and will instead be treated as an Option under Section 7 on the first date that is three months after such termination of employment.

3.3 The aggregate number of Shares which may be issued by the Corporation under this Plan is limited to ~~7,094,506~~ [9,194,506](#).

3.4 Subject to any Applicable Law, the Corporation may, but is not obligated to, appoint an Independent Broker or other person to act as administrative agent to acquire issued and outstanding Shares in the market on behalf of Participants for the purpose of providing Shares to Participants under the Plan other than pursuant to the Option Program. If it does so, any Shares acquired on behalf of Participants shall be held on behalf of Participants by the Independent Broker or such other person as may be appointed by the Corporation. The Shares acquired for this purpose shall not be included for the purposes of the determining the maximum number of Shares to be issued under the Plan in accordance with Section 3.3.

3.5 No Options, SARs or Share Units shall be granted to any Participant if the total number of Shares issuable to such Participant under this Plan, together with any Shares reserved for issuance to such Participant under any other security based compensation arrangement of the Corporation would exceed 5% of the Effective Outstanding Shares.

3.6 Under this Plan and any other security-based compensation arrangement of the Corporation:

- (a) the number of Shares reserved for issuance pursuant to Options granted to insiders shall not exceed 10% of the Effective Outstanding Shares; and
- (b) the number of Shares issued to insiders, within a one year period, shall not exceed 10% of the Effective Outstanding Shares.

3.7 With respect to the amendment, suspension or termination of the Plan or any Option, SAR or Share Unit:

- (a) Subject to Section 3.7 (b) through (d), the Corporation shall, without the approval by way of resolution of the holders of Shares, have the power to, at any time and from time to time either prospectively or retrospectively, amend, suspend or terminate the Plan or any Option, SAR or Share Unit.
- (b) Any such amendment, suspension or termination is subject to any approvals required under Applicable Law.
- (c) No such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of a Participant with respect to any then outstanding Option, SAR or Share Unit as determined by the Board acting in good faith, without his or her consent in writing, except to the extent required by Applicable Law.
- (d) Any such amendment in respect of the following shall become effective only upon approval by way of resolution of the holders of Shares:

- (i) any amendment to the maximum number of Shares specified in Section 3.3 in respect of which Options may be granted under the Plan (other than pursuant to Section 4);
- (ii) any amendment that would reduce the Option Price or Strike Price, as applicable, at which Options or SARs may be granted below the price provided for in, respectively, Section 7.2 and the definition of "Strike Price" (other than pursuant to Section 4);
- (iii) any amendment that would allow a Replacement Security to be granted in a manner not currently permitted under Section 3.20;
- (iv) any amendment that would increase any of the percentage limits in Sections 3.5 and 3.6;
- (v) any amendment that would increase the maximum allowable term of an Option, SAR or Share Unit beyond seven years;
- (vi) any amendment that would extend the term of any outstanding Option, SAR or Share Unit to a date beyond the Latest Exercise Date or Release Date, as applicable;
- (vii) any amendment that would reduce the Option Price or Strike Price, as applicable, of an outstanding Option or SAR (other than pursuant to Section 4);
- (viii) any amendment that would permit assignments to persons not currently permitted under the Plan;
- (ix) any amendment to the definition of "Eligible Person" or any defined term used therein that would expand the scope of the term "Eligible Person"; and
- (x) any amendment to this Section 3.7(d) other than as permitted under Stock Exchange Rules.

- 3.8 The Corporation shall in its sole discretion, subject only to the terms of this Plan, determine the terms of all Options, SARs and Share Units.
- 3.9 The determination by the Corporation of any question which may arise as to the interpretation or implementation of the Plan or any of the Options, SARs or Share Units granted hereunder shall be final and binding on all Participants and other persons claiming or deriving rights through any of them. For greater certainty, the Board shall be entitled to make such rules, regulations and determinations as it deems appropriate under the Plan in respect of any leave of absence or disability of any Participant. Without limiting the generality of the foregoing, the Board shall be entitled to determine (i) whether or not any such leave of absence shall constitute a termination of Continuous Service within the meaning of the Plan, and (ii) the impact, if any, of any such leave of absence on awards under the Plan theretofore made to any Participant who takes such leave of absence (including, whether or not such leave of absence shall cause any Options, SARs or Share Units to expire and the impact upon the time or times such Options, SARs or Share Units shall become exercisable).
- 3.10 The Plan shall enure to the benefit of and be binding upon the Corporation, its successors and assigns. The interest of any Participant under the Plan or in any Option, SAR or Share Unit shall not be transferable or alienable by him or her either by pledge, assignment or in any other manner, except that an Option, SAR or Share Unit may be transferred to a spouse or a personal holding Corporation or family trust controlled by a Participant, the shareholders or beneficiaries of which, as the case may be, are any combination of the Participant, the Participant's spouse, the Participant's minor children or the Participant's minor grandchildren, and after his or her lifetime any Option, SAR or Share Unit shall enure to the benefit of and be binding upon the Participant's Beneficiary. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of an Option, SAR or Share Unit contrary to the provisions of the Plan, or upon the levy of any attachment or similar process upon an Option, SAR or Share Unit the Option, SAR or Share Unit shall, at the election of the Corporation, cease and terminate and be of no further force or effect whatsoever.
- 3.11 The Corporation's obligation to issue or provide Shares in accordance with the terms of the Plan and any Options granted hereunder is subject to compliance with Applicable Law applicable to the issuance and distribution of such Shares. As a condition of participating in the Plan, each Participant agrees (for such period as the Participant holds any Option, SARs or Share Units including any period subsequent to termination of Continuous Service of the Participant), in connection with the exercise of all Options, SARs or Share Units held and the sale

of any Shares acquired upon the exercise of any Options, to comply with all Applicable Laws as well as the restrictions respecting disclosure of information or trading in securities of the Corporation established in the Corporation's insider trading policy or such other policies as are established from time to time, and to furnish to the Corporation all information, representations and undertakings as may be necessary to demonstrate compliance with Applicable Laws by the Corporation, as determined by the Corporation, acting reasonably.

- 3.12 The Corporation, a Subsidiary or a Designated Affiliated Entity may withhold from any amount payable to a Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Corporation, the Subsidiary or Designated Affiliated Entity will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Participant. The Corporation shall also have the right in its discretion to satisfy any such withholding tax liability by retaining or acquiring any Shares which would otherwise be issued or provided to a Participant hereunder or requiring the Participant to remit to the Corporation, a Subsidiary or Designated Affiliated Entity an amount sufficient to satisfy any federal, provincial, state and local withholding tax requirements prior to the issuance of Shares or the making of any payment hereunder.
- 3.13 A Participant shall not have the right or be entitled to exercise any voting rights, receive dividends or have or be entitled to any other rights as a shareholder in respect of (i) Shares subject to an Option unless and until such Shares have been paid for in full and issued, (ii) any SARs, or (iii) any Share Units unless and until issued.
- 3.14 Neither designation of an Eligible Person as a Participant nor the grant of any Options, SARs or Share Units to any Participant entitles any Participant to the grant, or any additional grant, as the case may be, of any Options, SARs or Share Units under the Plan. Neither the Plan nor any action taken thereunder shall interfere with the right of the employer of a Participant to terminate a Participant's employment or contractual relationship with the Corporation at any time. Neither any period of notice, if any, nor any payment in lieu thereof, upon termination of employment shall be considered as extending the period of employment for the purposes of the Plan.
- 3.15 No member of the Board or the Committee shall be liable for any action or determination made in good faith in connection with the Plan and members of the Board and the Committee shall be entitled to indemnification and reimbursement from the Corporation in respect of any claim relating thereto.
- 3.16 Participation in the Plan and in any trade in a security by a Participant pursuant to the Plan shall be voluntary.
- 3.17 If any provision of this Plan is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part, if any, of such provision and all other provisions hereof shall continue in full force and effect.
- 3.18 Neither the establishment of the Plan nor the grant of any Options, SARs or Share Units or the setting aside of any funds by the Corporation (if, in its sole discretion, it chooses to do so) shall be deemed to create a trust. Legal and equitable title to any funds set aside for the purposes of the Plan shall remain in the Corporation and no Participant shall have any security or other interest in such funds. Any funds so set aside shall remain subject to the claims of creditors of the Corporation present or future. Amounts payable to any Participant under the Plan shall be a general, unsecured obligation of the Corporation. The right of the Participant or Beneficiary to receive payment pursuant to the Plan shall be no greater than the right of other unsecured creditors of the Corporation.
- 3.19 If any Option is terminated, cancelled or has expired without being fully exercised, any unissued Shares which have been reserved to be issued upon the exercise of the Option shall become available to be issued upon the exercise of Options subsequently granted under the Plan, provided that any such termination or cancellation of Options shall be conducted in accordance with the applicable rules of any stock exchange upon which the Shares of the Corporation are listed.
- 3.20 If an Option or SAR held by a Participant (an "Original Security") is terminated or cancelled (other than pursuant Section 4), no new Option or SAR (a "Replacement Security") shall be granted to the Participant prior to the Latest Exercise Date of the Original Security unless the Option Price or Strike Price of the Replacement Security, as applicable, is equal to or greater than the Option Price or Strike Price of the Original Security, as applicable.
- 3.21 No cash or other compensation shall at any time be paid in respect of any Options, SARs or Share Units which have been forfeited under this Plan. All Options, SARs and Share Units shall be cancelled immediately upon forfeiture.

3.22 By participating in the Plan a Participant consents to the holding and processing of personal data provided by the Participant to the Corporation, any Subsidiary or Designated Affiliated Entity, or to any third party service provider for all purposes relating to the operation of the Plan, including (i) administering and maintaining records of the Participant; (ii) providing information to the Corporation, any Subsidiary or Designated Affiliated Entity, their agents and any third party administrators of the Plan; (iii) transferring information about the Participant to a country or territory outside his or her home country that may not provide the same statutory protection for the information as the Participant's home country.

4. ANTI-DILUTION / CHANGE IN CONTROL

4.1 If the number of outstanding Shares of the Corporation shall be adjusted upwards or downwards as a result of a stock split, consolidation or recapitalization, and not either as a result of the issuance of Shares for additional consideration or by way of stock dividend, the Board or Committee shall make appropriate adjustments as regards the number of Shares subject to Options, the Option Price, the Designated SARs Amount and/or the Strike Price of SARs to give effect to the adjustments in the number of Shares.

4.2 Subject to Section 4.4, if at any time after the grant of an Option and prior to the expiration of the term of such Option, the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in the preceding paragraph, or the Corporation shall merge, combine, enter into a plan of arrangement or amalgamate with or into another corporation (the corporation resulting or continuing from such merger, combination, plan of arrangement or amalgamation being herein called the "Successor Corporation"), the Participant shall be entitled to receive upon the subsequent exercise of his or her Option in accordance with the terms hereof and shall accept in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise but for the same aggregate consideration payable therefore, the aggregate number of shares of the appropriate class and/or other securities of the Corporation or the Successor Corporation (as the case may be) and/or other consideration from the Corporation or the Successor Corporation (as the case may be) that the Participant would have been entitled to receive as a result of such reclassification, reorganization or other change or, of such merger, combination, arrangement or amalgamation, if on the record date or effective date (as the case may be) of such reclassification, reorganization or other change or such merger, combination, plan of arrangement or amalgamation (as the case may be) he or she had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.

4.3 The Corporation shall not be required to issue fractional Shares in satisfaction of its obligations hereunder. Any fractional interest in a Share that would, except for the provisions of this Section 4.3, be deliverable upon the exercise or settlement of any Option shall be cancelled and not be deliverable by the Corporation. Accordingly, if a Participant would otherwise have become entitled to a fractional share upon the exercise or settlement of an Option he or she shall have the right to acquire only the next lower whole number of Shares and no payment or other adjustment will be made with respect to the fractional interests so disregarded.

4.4 Except as otherwise set out in any written agreement between a Participant and the Corporation, a Subsidiary or a Designated Affiliated Entity in respect of an Option, SAR or Share Unit, and notwithstanding any other provision of this Plan, in the event of a Change in Control:

(a) where the Option, SAR or Share Unit is not assumed by the Successor Corporation, then the outstanding Options and SARs shall become immediately exercisable and the outstanding Share Units shall vest. If any additional performance conditions apply to any such Share Units, the Release Date will be the end of the most recent fiscal quarter and performance shall be measured based on actual performance.

(b) where the Option, SAR or Share Unit is assumed by the Successor Corporation and, provided only that a Participant's termination of employment with the Corporation or any of its Subsidiaries or Designated Affiliated Entities, occurs in any manner or for any reason, other than Retirement, death, Disability, resignation or termination of employment for cause as of, or within, twelve months of such Change in Control, then:

(i) Any Options or SARs granted to such Participant that is not by its terms then exercisable shall become exercisable for up to the earliest of 12 months after the Participant's termination of employment or the Latest Exercise Date of the Participant's Option; and

- (ii) The outstanding Share Units shall vest. If any additional performance conditions apply to any such Share Units, the Release Date will be the end of the most recent fiscal quarter and performance shall be measured based on actual performance.
 - (c) Where the Option, SAR or Share Unit is assumed by the Successor Corporation and the provisions of Section 4.4(b) above do not apply, then the provisions of any plan or agreement of the Successor Corporation which governs such assumed Option, SAR or Share Unit shall govern.
- 4.5 The Board or the Committee, as the case may be, may, in its sole discretion and subject to such conditions as the Board or Committee considers appropriate, at any time after the Date of Grant of an Option, SAR or Share Unit, determine the acceleration, if any, of the vesting provisions for any Option, SAR or Share Unit and permit a Participant to exercise or redeem any or all of his or her unvested Options, SARs or Share Units then outstanding and granted to the Participant under this Plan, in which event all such unvested Options, SARs or Share Units then outstanding and granted to the Participant shall be deemed to be immediately exercisable during such period of time as may be specified by the Board or the Committee.
- 4.6 Sections 4.4 and 4.5 may be utilized independently or successively in combination or otherwise, and nothing therein contained shall be construed as limiting or affecting the ability of the Company to deal with Options in any other manner.
- 5. ADMINISTRATION
- 5.1 The Plan shall be administered by the Corporation in accordance with its provisions and Applicable Law. All costs and expenses of administering the Plan will be paid by the Corporation, but the Corporation shall not be responsible for the payment of any fees or expenses in respect of the re-sale by a Participant of Shares acquired by him or her under the Plan. In addition to any authority or responsibility of the Corporation specified under any other section of the Plan, the Corporation may:
 - (a) establish, amend and rescind rules, procedures, and forms necessary or desirable for the administration or interpretation of the Plan;
 - (b) interpret and apply the provisions of the Plan and any Option, SAR or Share Unit granted hereunder;
 - (c) set the terms and conditions of any Option, SAR or Share Unit and determine and certify whether, and the extent to which, any such terms and conditions have been satisfied;
 - (d) determine the Market Value under any Part of the Plan;
 - (e) subject to Section 3.7, amend the terms of any Option, SAR or Share Unit or waive any conditions or obligations of a Participant under or with respect to any Option, SAR or Share Unit;
 - (f) correct any defect or supply any omission in respect of the Plan or any Option, SAR or Share Unit; and
 - (g) take any other action it deems necessary or advisable for the administration of the Plan and the granting of Options, SARs and Share Units.
- 5.2 The Corporation may, in its discretion, delegate such of its powers, rights and duties under the Plan, in whole or in part, to any committee or any one or more directors, officers or employees of the Corporation as it may determine from time to time, on terms and conditions as it may determine, except the Corporation shall not, and shall not be permitted to, delegate any such powers, rights or duties to the extent delegation is not consistent with the Applicable Law. The Corporation may also appoint or engage a trustee, custodian or administrator to administer or implement the Plan or any aspect of it, subject to the exception of the immediately preceding sentence.
- 5.3 All actions taken or determinations made by the Corporation or its delegate, in good faith, with respect to the Plan, or any Option, SAR or Share Unit shall not be subject to review by anyone, but shall be final, binding and conclusive upon all persons interested in the Plan or any Option, SAR or Share Unit. The Corporation, may from time to time, establish administrative rules and regulations and prescribe forms or documents relating to the

operation of the Plan as it may deem necessary to implement or further the purpose of the Plan and amend or repeal such rules and regulations or forms or documents.

- 5.4 The Corporation shall keep or cause to be kept such records and accounts as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties. At such times as the Corporation shall determine, the Corporation shall furnish the Participant with a statement setting forth the details of his or her Options, SARs or Share Units, including Date of Grant, Designated Option Amount and the Option Price of each Option, the number of Shares in respect of which the Option has been exercised, the maximum number of Shares which the Participant may still purchase under the Option Program, the Designated SARs Amount held by each Participant and the number of Share Units and Deferred Share Units held by each Participant. Subject to the first sentence of this Section 5.2, such statement shall be deemed to have been accepted by the Participant as correct unless written notice to the contrary is given to the Corporation within 30 days after such statement is given to the Participant.
- 5.5 (a) Any payment, notice, statement, certificate or other instrument required or permitted to be given to a Participant or any person claiming or deriving any rights through him or her shall be given by:
- (i) delivering it personally to the Participant or to the person claiming or deriving rights through him or her, as the case may be, or
 - (ii) mailing it postage paid (provided that the postal service is then in operation) or delivering it to the address which is maintained for the Participant in the Corporation's personnel records.
- (b) Any payment, notice, statement, certificate or other instrument required or permitted to be given to the Corporation shall be given by mailing it postage paid (provided that the postal service is then in operation), delivering it to the Corporation at its principal address, or (other than in the case of a payment) sending it by means of facsimile or similar means of electronic transmission, to the attention of the Stock Plan Administrator.
- (c) Any payment, notice, statement, certificate or other instrument referred to in this Section, if delivered, shall be deemed to have been given or delivered on the date on which it was delivered, if mailed (provided that the postal service is then in operation), shall be deemed to have been given or delivered on the second Business Day following the date on which it was mailed and if by facsimile or similar means of electronic transmission, on the next Business Day following transmission.

PART II

STOCK OPTION PROGRAM

6. OPTION PROGRAM DEFINITIONS

6.1 In this Option Program, the following terms have the following meanings:

"Designated Number" has the meaning ascribed to it in Section 7.1(a) hereof;

"Designated Percentage" has the meaning ascribed to it in Section 7.1(c) hereof;

"Market Price" on any day means the closing price for the Shares on the TSX on the immediately preceding Trading Day or, if the Shares are not listed on the TSX, on such other stock exchange on which the Shares are listed. In the event that the Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of the Shares as determined by the Corporation in its sole discretion, acting reasonably and in good faith.

7. GRANTING OF OPTIONS AND TERMS

7.1 The Corporation may, from time to time, grant an Option to a Participant to acquire Shares in accordance with the Plan. In granting such Option, subject to the provisions hereof, the Corporation shall designate:

- (a) the maximum number (the "Designated Number") of Shares which the Participant may purchase under the Option;
- (b) the price (the "Option Price") per Share at which the Participant may purchase his or her Shares under the Option, which price shall be determined by the Corporation in accordance with Section 7.2 hereof;
- (c) a percentage of the Designated Number (the "Designated Percentage"), determined in accordance with Section 7.3 hereof, representing the maximum number of Shares that may be purchased by a Participant pursuant to the exercise of that Option in each year during the term of such Option, and the date after which such Shares may be purchased (the "Vesting Date"); provided that if a Participant exercises an Option and purchases fewer Shares than the Designated Percentage in any year during the term of the Option, any remaining portion of the Designated Percentage of Shares shall be available for purchase at any time subsequent to the Vesting Date for such Option and prior to the Expiry Time, in addition to Shares otherwise becoming available to the Participant for purchase after any subsequent Vesting Date;
- (d) the Earliest Exercise Date;
- (e) the Latest Exercise Date, which shall be no later than the seventh anniversary of the Date of Grant;
- (f) any additional conditions with respect to the exercise of Options under the Option Program, including conditions in respect of (i) the Market Price and (ii) the financial performance or results of the Corporation, a Subsidiary, a Designated Affiliated Entity, or business unit;
- (g) with respect to Options granted pursuant to Section 9 hereof, whether the Option is intended to constitute an ISO; and
- (h) such other terms or conditions of the Corporation may in its discretion determine.

7.2 The Option Price in respect of an Option shall be determined by the Corporation, but shall be not less than the Market Price of the Corporation's Shares on the Date of Grant of the Option.

7.3 The Designated Percentage in respect of an Option shall be determined by the Corporation in its sole discretion, however, if the Corporation does not specify otherwise, then the Designated Percentage shall be twenty-five percent (25%).

8. EXERCISE OF PARTICIPANTS' OPTIONS

- 8.1 The exercise of an Option under the Plan shall be made by notice to the Corporation in writing specifying and subscribing for the number of Shares in respect of which the Option is being exercised at that time and accompanied by payment of the aggregate Option Price for such number of Shares by a certified cheque, bank draft or wire transfer payable to the Corporation or other similar means of payment satisfactory to the Corporation in the amount of the aggregate Option Price for such number of Shares. Upon receipt of such notice and payment, the Shares in respect of which the Option has been exercised shall be issued as fully-paid and non-assessable shares of the Corporation. As of the business day the Corporation receives such notice and such payment, the Participant (or the person claiming through him or her, as the case may be) shall be entitled to be entered on the share register of the Corporation as the holder of the number of Shares in respect of which the Option was exercised and to receive as promptly as possible thereafter a certificate representing the said number of Shares.
- 8.2 Upon the disposition of any Shares acquired through the exercise of an Option, the Corporation shall have the right to require the Participant to remit to the Corporation an amount sufficient to satisfy all federal, provincial, state and local withholding tax requirements, if any, as a condition to the registration of the transfer of such Shares on its books.
- 8.3 Unless the Corporation otherwise determines, or unless otherwise provided in a written agreement between the Corporation and the Participant, a Participant's Option shall terminate on and may not be exercised after the earliest of:
- (a) one year after the Participant's termination of employment with the Corporation or any of its Subsidiaries or Designated Affiliated Entities by reason of death, Disability or Retirement, during which time unvested options shall continue to vest;
 - (b) the Participant's termination of employment with the Corporation or any of its Subsidiaries or Designated Affiliated Entities, for cause;
 - (c) 30 days after the Participant's termination of employment with the Corporation or any of its Subsidiaries or Designated Affiliated Entities by reason of termination without cause, during which time unvested options shall continue to vest;
 - (d) 30 days after the Participant's termination of employment with the Corporation or any of its Subsidiaries or Designated Affiliated Entities by reason of resignation; and
 - (e) the Latest Exercise Date of the Participant's Option.

For the purposes of Subsections 8.3(a), 8.3(b), 8.3(c), 8.3(d) and the Plan, any and all references to "termination of employment" shall be deemed to refer to the date on which the active employment of the Participant with the Corporation or any Subsidiary ceases, irrespective of any notice or payment in lieu thereof, or, in the event that the Participant resigns, the Participant's last day of active employment with the Corporation.

9. OPTIONS GRANTED TO US RESIDENTS OR CITIZENS

- 9.1 Any Option granted under this Plan to a Participant who is a citizen or resident of the United States (including its territories, possessions and all areas subject to the jurisdiction) (a "U.S. Optionee") may be an incentive stock option (an "ISO") within the meaning of Section 422 of the *Internal Revenue Code of 1986*, as amended, of the United States (the "Code"), but only if so designated by the Corporation in the agreement evidencing such Option. Notwithstanding anything in this Plan contained to the contrary, the following provisions shall apply to ISO's granted to each US Optionee:
- (a) ISO's shall only be granted to US Optionees who are, at the time of grant, officers or key employees;
 - (b) the aggregate fair market value (determined as of the time an ISO is granted) of the Shares subject to ISO's exercisable for the first time by a US Optionee during any calendar year under this Plan and all other Stock Option Plans, within the meaning of Section 422 of the Code, of the Corporation shall not exceed US\$100,000; provided that Options for Shares which exceed such aggregate fair market value or otherwise do not meet the requirements of Section 422 of the Code shall not be void, but shall instead be Options which are granted under Section 7 hereof and are not ISOs;

- (c) the Option Price for Shares under each ISO granted to a US Optionee pursuant to this Plan shall be not less than the Market Price of the Corporation's Shares on the Date of Grant of the Option;
- (d) if any US Optionee to whom an ISO is to be granted under the Plan at the time of the grant of such ISO is the owner of shares possessing more than 10% of the total combined voting power of all classes of shares of the Corporation, then the following special provisions shall be applicable to the ISO granted to such individual:
 - (i) the Option Price (per Share) subject to such ISO shall not be less than 110% of the fair market value of one Share at the time of grant; and
 - (ii) for the purposes of this Section only, the option exercise period shall not exceed five years from the Date of Grant;
- (e) no Option may be granted hereunder to a US Optionee following the expiration of 10 years after the date on which this Plan is adopted by the Corporation or the date on which the Plan is approved by the shareholders of the Corporation, whichever is earlier;
- (f) no Option granted to a US Optionee under the Plan shall become exercisable unless and until the Plan shall have been approved by the shareholders of the Corporation within the time period prescribed under the Code;
- (g) An ISO may not be transferred other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant; and
- (h) In the event that the Continuous Service of a US Optionee terminates as a result of the Participant's disability (as set forth in Section 22(e)(3) of the Code), the Participant may exercise the ISO (to the extent that the Participant was entitled to exercise such ISO as of the date of termination), only within such period of time ending on the earlier of (A) the date twelve months following such termination or (B) the Latest Exercise Date. If, after termination, the Participant does not exercise the ISO within the time specified herein, the ISO will terminate.
- (i) No provision of this Plan, as it may be applied to a US Optionee with respect to an Option intended to be an ISO, shall be construed so as to be inconsistent with any provision of Section 422 of the Code. Grants of Options to US Optionees which are not ISOs may be granted pursuant to Section 7 hereof.

PART III

STOCK APPRECIATION RIGHTS PROGRAM

10. SAR PROGRAM DEFINITIONS

10.1 In this SAR Program, the following terms have the following meanings:

“Designated SARs Percentage” means, with respect to a grant of SARs, the percentage representing the maximum number of such SARs which a Participant may exercise each Year;

“In the Money” means the existence of an excess of the Market Price of a Share at any time over the Strike Price;

“In the Money Amount” means at any time the amount by which a SAR is In the Money;

“Market Price” means at any time (a) with respect to a SAR granted pursuant to Section 11.1(a) “Market Price” as defined in Part II of the Plan for purposes of the Option to which the SAR relates; and (b) with respect to a SAR granted pursuant to Section 11.1(b), means at any time the VWAP of the Shares as traded on the TSX on all Trading Days during the thirty (30) days immediately preceding the particular date, or if the Shares are not listed on the TSX, the VWAP of the Shares as traded on the stock exchange on which the highest aggregate volume of Shares have traded on each of the Trading Days during the thirty (30) days immediately preceding the particular date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of the Shares as determined by the Corporation in its sole discretion, acting reasonably and in good faith;

“SARs Notice” means a notice of form approved by the Corporation whereby a Participant may exercise his SARs for which there is more than one possible exercise date; and

“Strike Price” means, with respect to a SAR, the Market Price on the Date of Grant of such SAR.

11. GRANTING OF SARs

11.1 The Corporation may grant SARs in either of the following forms.

(a) SARs related to Options. The Corporation may grant SARs concurrently with the grant of an Option and the SARs shall extend to all or a portion of the Shares covered by the related Option as specified in the instrument evidencing the grant of SARs. A SAR granted in connection with an Option shall entitle the Participant who holds the related Option, upon exercise of the SAR and surrender of the related Option, or portion thereof, to the extent the SAR and related Option each were previously unexercised, to receive payment of an amount determined pursuant to Sections 12.2. A SAR granted pursuant to this Section 11.1(a) shall be subject to the same terms and conditions, including terms and conditions relating to the Strike Price, exercisability and termination as the related Option.

(b) SARs Independent of Options. The Corporation may grant SARs which are independent of any Option subject to Sections 11.2 and 11.3.

11.2 In granting SARs pursuant to Section 11.1, the Corporation shall designate in the instrument evidencing the grant:

(a) the Earliest Exercise Date applicable to each Designated SARs Percentage;

(b) the Latest Exercise Date applicable to each Designated SARs Percentage, which shall be no later than the seventh anniversary of the Date of Grant and may be the same as the Earliest Exercise Date;

(c) the Designated SARs Percentage; and

(d) the Strike Price.

11.3 Subject to the term of the Plan, the Corporation may determine other terms or conditions, if any, of any SARs, including:

- (a) any additional conditions on the grant of SARs under the SAR Program, including conditions as to the ownership of Shares by a Participant;
 - (b) any additional conditions with respect to the exercise of SARs under the SAR Program, including conditions in respect of (i) the Market Price and (ii) the financial performance or results of the Corporation, a Subsidiary, a Designated Affiliated Entity, or business unit; and
 - (c) such other terms or conditions of the Corporation may in its discretion determine.
- 11.4 The Designated SARs Percentage shall be determined by the Corporation in its sole discretion, however, if the Corporation does not specify otherwise, then the Designated SARs Percentage shall be twenty-five percent (25%).
12. EXERCISE OF SARs
- 12.1 Subject to the provisions of the SAR Program, a SAR may be exercised by the Participant only on or after the Earliest Exercise Date provided that, unless the Corporation at any time otherwise determines, if the number of SARs exercised during any of the Years is less than the maximum number which could have been exercised during that Year, the difference shall be carried forward and added to the maximum number of SARs which may be exercised immediately following the Year, and so on from time to time. Notwithstanding the foregoing, where the Earliest Exercise Date and the Latest Exercise Date of a Designated SARs Percentage is the same date, the SARs represented by such Designated SARs Percentage will be automatically settled by the Company on or soon as practicable after such date, and no SARs Notice shall be required to effect such settlement.
- 12.2 Upon exercising a SAR, the Participant will be paid the In The Money Amount with respect to such right on the date of exercise of the SAR, subject to any applicable withholding of taxes.
- 12.3 Subject to earlier termination as provided for in Sections 3.8, 3.9, 4.4 and 12.7, a Participant's SAR shall terminate and may not be exercised after the Latest Exercise Date.
- 12.4 No certificates shall be issued with respect to such SARs, but the Corporation shall maintain records in the name of each Participant showing the number of SARs to which such Participant is entitled in accordance with the SAR Program.
- 12.5 In order to exercise any SARs in respect of which the Earliest Exercise Date and Latest Exercise Date are not the same date, the Participant must forward a completed SARs Notice by personal delivery, or registered mail or facsimile to the Corporation in the manner provided for in Section 5.3.
- 12.6 [Intentionally deleted.]
- 12.7 Unless the Corporation otherwise determines, or unless otherwise provided in a written agreement between the Corporation and the Participant, a Participant's SARs granted pursuant to Section 11.1(a) shall terminate at the same time as the Options to which such SARs and SARs granted pursuant to Section 11.1(b) shall terminate and be forfeited upon the Participant's termination of Continuous Service.
- 12.8 For the purposes of Section 12.7 and the Plan, any and all references to "termination of Continuous Service" shall be deemed to refer to the date on which the active employment of the Participant with the Corporation or any Subsidiary or Designated Affiliated Entity ceases, irrespective of any notice or payment in lieu thereof, or, in the event that the Participant resigns, the Participant's last day of active employment with the Corporation.

PART IV

RESTRICTED AND PERFORMANCE SHARE UNIT PROGRAM

13. SHARE UNIT PROGRAM DEFINITIONS

13.1 In this Share Unit Program, the following terms have the following meanings:

"Market Price" means at any time the VWAP of the Shares as traded on the TSX for the thirty Trading Days immediately preceding the particular date. In the event that the Shares are not listed and posted on the TSX or any stock exchange, the Market Price shall be the fair market value of the Shares as determined by the Corporation in its sole discretion, acting reasonably and in good faith.

"Release Date" means, for a Share Unit Program Grant, the date or dates on which the number of, or Market Price for, Share Units shall be determined for the purpose of settling such Share Units through the delivery of the payment of the Market Price in cash.

"Settlement Date" means the date on which cash payment of the Market Price is delivered to a Participant with respect to the settlement of any Share Units held by such Participant.

"Share Unit Program Grant" means a grant to a Participant pursuant to Section 14 of a right to receive the Market Price of one or more Shares subject to conditions specified by the Corporation at the time of grant.

14. GRANTING AND ALLOCATION OF SHARE UNITS

14.1 The Corporation may, in its sole discretion, determine whether Share Unit Program Grants will be made to a particular Participant, the number of Share Units or the value of such Share Units at the Date of Grant, and the Release Dates and Settlement Dates for the relevant Shares Units for such Participant, provided that (i) no Release Date shall be later than seven years after the Date of Grant of the Share Units and, if the Corporation does not specify otherwise, then (ii) the number of Share Units in respect of which the Market Price will be paid in cash upon a Settlement Date shall be twenty-five percent (25%) of the total number of Share Units to which the Participant is entitled pursuant to the Share Unit Program Grant. In making such determinations, the Corporation may take into account such criteria as it deems appropriate, including the Participant's: (i) level of responsibility; (ii) rate of compensation; and/or (iii) individual performance and contribution.

14.2 On the Date of Grant, each Participant who receives a Share Unit Program Grant shall be allocated Share Units reflecting such Share Unit Program Grant.

14.3 No certificates shall be issued with respect to such Share Unit Program Grants or Share Units, but the Corporation shall maintain records in the name of each Participant showing the number of Share Units to which such Participant is entitled in accordance with the Share Unit Program.

15. SHARE UNITS

15.1 Subject to the terms of the Plan, the Corporation may determine other terms or conditions of any Share Units, including:

- (a) any additional conditions with respect to the settlement of Share Units granted under the Share Unit Program, including conditions in respect of:
 - (i) the Market Price of the Shares, and
 - (ii) the financial performance or results of the Corporation, a Subsidiary, a Designated Affiliated Entity or business unit;
 - (iii) [Intentionally deleted.]
- (b) the crediting of additional Share Units in connection with the payment of dividends on Shares. Where the Corporation determines that additional Share Units will be credited to a Participant in connection with the payment of dividends on Shares the number of such additional Share Units will be calculated by dividing the dividends that would have been paid to the Participant if the Share Units credited to him

or her according to the records of the Corporation as at the record date for the cash dividend had been Shares by the Market Price on the date on which the dividends are paid on the Shares; and

- (c) any other terms and conditions the Corporation may in its discretion determine.

Additional terms or conditions made applicable to Share Units under this Section 15.1 shall be set out in an instrument issued by the Corporation evidencing the grant of the Share Units.

16. SETTLEMENT OF SHARE UNITS

- 16.1 Where the number of Share Units to be released is not a whole number, the number of Share Units to be released shall be rounded down to the next whole number of Share Units. No fractional Share Units shall be released nor shall cash be paid at any time in lieu of any such fractional interest.

16.2 [Intentionally deleted.]

- 16.3 The Corporation shall satisfy the release of Share Units under the Share Unit Program by the payment of a cash amount to a Participant on the Settlement Date. The amount of such payment shall be equal to the number of Share Units in respect of which the Corporation makes such a determination, multiplied by the Market Price on the Release Date, subject to any applicable withholding tax.

17. TERMINATION OF EMPLOYMENT AND FORFEITURES

Disability or Retirement of Participant

- 17.1 Unless otherwise determined by the Corporation at any time, or unless otherwise provided in a written agreement between the Corporation and the Participant, if a Participant's Continuous Service shall terminate by reason of Disability or Retirement:

- (a) the number of Share Units that vest will be based on the number of calendar months (including partial calendar months) from the Date of Grant of such Share Units to the date on which the Participant's Continuous Service terminates (as a result of Disability or Retirement) divided by the total number of calendar months (including partial calendar months) from the Date of Grant of such Share Units to the Release Date established on the Date of Grant (the "Original Release Date") for such Share Units;
- (b) if any additional performance conditions apply to any such Share Units, the Release Date will be the end of the most recent fiscal quarter, rather than the Original Release Date; provided that the pro-ration shall be made based on the Original Release Date; and performance shall be measured based on actual performance; and
- (c) subject to section 16, the Settlement Date for all such vested Share Units shall be within 90 days after the date on which the Participant's Continuous Service terminates by reason of Retirement or Disability.

Death of Participant

- 17.2 Unless otherwise determined by the Corporation at any time, or unless otherwise provided in a written agreement between the Corporation and the Participant, if a Participant's Continuous Service shall terminate by reason of death:

- (a) the number of Share Units that vest will be based on the number of calendar months (including partial calendar months) from the Date of Grant of such Share Units to the date on which the Participant died divided by the total number of calendar months (including partial calendar months) from the Date of Grant of such Share Units to the Release Date established on the Date of Grant (the "Original Release Date") for such Share Units;
- (b) if any additional performance conditions apply to any such Share Units, the Release Date will be the end of the most recent fiscal quarter, rather than the Original Release Date, and performance shall be determined on the basis that all targets (excluding stretch targets) have been met; provided that the pro-ration shall be made based on the Original Release Date; and

- (c) subject to section 16, the Settlement Date for all such vested Share Units shall be within 90 days of the Participant's death.

Termination for Cause or Resignation of Participant

- 17.3 Unless otherwise determined by the Corporation at any time, or unless otherwise provided in a written agreement between the Corporation and the Participant, if a Participant's Continuous Service shall terminate for cause, or in the event that the Participant resigns, then all Share Units granted to such Participant, whether vested or unvested, for which payment has not been delivered to the Participant on a Settlement Date, shall be forfeited as of the date such Participant resigns or such Participant's Continuous Service is terminated for cause.

Other Termination of Continuous Service

- 17.4 Unless otherwise determined by the Corporation at any time, or unless otherwise provided in a written agreement between the Corporation and the Participant, if a Participant's Continuous Service shall terminate for any reason other than death, Disability, Retirement, resignation or for cause:
 - (a) the number of Share Units that vest will be based on the number of calendar months (including partial calendar months) from the Date of Grant of such Share Units to the date on which the Participant's Continuous Service terminates (for any reason other than death, Disability, Retirement, resignation or for cause) divided by the total number of calendar months (including partial calendar months) elapsed from the Date of Grant of such Share Units to the Release Date established on the Date of Grant (the "Original Release Date") for such Share Units;
 - (b) if any additional performance conditions apply to any such Share Units, the Release Date will be the end of the most recent fiscal quarter, rather than the Original Release Date; provided that the pro-ration shall be made based on the Original Release Date; and performance shall be measured based on actual performance; and
 - (c) subject to section 16, the Settlement Date for all such vested Share Units shall be within 90 days after the date on which the Participant's Continuous Service terminates (for any reason other than death, Disability, Retirement, resignation or for cause).

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