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# Capital Power reports third quarter 2017 results

***Company executing on growth and on track to achieve annual targets***

**EDMONTON, Alberta** – Capital Power Corporation (Capital Power, or the Company) (TSX: CPX) today released financial results for the third quarter ended September 30, 2017.

Net loss attributable to shareholders in the third quarter of 2017 was $5 million and basic loss per share attributable to common shareholders was $0.13 per share, compared with net income of $66 million, and earnings per share of $0.63 per share, in the comparable period of 2016. Normalized earnings attributable to common shareholders in the third quarter of 2017, after adjusting for non-recurring items and fair value adjustments, were $29 million or $0.28 per share compared with $30 million or $0.31 per share in the third quarter of 2016.

Net cash flows from operating activities were $120 million in the third quarter of 2017 compared with $105 million in the third quarter of 2016. Adjusted funds from operations were $134 million in the third quarter of 2017, compared to $79 million in the third quarter of 2016.

For the nine months ended September 30, 2017, net income attributable to shareholders was $154 million and basic earnings per share attributable to common shareholders was $1.30 per share compared with $83 million and $0.71 per share for the nine months ended September 30, 2016. For the nine months ended September 30, 2017, normalized earnings attributable to common shareholders were $88 million, or $0.88 per share, compared with $91 million, or $0.95 per share, in the first nine months of 2016.

Net cash flows from operating activities were $297 million for the nine months ended September 30, 2017 compared with $306 million for the nine months ended September 30, 2016. Adjusted funds from operations were $272 million for the first nine months of 2017, compared to $251 million in the comparable nine month period last year.

“Capital Power’s financial results for the third quarter of 2017 were in line with management’s expectations,” said Brian Vaasjo, President and CEO of Capital Power. “Our results benefitted from strong operating performance, with average plant availability of 97 per cent in addition to contributions from assets acquired earlier in the year and the addition of Bloom Wind. Despite low Alberta spot power prices that averaged $25 per megawatt hour (MWh), our trading desk continued to perform well and captured an average realized power price of $49 per MWh.”

“The net loss in the third quarter of 2017 was driven by non-cash impairment charges of $83 million, which were more than offset on a year-to-date basis by the recognition of deferred tax recoveries of $86 million, in the second quarter of 2016, associated with the Company’s U.S. income tax loss carryforwards.”

“In the third quarter, the Company continued its organic growth in the U.S. renewables market with the commencement of our second wind development project,” said Mr. Vaasjo. “The development of the New Frontier Wind project is underway after we finalized a 12-year fixed price agreement in August 2017 with Morgan Stanley for 87 per cent of the facility’s output. New Frontier Wind is a 99 megawatt wind project located in North Dakota with commercial operations expected to commence in December 2018 that will strengthen our contracted cash flow profile.”

“We also completed two recent financings totaling $600 million in gross proceeds, which included a $450 million medium-term note and $150 million in preferred shares. We remain committed to maintaining our investment grade credit ratings while strengthening our financing capabilities to fund growth with these financings," continued Mr. Vaasjo.

"The Company generated adjusted funds from operations of $134 million in the third quarter and $272 million in the first nine months of 2017. Based on our outlook for the fourth quarter of the year, we are on track to be near the mid-point of the $340 to $385 million target range for 2017," stated Mr. Vaasjo.

| **Operational and Financial Highlights** [1] (unaudited) | **Three months ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| *(millions of dollars except per share and operational amounts)* | **2017** | **2016** | **2017** | **2016** |
| Electricity generation (excluding Sundance C power purchase arrangement (Sundance PPA)) (Gigawatt hours) | 4,725 | 3,930 | 12,361 | 11,535 |
| Generation facility availability (excluding Sundance PPA) | 97% | 96% | 96% | 94% |
| Revenues and other income | $ 346 | $ 374 | $ 885 | $ 934 |
| Adjusted EBITDA [2] | $ 158 | $ 148 | $ 397 | $ 376 |
| Net (loss) income | $ (7) | $ 64 | $ 147 | $ 76 |
| Net (loss) income attributable to shareholders of the Company | $ (5) | $ 66 | $ 154 | $ 83 |
| Basic (loss) earnings per share | $ (0.13) | $ 0.63 | $ 1.30 | $ 0.71 |
| Diluted (loss) earnings per share | $ (0.13) | $ 0.63 | $ 1.29 | $ 0.71 |
| Normalized earnings attributable to common shareholders [2] | $ 29 | $ 30 | $ 88 | $ 91 |
| Normalized earnings per share [2] | $ 0.28 | $ 0.31 | $ 0.88 | $ 0.95 |
| Net cash flows from operating activities | $ 120 | $ 105 | $ 297 | $ 306 |
| Adjusted funds from operations [2, 3] | $ 134 | $ 79 | $ 272 | $ 251 |
| Purchase of property, plant and equipment and other assets | $ 28 | $ 27 | $ 176 | $ 139 |
| Dividends per common share, declared | $ 0.4175 | $ 0.3900 | $ 1.1975 | $ 1.1200 |

1 The operational and financial highlights in this press release should be read in conjunction with Management's Discussion and Analysis and the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2017.

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

3 Commencing with the Company's March 31, 2017 quarter-end, the Company uses adjusted funds from operations as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders.

## Significant events

### *Impairment losses*

During the three months ended September 30, 2017, the Company recognized pre-tax impairment charges of $32 million, $14 million and $37 million with respect to its Southport, Roxboro and Decatur Energy facilities. The impairment charges had no cash impact.

The impairments related to the Southport and Roxboro facilities were based on the uncertainty created by potential additional capital investment at these facilities to meet more restrictive emissions standards. These emissions standards are likely to render the Southport and Roxboro facilities uneconomic once the power purchase agreements associated with those facilities expire in 2021. The impairment related to the

Southport facility removed the carrying amount of the related goodwill of $21 million and reduced the carrying amount of property, plant and equipment by $11 million. The impairment related to the Roxboro facility reduced the carrying amount of the related property, plant and equipment.

An income tax recovery of $86 million was recorded in the second quarter of 2017 related to the recognition of a deferred tax asset associated with the expected utilization of tax loss carryforwards, which was primarily realizable as a result of the acquisition of Decatur Energy. The goodwill impairment related to the Decatur Energy facility partially offsets this income tax recovery, as the goodwill associated with the Decatur Energy facility was primarily attributable to the ability to use these tax losses.

***$450 million medium-term note issue***

On September 18, 2017, the Company issued $450 million of unsecured medium-term notes due in 2024 with interest payable semi-annually at 4.284% commencing on March 18, 2018. The net proceeds of the offering were used for repayment of amounts owing under the Company's credit facilities and for general corporate purposes.

***Completion of contract for output of New Frontier Wind***

On August 30, 2017, Capital Power announced that the development of its New Frontier Wind facility will proceed immediately. New Frontier Wind is a 99 MW facility to be constructed in McHenry County, North Dakota and is anticipated to cost $182 million (US$145 million). The Company is in the final stages of selecting a turbine supplier and commercial operation of the facility is expected in December of 2018. Capital Power will operate New Frontier Wind under a 12-year fixed price contract with Morgan Stanley Capital Group Inc. covering 87% of the facility's output. Under the contract, Capital Power will swap the market revenue of the facility's generation for a fixed price payment over a 12-year term. The agreement will secure long-term predictable revenues, allowing New Frontier Wind to secure renewable energy tax equity financing and provide Capital Power the opportunity to complete its second wind development project in the growing U.S. renewables market.

***Preferred share offering***

On August 9, 2017, the Company issued 6 million Cumulative Minimum Rate Reset Preference Shares, Series 9 (Series 9 Shares) priced at $25.00 per share for gross proceeds of $150 million less issue costs of $4 million on a bought deal basis with a syndicate of underwriters. The preferred shares will pay fixed cumulative dividends of $1.4375 per share per annum, yielding 5.75% per annum, payable on the last business day of March, June, September and December of each year, as and when declared by the Board of Directors of Capital Power, for the initial period ending September 30, 2022. The dividend rate will be reset on September 30, 2022 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.12%, provided that in any event such rate shall not be less than 5.75%. The Series 7 Shares are redeemable by Capital Power, at its option, on September 30, 2022 and every five years thereafter at a value of $25.00 per share.

Holders of the Series 9 Shares will have the right to convert all or any part of their shares into Cumulative Floating Rate Preference Shares, Series 10 (Series 10 Shares), subject to certain conditions, on September 30, 2022 and every five years thereafter. Holders of the Series 10 Shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 4.12%, as and when declared by the Board of Directors of Capital Power. The Series 10 Shares would be redeemable by Capital Power, at its option, on September 30, 2027 and September 30 of every fifth year thereafter at a value of $25.00 per share. The Series 10 shares would also be redeemable by Capital Power, at its option, on any date after September 30, 2022, excluding September 30 of every fifth year, at a value of $25.50 per share.

***Dividend increase***

On July 25, 2017, the Company's Board of Directors approved an increase of 7.1% in the annual dividend for holders of its common shares, from $1.56 per common share to $1.67 per common share. This increased common dividend will commence with the third quarter 2017 quarterly dividend payment on October 31, 2017 to shareholders of record at the close of business on September 29, 2017.

***Acquisition of Decatur Energy and $183 million public offering***

On April 12, 2017, the Company announced that it entered into an agreement to acquire all of the ownership interests in Decatur Power Holdings, LLC, which owns the Decatur Energy Center (Decatur Energy) from an affiliate of LS Power Equity Partners III. On June 13, 2017, the Company completed the acquisition of Decatur Energy for $603 million (US$448 million), including working capital and other closing adjustments of $9 million (US$7 million). Decatur Energy is a 795 MW natural gas-fired combined cycle power generation facility located in Decatur, Alabama that operates under a tolling agreement.

Decatur Energy sells capacity and energy to a regional entity under a long-term contract which has an original term of 10 years and expires December 31, 2022. Decatur Energy is well-positioned, given anticipated market conditions, as well as significant remaining useful life, to be re-contracted or to pursue other commercial alternatives at the end of the current long-term contract, including the ability to sell power into the Pennsylvania, New Jersey, and Maryland interconnection market starting in 2023.

Financing of the Decatur Energy acquisition consisted of a combination of debt and equity. On April 24, 2017, the Company announced the completion of its previously announced public offering of 7,375,000 subscription receipts (Subscription Receipts), on a bought deal basis, at an issue price of $24.75 per Subscription Receipt, for total gross proceeds of $183 million less issue costs of $7 million. On June 13, 2017, upon closing of the Decatur Energy acquisition, each Subscription Receipt was converted for one common share of the Company. No dividend record date occurred during the period when the Subscription Receipts were outstanding and as such, no obligations to make any cash dividend equivalent payments were triggered.

The balance of the purchase price was financed through debt utilizing a temporary expansion of Capital Power's credit facilities which was followed by permanent financing with the issuance of the medium-term note disclosed above.

The Decatur Energy acquisition supports the Company's growth strategy and increases the Company's geographical diversification and contracted cash flows. During the first full year of operations, the Decatur Energy acquisition is expected to increase adjusted funds from operations by $43 million and increase adjusted EBITDA by $60 million.

***Bloom Wind begins commercial operation***

On June 1, 2017, the Company's 178MW Bloom Wind facility commenced commercial operations. On June 12, 2017, the Company received $244 million (US $181 million) in financing from an affiliate of Goldman Sachs in exchange for Class A interests of a subsidiary of the Company. The Company incurred issue costs of $7 million (US$5 million) associated with the financing. Effective July 1, 2017, Bloom Wind will operate under a 10-year proxy revenue swap agreement with Allianz Risk Transfer, a subsidiary of Allianz SE. Under the contract, which was executed on April 21, 2016, Capital Power swaps the market revenue of the project's generation for a fixed annual payment for a 10-year term. The agreement secures long-term predictable revenues and mitigates generation volume uncertainty.

***Acquisition of thermal facilities***

On February 21, 2017, the Company announced that it entered into an agreement to acquire the thermal power business of Veresen Inc. Under the terms of the agreement, Capital Power acquired 284 MW of generation from two natural gas-fired power assets in Ontario consisting of the 84 MW East Windsor Cogeneration Centre (East Windsor) and a 50% interest in the 400 MW York Energy Centre (York Energy), and operates both facilities. The transaction also includes 10 MW of zero-emissions waste heat generation from two facilities (5 MW each), together known as EnPower Green Energy Generation (EnPower), located at Westcoast Energy's BC Gas Pipeline compressor stations in Savona and 150 Mile House, British Columbia.

On April 13, 2017, the Company announced that it had completed the acquisition of the two natural gas-fired power facilities in Ontario. The purchase price for the natural gas-fired facilities consisted of (i) $235 million in total cash consideration, including working capital and other closing adjustments of $12 million, and (ii) the assumption of $254 million of project level debt (proportionate basis at acquisition date net book value).

On June 1, 2017, the Company completed the acquisition of EnPower. The purchase price consisted of (i) $8 million of total cash consideration, including working capital and other closing adjustments of $3 million, and (ii) the assumption of $18 million of project level debt.

The acquisitions of these facilities support the Company's growth strategy and are consistent with the Company's technology and operating focus. During the first full year of operations, these acquisitions are expected to increase adjusted funds from operations by $24 million and increase adjusted EBITDA by $55 million.

### *Appointments to the Board of Directors*

Effective April 3, 2017, Keith Trent and Katharine Stevenson were appointed to the Capital Power Board of Directors.

### *Amendment of Genesee Coal Mine Joint Venture Agreement*

On March 28, 2017, the Company announced that it entered into an agreement (the Amending Agreement) to amend its Genesee Mine Joint Venture Agreement with Prairie Mines & Royalty ULC (PMRU), a subsidiary of Westmoreland Coal Company, to accelerate the repayment of amounts it would otherwise have owed to PMRU during the term of the agreement and eliminate all future payments to PMRU relating to existing capital assets at the Genesee Coal Mine (Coal Mine). Capital Power will continue to pay PMRU contracted mining fees for PMRU's ongoing operation of the Coal Mine.

By accelerating the $70 million repayment of capital expenditures to PMRU, the transaction will reduce Capital Power's cost of coal for the Genesee facility, and enhance the Company's net income, adjusted EBITDA, net cash flows from operating activities and adjusted funds from operations. These cost reductions were anticipated to take place and have been included in the adjusted funds from operations guidance that was provided as part of the Company's year-end disclosure on February 17, 2017. As a result of the transaction, net cash flows from operating activities are expected to increase by $14 million for 2017. The operations and management of the Coal Mine are unchanged as a result of the Amending Agreement and the Company will continue to control the Coal Mine and treat it as a subsidiary.

Coal for the Genesee facility is supplied by the adjacent Coal Mine under a long-term, cost of service supply agreement. Prior to the Amending Agreement, Capital Power paid PMRU a fee to cover PMRU's depreciation expense and certain other costs, as well as provide a variable rate of return to PMRU. These fees paid to PMRU were included as part of Capital Power's cost of coal for operating the Genesee facility, and will be eliminated with the Amending Agreement.

## <u>Analyst conference call and webcast</u>

Capital Power will be hosting a conference call and live webcast with analysts on October 25, 2017 at 9:00 am (MT) to discuss its third quarter operating and financial results. The conference call dial-in numbers are:

(604) 638-5340 (Vancouver)
(403) 351-0324 (Calgary)
(416) 915-3239 (Toronto)
(514) 375-0364 (Montreal)
(800) 319-4610 (toll-free from Canada and USA)

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

## Non-GAAP financial measures

The Company uses (i) adjusted EBITDA, (ii) adjusted funds from operations, (iii) normalized earnings attributable to common shareholders, and (iv) normalized earnings per share as financial performance measures. These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP, and, therefore, are unlikely to be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to net income, net income attributable to shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective. Reconciliations of adjusted EBITDA to net income (loss), adjusted funds from operations to net cash flows from operating activities and normalized earnings attributable to common shareholders to net income (loss) attributable to shareholders of the Company are disclosed below and are discussed further in the Company's Management's Discussion and Analysis, prepared as of October 24, 2017, for the nine months ended September 30, 2017 which is available under the Company's profile on SEDAR at www.SEDAR.com.

### Adjusted EBITDA

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

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

| (unaudited, $ millions) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| Revenues and other income | 346 | 201 | 338 | 280 | 374 | 226 | 334 | 337 |
| Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense | (198) | (119) | (208) | (148) | (232) | (127) | (225) | (216) |
| Adjusted EBITDA from joint ventures [1] | 10 | 14 | 13 | 12 | 6 | 9 | 11 | 13 |
| **Adjusted EBITDA** | **158** | **96** | **143** | **144** | **148** | **108** | **120** | **134** |
| Depreciation and amortization | (74) | (65) | (60) | (53) | (53) | (54) | (56) | (56) |
| Impairments | (83) | - | - | - | (6) | - | - | - |
| Losses on termination of power purchase arrangement | - | - | - | (20) | - | - | (53) | - |
| Foreign exchange gain (loss) | 21 | 9 | 2 | (4) | 3 | (1) | 8 | - |
| Net finance expense | (31) | (25) | (20) | (24) | (21) | (19) | (22) | (27) |
| Finance expense from joint ventures [1] | (6) | (2) | (3) | (3) | (3) | (4) | (3) | (3) |
| Income tax recovery (expense) | 8 | 94 | (15) | (14) | (4) | (10) | (2) | (14) |
| **Net (loss) income** | **(7)** | **107** | **47** | **26** | **64** | **20** | **(8)** | **34** |
| | | | | | | | | |
| **Net (loss) income attributable to:** | | | | | | | | |
| Non-controlling interests | (2) | (2) | (3) | (2) | (2) | (3) | (2) | (1) |
| Shareholders of the Company | (5) | 109 | 50 | 28 | 66 | 23 | (6) | 35 |
| **Net (loss) income** | **(7)** | **107** | **47** | **26** | **64** | **20** | **(8)** | **34** |

[1] Total income from joint ventures as per the Company's consolidated statements of income.

### Adjusted funds from operations

Adjusted funds from operations represents net cash flows from operating activities adjusted to include net finance expenses and current income tax expenses and exclude changes in operating working capital and distributions received from the Company's joint venture interests. Net finance expenses and current income tax expenses are included as the timing of cash receipts and payments of interest and income taxes and the resulting cash basis amounts are not comparable from period to period. Changes in operating working capital are excluded from adjusted funds from operations as the timing of cash receipts and payments also affects the period-to-period comparability. Distributions received from the Company's joint venture interests are excluded as the distribution is calculated after the effect of joint venture debt payments, which are not considered an operating activity. Adjusted funds from operations also exclude the impact of fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty. The Company includes interest and current income tax expenses excluding Part VI.1 tax recorded during the period rather than interest and income taxes paid. Adjusted funds from operations is reduced by sustaining capital expenditures and preferred share dividends and adjusted to include the Company's share of the adjusted funds from operations of its joint venture interests and cash from coal compensation that will be received annually.

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

| (unaudited, $ millions) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Net cash flows from operating activities per condensed interim consolidated statements of cash flows** | **120** | **105** | **297** | **306** |
| Add (deduct) items included in calculation of net cash flows from operating activities per consolidated statements of cash flows: | | | | |
| Interest paid | 18 | 13 | 55 | 54 |
| Change in fair value of derivatives reflected as cash settlement | 6 | 7 | 6 | 20 |
| Realized gains on the settlement of interest rate derivatives | - | (1) | - | (1) |
| Distributions received from joint ventures | (8) | (3) | (22) | (20) |
| Miscellaneous financing charges paid [1] | 2 | 2 | 4 | 3 |
| Income taxes paid (recovered) | 2 | (1) | 2 | - |
| Change in non-cash operating working capital | (10) | (9) | - | (12) |
| | 10 | 8 | 45 | 44 |
| Net finance expense [2] | (31) | (19) | (73) | (58) |
| Current income tax expense | (4) | (5) | (11) | (12) |
| Decrease in current income tax expense due to Part VI.1 tax | 4 | 2 | 10 | 9 |
| Sustaining capital expenditures [3] | (12) | (8) | (47) | (38) |
| Preferred share dividends paid | (9) | (5) | (25) | (15) |
| Cash received from coal compensation | 50 | - | 50 | - |
| Adjusted funds from operations from joint ventures | 6 | 1 | 26 | 15 |
| **Adjusted funds from operations** | **134** | **79** | **272** | **251** |

1 Included in other cash items on the condensed interim consolidated statements of cash flows.

2 Excludes unrealized changes on interest rate derivative contracts and amortization and accretion charges.

3 Includes Genesee performance standard expenditures and sustaining capital expenditures net of joint venture contributions of $3 million and $7 million for the three and nine months ended September 30, 2017, respectively, compared with $2 million and $5 million for the three and nine months ended September 30, 2016, respectively.

### Normalized earnings attributable to common shareholders and normalized earnings per share

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

| (unaudited, $ millions except per share amounts and number of common shares) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| **Basic (loss) earnings per share ($)** | **(0.13)** | **1.03** | **0.44** | **0.21** | **0.63** | **0.19** | **(0.11)** | **0.29** |
| **Net (loss) income attributable to shareholders of the Company per condensed interim consolidated statements of (loss) income** | **(5)** | **109** | **50** | **28** | **66** | **23** | **(6)** | **35** |
| Preferred share dividends including Part VI.1 tax | (9) | (8) | (8) | (8) | (5) | (5) | (5) | (6) |
| Earnings (loss) attributable to common shareholders | (14) | 101 | 42 | 20 | 61 | 18 | (11) | 29 |
| Impairment losses | 53 | - | - | - | 4 | - | - | - |
| Unrealized foreign exchange loss (gain) on revaluation of U.S. dollar denominated debt | 44 | (12) | (1) | 3 | 1 | 1 | (8) | 1 |
| Realized foreign exchange gain on revaluation of U.S. dollar denominated debt | (35) | - | - | - | - | - | - | - |
| Unrealized changes in fair value of derivatives | (31) | 23 | (7) | (8) | (22) | 10 | 5 | 11 |
| Realized foreign exchange loss on settlement of foreign currency derivative instruments | 12 | - | - | - | - | - | - | - |
| Recognition of U.S. deferred tax assets related to non-capital losses | - | (86) | - | - | - | - | - | - |
| Loss on de-recognition of the Sundance C power purchase arrangement (Sundance PPA) | - | - | - | - | - | - | 46 | - |
| Change in unrecognized tax benefits | - | - | - | - | (27) | - | - | - |
| Settlement of Sundance power purchase arrangement legal action | - | - | - | 15 | - | - | - | - |
| Deferred income tax (reduction) expense related to temporary difference on investment in subsidiary | - | - | - | (1) | 13 | - | - | - |
| Success fee received related to development project | - | - | - | (3) | - | - | - | - |
| Release of tax liability on foreign domiciled investment | - | - | (1) | - | - | - | - | - |
| **Normalized earnings attributable to common shareholders** | **29** | **26** | **33** | **26** | **30** | **29** | **32** | **41** |
| Weighted average number of common shares outstanding (millions) | 104.1 | 98.1 | 96.3 | 96.1 | 96.1 | 96.1 | 96.4 | 98.7 |
| **Normalized earnings per share ($)** | **0.28** | **0.27** | **0.34** | **0.27** | **0.31** | **0.30** | **0.33** | **0.42** |

**Forward-looking information**

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

Material forward-looking information in this press release includes disclosures regarding: (i) expectations pertaining to the amendment of the Genesee Coal Mine Joint Venture Agreement regarding reduction to Capital Power's cost of coal and expected enhancements to the Company's net income, adjusted EBITDA, net cash flows from operating activities and adjusted funds from operations, (ii) expectations pertaining to the financial impacts of the acquisition of the Veresen thermal facilities including expected impacts to adjusted funds from operations and adjusted EBITDA, and (iii) expectations pertaining to the acquisition of Decatur Energy including expected impacts to adjusted funds from operations and adjusted EBITDA, and re-contracting of the facility.

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

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) changes in electricity prices in markets in which the Company operates, (ii) changes in energy commodity market prices and use of derivatives, (iii) regulatory and political environments including changes to environmental, financial reporting, market structure and tax legislation, (iv) facility availability and performance including maintenance of equipment, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's Management's Discussion and Analysis for the year ended December 31, 2016, prepared as of February 17, 2017, for further discussion of these and other risks.

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

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# CAPITAL POWER CORPORATION

## Management's Discussion and Analysis

This management's discussion and analysis (MD&A), prepared as of October 24, 2017, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Capital Power Corporation and its subsidiaries for the nine months ended September 30, 2017, the audited consolidated financial statements and MD&A of Capital Power Corporation for the year ended December 31, 2016, the annual information form of Capital Power Corporation dated March 6, 2017, and the cautionary statements regarding forward-looking information which begin on page 11. In this MD&A, any reference to the Company or Capital Power, except where otherwise noted or the context otherwise indicates, means Capital Power Corporation together with its subsidiaries.

In this MD&A, financial information for the nine months ended September 30, 2017 and the nine months ended September 30, 2016 is based on the unaudited condensed interim consolidated financial statements of the Company for such periods which were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors approved this MD&A as of October 24, 2017.

## Contents

## FORWARD-LOOKING INFORMATION

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

Material forward-looking information in this MD&A includes expectations regarding:

- future revenues, expenses, earnings and adjusted funds from operations,
- the future pricing of electricity and market fundamentals in existing and target markets,
- future dividend growth,
- the Company's future cash requirements including interest and principal repayments, capital expenditures, dividends and distributions,
- the Company's sources of funding, adequacy and availability of committed bank credit facilities and future borrowings,
- future growth and emerging opportunities in the Company's target markets including the focus on certain technologies,
- the timing of, funding of, and costs for existing, planned and potential development projects and acquisitions (including New Frontier Wind),
- facility availability and planned outages,
- capital expenditures for facility maintenance and other (sustaining capital, future growth projects),
- the impact of environmental regulations on the Company, its businesses, accounting policies, and emissions compliance costs,
- the impact of the transition to a capacity market on the Company's future growth projects including the Genesee 4 and 5 project,
- expectations pertaining to the financial impacts of the acquisition of the Veresen thermal facilities (see Significant Events), including expected impacts to adjusted funds from operations and adjusted EBITDA,
- expectations pertaining to the amendment of the Genesee Coal Mine Joint Venture Agreement (see Significant Events) regarding reduction to Capital Power's cost of coal and expected enhancements to the Company's net income, adjusted EBITDA, net cash flows from operating activities and adjusted funds from operations,
- expectations pertaining to the acquisition of Decatur Energy (see Significant Events) regarding: (i) financial impacts including expected impacts to adjusted funds from operations and adjusted EBITDA, and (ii) re-contracting of the facility, and
- impacts of future IFRS standards and amendments.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate including its review of purchased businesses and assets. The material factors and assumptions used to develop these forward-looking statements relate to:

- electricity and other energy prices,
- performance,
- business prospects and opportunities including expected growth and capital projects,
- status of and impact of policy, legislation and regulations,
- effective tax rates,
- other matters discussed under the Performance Overview and Outlook, and
- anticipated performance of the acquired Veresen thermal facilities and Decatur Energy (see Significant Events).

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are:

- changes in electricity prices in markets in which the Company operates,
- changes in energy commodity market prices and use of derivatives,
- regulatory and political environments including changes to environmental, financial reporting, market structure and tax legislation,
- generation facility availability and performance including maintenance of equipment,
- ability to fund current and future capital and working capital needs,
- acquisitions and developments including timing and costs of regulatory approvals and construction,
- changes in market prices and availability of fuel,
- ability to realize the anticipated benefits of the acquisitions,
- limitations inherent in the Company's review of purchased business and assets, and
- changes in general economic and competitive conditions.

See Risks and Risk Management in the Company's December 31, 2016 annual MD&A for further discussion of these and other risks.

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

## OVERVIEW OF BUSINESS AND CORPORATE STRUCTURE

Capital Power is a growth-oriented North American power producer headquartered in Edmonton, Alberta. The Company develops, acquires, operates and optimizes power generation from a variety of energy sources. Including the acquisitions of the Ontario natural gas-fired generation assets, EnPower and Decatur Energy (see Significant Events), all of which closed in the second quarter of 2017, Capital Power owns approximately 4,500 megawatts (MW) of power generation capacity across North America. More than 600 MW of owned generation capacity is in advanced development in Alberta and North Dakota.

The Company's power generation operations and assets are owned by Capital Power L.P. (CPLP) and Capital Power (US Holdings) Inc., both wholly owned subsidiaries of the Company.

## CORPORATE STRATEGY

The Company's corporate strategy remains unchanged from that disclosed in its 2016 annual MD&A.

## PERFORMANCE OVERVIEW

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

### Operational excellence

| Performance measure | 2017 target [1] | Actual results for the nine months ended September 30, 2017 |
|---|---|---|
| Facility availability average | 95% or greater | 96% |
| Sustaining capital expenditures | $80 million | $46 million [2] |
| Genesee performance standard [3] | $10 million | $1 million |
| Facility operating and maintenance expenses | $215 million to $240 million | $161 million |

1 The targets presented at the Company's Investor Day in December 2016 were revised to include the expected impacts of the acquisitions of the thermal power business of Veresen Inc. and the Decatur Energy Center for the periods subsequent to the close of those transactions (see Significant Events).

2 Includes sustaining capital expenditures net of joint venture contributions of $7 million.

3 This project is designed to reduce $CO_2$ emissions and improve the efficiency of the Company's coal-fired facilities in response to the Alberta Climate Leadership Plan (CLP).

The Company's facility availability averaged 96% which reflected planned outages at Genesee, Shepard, Clover Bar Energy Centre, Roxboro, Southport, Keephills 3, York Energy and East Windsor. Unplanned outages also occurred at Keephills 3, Southport, Genesee, Joffre, Shepard, Clover Bar Energy Centre and Halkirk.

Sustaining capital expenditures for the nine months ended September 30, 2017 were lower than target for the year to date and the full year expenditures are expected to be below target due largely to lower expected mine capital spending. Expenditures for the Genesee performance standard for the nine months ended September 30, 2017 were lower than target for the year to date and are expected to be below target due primarily to the deferral of certain activities into future periods.

The facility operating and maintenance expenses target includes other raw materials and operating charges, staff costs and employee benefits expense and other administrative expense for the Company's facilities. The actual results for the nine months ended September 30, 2017 were in line with the target for the year to date and the full year expenditures are expected to be consistent with the target.

### Disciplined growth

| Performance measure | 2017 target | Status as at September 30, 2017 |
|---|---|---|
| Bloom Wind | Complete Bloom Wind on time and on budget. | Bloom Wind began commercial operations on June 1, 2017 (See Significant Events). Construction was completed ahead of schedule and construction costs were below budget. |
| New development | Execute contracts for the output of two new developments. | The Company has entered into a 12-year fixed-for-floating swap for the majority of the output of its New Frontier Wind facility (see Significant Events). Other Company development sites are progressing. |

**Financial stability and strength**

| Performance measure | 2017 target [1] | Actual results for the nine months ended September 30, 2017 |
|---|---|---|
| Adjusted funds from operations [2] | $340 million to $385 million | $272 million |

1 The target presented at the Company's Investor Day in December 2016 was revised to include the expected impacts of the acquisitions of the thermal power business of Veresen Inc. and Decatur Energy Center for the periods subsequent to the close of those transactions (see Significant Events).

2 Adjusted funds from operations is a non-GAAP measure. See Non-GAAP Financial Measures. Commencing with the Company's March 31, 2017 quarter-end, adjusted funds from operations is used as management views this as a better measure of its available cash generated from current operating activities to fund growth capital expenditures, common share dividends and debt repayments for future periods.

## OUTLOOK

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

At its Investor Day held in December 2016, the Company introduced a new financial metric and provided financial guidance for 2017 adjusted funds from operations (see Non-GAAP Financial Measures) in the range of $305 million to $345 million. This range was subsequently revised as a result of the acquisition of the thermal power business of Veresen Inc. (see Significant Events) to be $320 million to $365 million, which includes the expected results of the acquired assets subsequent to transaction close. With the addition of the Decatur Energy facility (see Significant Events) the projected range for 2017 adjusted funds from operations was increased to $340 million to $385 million. Based on the actual results for the first nine months of 2017 and the Company's forecast for the remainder of 2017, adjusted funds from operations for the full year is expected to be near the mid-point of the target range.

Priorities for the Company for the remainder of 2017 continue to include efficiently integrating the thermal power facilities acquired from Veresen Inc. and Decatur Energy (see Significant Events), working with the Government of Alberta concerning the transition away from an energy-only market to a capacity market and working diligently with regulators and other generators in the Province to implement the Carbon Competitiveness Regulation (CCR). The Company is also working to manage its carbon costs by utilizing its credit inventory and by pursuing generation facility modifications. The Company is well positioned to be competitive in the current Alberta Renewable Electricity Program procurement process.

In 2017, Capital Power's availability target of 95% reflects major scheduled maintenance outages for Genesee 1, Clover Bar Energy Centre, Southport, Roxboro and Keephills 3 compared to those scheduled for Genesee 2, Genesee 3, Clover Bar Energy Centre, Southport, Roxboro, Joffre and Shepard in 2016.

The Alberta portfolio position, contracted prices and forward Alberta pool prices for 2018, 2019 and 2020, as at September 30, 2017, were:

| Alberta commercial portfolio positions and power prices | Full year 2018 | Full year 2019 | Full year 2020 |
|---|---|---|---|
| Percentage of baseload generation sold forward [1] | 86% | 45% | 25% |
| Contracted price [2] | High-$40 per megawatt hour (MWh) | Low-$50 per MWh | Low-$50 per MWh |
| Forward Alberta pool prices | $44 | $46 | $45 |

1 Based on the Alberta baseload facilities plus a portion of Joffre and the uncontracted portion of Shepard.

2 Forecasted average contracted prices may differ significantly from future average realized prices as future realized prices are driven by a combination of previously contracted prices and settled prices.

The 2017 targets and forecasts are based on numerous assumptions including power and natural gas price forecasts. However, they do not include the effects of potential future acquisitions, beyond those described in Significant Events, or development activities, or potential market and operational impacts relating to unplanned facility outages including outages at facilities of other market participants, and the related impacts on market power prices.

At its Investor Day held in December 2016, the Company confirmed 7% annual dividend growth guidance for 2017 and 2018. With the recent growth in the Company's contracted cash flows, management has extended this dividend growth guidance to the end of 2020. Each annual increase is subject to changing circumstances and approval by the Board of Directors of Capital Power at the time of the increase.

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

## NON-GAAP FINANCIAL MEASURES

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

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

### Adjusted EBITDA

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

Commencing with the Company's March 31, 2016 quarter-end, the reported adjusted EBITDA measure was changed to include Capital Power's share of adjusted EBITDA from its joint venture interests. All comparative adjusted EBITDA amounts for quarters prior to those ended on March 31, 2016 were revised to conform with this change.

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

| (unaudited, $ millions) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| Revenues and other income | 346 | 201 | 338 | 280 | 374 | 226 | 334 | 337 |
| Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense | (198) | (119) | (208) | (148) | (232) | (127) | (225) | (216) |
| Adjusted EBITDA from joint ventures [1] | 10 | 14 | 13 | 12 | 6 | 9 | 11 | 13 |
| **Adjusted EBITDA** | **158** | **96** | **143** | **144** | **148** | **108** | **120** | **134** |
| Depreciation and amortization | (74) | (65) | (60) | (53) | (53) | (54) | (56) | (56) |
| Impairments | (83) | - | - | - | (6) | - | - | - |
| Losses on termination of power purchase arrangement | - | - | - | (20) | - | - | (53) | - |
| Foreign exchange gain (loss) | 21 | 9 | 2 | (4) | 3 | (1) | 8 | - |
| Net finance expense | (31) | (25) | (20) | (24) | (21) | (19) | (22) | (27) |
| Finance expense from joint ventures [1] | (6) | (2) | (3) | (3) | (3) | (4) | (3) | (3) |
| Income tax recovery (expense) | 8 | 94 | (15) | (14) | (4) | (10) | (2) | (14) |
| **Net (loss) income** | **(7)** | **107** | **47** | **26** | **64** | **20** | **(8)** | **34** |
| | | | | | | | | |
| **Net (loss) income attributable to:** | | | | | | | | |
| Non-controlling interests | (2) | (2) | (3) | (2) | (2) | (3) | (2) | (1) |
| Shareholders of the Company | (5) | 109 | 50 | 28 | 66 | 23 | (6) | 35 |
| **Net (loss) income** | **(7)** | **107** | **47** | **26** | **64** | **20** | **(8)** | **34** |

1 Total income from joint ventures as per the Company's consolidated statements of income.

## Adjusted funds from operations

Commencing with the Company's March 31, 2017 quarter-end, the Company uses adjusted funds from operations as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders. Previously, the Company used funds from operations as a measure of the Company's ability to generate cash from its current operating activities to fund capital expenditures, debt repayments, dividends to the Company's shareholders and distributions to non-controlling interests.

Adjusted funds from operations represents net cash flows from operating activities adjusted to include net finance expenses and current income tax expenses and exclude changes in operating working capital and distributions received from the Company's joint venture interests. Net finance expenses and current income tax expenses are included as the timing of cash receipts and payments of interest and income taxes and the resulting cash basis amounts are not comparable from period to period. Changes in operating working capital are excluded from adjusted funds from operations as the timing of cash receipts and payments also affects the period-to-period comparability. Distributions received from the Company's joint venture interests are excluded as the distribution is calculated after the effect of joint venture debt payments, which are not considered an operating activity. Adjusted funds from operations also exclude the impact of fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty. The Company includes interest and current income tax expenses excluding Part VI.1 tax recorded during the period rather than interest and income taxes paid. Adjusted funds from operations is reduced by sustaining capital expenditures and preferred share dividends and adjusted to include the Company's share of the adjusted funds from operations of its joint venture interests and cash from coal compensation that will be received annually.

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

| (unaudited, $ millions) | **Three months ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Net cash flows from operating activities per condensed interim consolidated statements of cash flows** | **120** | **105** | **297** | **306** |
| Add (deduct) items included in calculation of net cash flows from operating activities per consolidated statements of cash flows: | | | | |
| Interest paid | 18 | 13 | 55 | 54 |
| Change in fair value of derivatives reflected as cash settlement | 6 | 7 | 6 | 20 |
| Realized gains on the settlement of interest rate derivatives | - | (1) | - | (1) |
| Distributions received from joint ventures | (8) | (3) | (22) | (20) |
| Miscellaneous financing charges paid [1] | 2 | 2 | 4 | 3 |
| Income taxes paid (recovered) | 2 | (1) | 2 | - |
| Change in non-cash operating working capital | (10) | (9) | - | (12) |
| | 10 | 8 | 45 | 44 |
| Net finance expense [2] | (31) | (19) | (73) | (58) |
| Current income tax expense | (4) | (5) | (11) | (12) |
| Decrease in current income tax expense due to Part VI.1 tax | 4 | 2 | 10 | 9 |
| Sustaining capital expenditures [3] | (12) | (8) | (47) | (38) |
| Preferred share dividends paid | (9) | (5) | (25) | (15) |
| Cash received from coal compensation | 50 | - | 50 | - |
| Adjusted funds from operations from joint ventures | 6 | 1 | 26 | 15 |
| **Adjusted funds from operations** | **134** | **79** | **272** | **251** |

1 Included in other cash items on the condensed interim consolidated statements of cash flows.

2 Excludes unrealized changes on interest rate derivative contracts and amortization and accretion charges.

3 Includes Genesee performance standard expenditures and sustaining capital expenditures net of joint venture contributions of $3 million and $7 million for the three and nine months ended September 30, 2017, respectively, compared with $2 million and $5 million for the three and nine months ended September 30, 2016, respectively.

### Normalized earnings attributable to common shareholders and normalized earnings per share

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

| (unaudited, $ millions except per share amounts and number of common shares) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| **Basic (loss) earnings per share ($)** | **(0.13)** | **1.03** | **0.44** | **0.21** | **0.63** | **0.19** | **(0.11)** | **0.29** |
| **Net (loss) income attributable to shareholders of the Company per condensed interim consolidated statements of (loss) income** | **(5)** | **109** | **50** | **28** | **66** | **23** | **(6)** | **35** |
| Preferred share dividends including Part VI.1 tax | (9) | (8) | (8) | (8) | (5) | (5) | (5) | (6) |
| Earnings (loss) attributable to common shareholders | (14) | 101 | 42 | 20 | 61 | 18 | (11) | 29 |
| Impairment losses | 53 | - | - | - | 4 | - | - | - |
| Unrealized foreign exchange loss (gain) on revaluation of U.S. dollar denominated debt | 44 | (12) | (1) | 3 | 1 | 1 | (8) | 1 |
| Realized foreign exchange gain on revaluation of U.S. dollar denominated debt | (35) | - | - | - | - | - | - | - |
| Unrealized changes in fair value of derivatives | (31) | 23 | (7) | (8) | (22) | 10 | 5 | 11 |
| Realized foreign exchange loss on settlement of foreign currency derivative instruments | 12 | - | - | - | - | - | - | - |
| Recognition of U.S. deferred tax assets related to non-capital losses | - | (86) | - | - | - | - | - | - |
| Loss on de-recognition of the Sundance C power purchase arrangement (Sundance PPA) | - | - | - | - | - | - | 46 | - |
| Change in unrecognized tax benefits | - | - | - | - | (27) | - | - | - |
| Settlement of Sundance power purchase arrangement legal action | - | - | - | 15 | - | - | - | - |
| Deferred income tax (reduction) expense related to temporary difference on investment in subsidiary | - | - | - | (1) | 13 | - | - | - |
| Success fee received related to development project | - | - | - | (3) | - | - | - | - |
| Release of tax liability on foreign domiciled investment | - | - | (1) | - | - | - | - | - |
| **Normalized earnings attributable to common shareholders** | **29** | **26** | **33** | **26** | **30** | **29** | **32** | **41** |
| Weighted average number of common shares outstanding (millions) | 104.1 | 98.1 | 96.3 | 96.1 | 96.1 | 96.1 | 96.4 | 98.7 |
| **Normalized earnings per share ($)** | **0.28** | **0.27** | **0.34** | **0.27** | **0.31** | **0.30** | **0.33** | **0.42** |

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

## FINANCIAL HIGHLIGHTS

| (unaudited, $ millions, except per share amounts) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues and other income | 346 | 374 | 885 | 934 |
| Adjusted EBITDA [1] | 158 | 148 | 397 | 376 |
| Net (loss) income | (7) | 64 | 147 | 76 |
| Net (loss) income attributable to shareholders of the Company | (5) | 66 | 154 | 83 |
| Normalized earnings attributable to common shareholders [1] | 29 | 30 | 88 | 91 |
| Basic (loss) earnings per share ($) | (0.13) | 0.63 | 1.30 | 0.71 |
| Diluted (loss) earnings per share ($) [2] | (0.13) | 0.63 | 1.29 | 0.71 |
| Normalized earnings per share ($) [1] | 0.28 | 0.31 | 0.88 | 0.95 |
| Net cash flows from operating activities | 120 | 105 | 297 | 306 |
| Adjusted funds from operations [1, 3] | 134 | 79 | 272 | 251 |
| Purchase of property, plant and equipment and other assets | 28 | 27 | 176 | 139 |
| Dividends per common share, declared ($) | 0.4175 | 0.3900 | 1.1975 | 1.1200 |
| Dividends per Series 1 preferred share, declared ($) | 0.1913 | 0.1913 | 0.5739 | 0.5739 |
| Dividends per Series 3 preferred share, declared ($) | 0.2875 | 0.2875 | 0.8625 | 0.8625 |
| Dividends per Series 5 preferred share, declared ($) | 0.2813 | 0.2813 | 0.8439 | 0.8439 |
| Dividends per Series 7 preferred share, declared ($) | 0.3750 | - | 1.1250 | - |
| Dividends per Series 9 preferred share, declared ($) | 0.2048 | - | 0.2048 | - |

| | As at | |
|---|---|---|
| | September 30, 2017 | December 31, 2016 |
| Loans and borrowings including current portion | 2,155 | 1,508 |
| Total assets | 6,937 | 6,062 |

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

2 Diluted earnings per share was calculated after giving effect to outstanding share purchase options.

3 Commencing with the Company's March 31, 2017 quarter-end, the Company uses adjusted funds from operations as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders.

See Consolidated Net Income and Results of Operations for discussion of the key drivers of the changes in revenues and other income, adjusted EBITDA, net income and net income attributable to shareholders of the Company.

The changes in basic and diluted earnings per share were driven by the same factors as net income which are discussed in Consolidated Net Income and Results of Operations. The changes in normalized earnings per share and normalized earnings attributable to common shareholders were affected by the same drivers as basic earnings per share, but also the adjustments between earnings per share and normalized earnings per share described under Non-GAAP Financial Measures.

See Liquidity and Capital Resources for discussion of the key drivers of the changes in net cash flows from operating activities. Adjusted funds from operations for the three months ended September 30, 2017 was higher than adjusted funds from operations for the same period in 2016 as a result of the receipt of cash related to the Off-Coal Agreement from the Province of Alberta, higher adjusted funds from operations contributed from the Company's joint venture interests and higher adjusted EBITDA (before unrealized changes in fair value of commodity derivatives and emission credits, income recognized related to the Off-Coal Agreement from the Province of Alberta and adjusted EBITDA from joint ventures). These increases to adjusted funds from operations were partially offset by higher net finance expense, preferred share dividends paid and expenditures on sustaining capital in 2017 compared with 2016.

Adjusted funds from operations for the nine months ended September 30, 2017 was higher than adjusted funds from operations for the same period in 2016 as a result of the receipt of cash related to the Off-Coal Agreement from the Province of Alberta and higher adjusted funds from operations contributed from the Company's joint venture interests. These increases to adjusted funds from operations are partially offset by higher net finance expense, preferred share dividends paid and expenditures on sustaining capital in 2017 compared with 2016, and lower adjusted EBITDA (before unrealized changes in fair value of commodity derivatives and emission credits, income recognized related to the Off-Coal Agreement from the Province of Alberta and adjusted EBITDA from joint ventures) in 2017 compared with 2016.

The increase in purchases of property, plant and equipment and other assets is discussed in Liquidity and Capital Resources.

## SIGNIFICANT EVENTS

### Impairment losses

During the three months ended September 30, 2017, the Company recognized pre-tax impairment charges of $32 million, $14 million and $37 million with respect to its Southport, Roxboro and Decatur Energy facilities. The impairment charges had no cash impact.

The impairments related to the Southport and Roxboro facilities were based on the uncertainty created by potential additional capital investment at these facilities to meet more restrictive emissions standards. These emissions standards are likely to render the Southport and Roxboro facilities uneconomic once the power purchase agreements associated with those facilities expire in 2021. The impairment related to the Southport facility removed the carrying amount of the related goodwill of $21 million and reduced the carrying amount of property, plant and equipment by $11 million. The impairment related to the Roxboro facility reduced the carrying amount of the related property, plant and equipment.

An income tax recovery of $86 million was recorded in the second quarter of 2017 related to the recognition of a deferred tax asset associated with the expected utilization of tax loss carryforwards, which was primarily realizable as a result of the acquisition of Decatur Energy. The goodwill impairment related to the Decatur Energy facility partially offsets this income tax recovery, as the goodwill associated with the Decatur Energy facility was primarily attributable to the ability to use these tax losses.

### $450 million medium-term note issue

On September 18, 2017, the Company issued $450 million of unsecured medium-term notes due in 2024 with interest payable semi-annually at 4.284% commencing on March 18, 2018. The net proceeds of the offering were used for repayment of amounts owing under the Company's credit facilities and for general corporate purposes.

### Completion of contract for output of New Frontier Wind

On August 30, 2017, Capital Power announced that the development of its New Frontier Wind facility will proceed immediately. New Frontier Wind is a 99 MW facility to be constructed in McHenry County, North Dakota, and is anticipated to cost $182 million (US$145 million). The Company is in the final stages of selecting a turbine supplier and commercial operation of the facility is expected in December of 2018. Capital Power will operate New Frontier Wind under a 12-year fixed price contract with Morgan Stanley Capital Group Inc. covering 87% of the facility's output. Under the contract, Capital Power will swap the market revenue of the facility's generation for a fixed price payment over a 12-year term. The agreement will secure long-term predictable revenues, allowing New Frontier Wind to secure renewable energy tax equity financing and provide Capital Power the opportunity to complete its second wind development project in the growing U.S. renewables market.

### Preferred share offering

On August 9, 2017, the Company issued 6 million Cumulative Minimum Rate Reset Preference Shares, Series 9 (Series 9 Shares) priced at $25.00 per share for gross proceeds of $150 million less issue costs of $4 million on a bought deal basis with a syndicate of underwriters. The preferred shares will pay fixed cumulative dividends of $1.4375 per share per annum, yielding 5.75% per annum, payable on the last business day of March, June, September and December of each year, as and when declared by the Board of Directors of Capital Power, for the initial period ending September 30, 2022. The dividend rate will be reset on September 30, 2022 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.12%, provided that in any event such rate shall not be less than 5.75%. The Series 7 Shares are redeemable by Capital Power, at its option, on September 30, 2022 and every five years thereafter at a value of $25.00 per share.

Holders of the Series 9 Shares will have the right to convert all or any part of their shares into Cumulative Floating Rate Preference Shares, Series 10 (Series 10 Shares), subject to certain conditions, on September 30, 2022 and every five years thereafter. Holders of the Series 10 Shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 4.12%, as and when declared by the Board of Directors of Capital Power. The Series 10 Shares would be redeemable by Capital Power, at its option, on September 30, 2027 and September 30 of every fifth year thereafter at a value of $25.00 per share. The Series 10 shares would also be redeemable by Capital Power, at its option, on any date after September 30, 2022, excluding September 30 of every fifth year, at a value of $25.50 per share.

## Dividend increase

On July 25, 2017, the Company's Board of Directors approved an increase of 7.1% in the annual dividend for holders of its common shares, from $1.56 per common share to $1.67 per common share. This increased common dividend will commence with the third quarter 2017 quarterly dividend payment on October 31, 2017 to shareholders of record at the close of business on September 29, 2017.

## Acquisition of Decatur Energy and $183 million public offering

On April 12, 2017, the Company announced that it entered into an agreement to acquire all of the ownership interests in Decatur Power Holdings, LLC, which owns the Decatur Energy Center (Decatur Energy) from an affiliate of LS Power Equity Partners III. On June 13, 2017, the Company completed the acquisition of Decatur Energy for $603 million (US$448 million), including working capital and other closing adjustments of $9 million (US$7 million). Decatur Energy is a 795 MW natural gas-fired combined cycle power generation facility located in Decatur, Alabama that operates under a tolling agreement.

Decatur Energy sells capacity and energy to a regional entity under a long-term contract which has an original term of 10 years and expires December 31, 2022. Decatur Energy is well-positioned, given anticipated market conditions, as well as significant remaining useful life, to be re-contracted or to pursue other commercial alternatives at the end of the current long-term contract, including the ability to sell power into the Pennsylvania, New Jersey, and Maryland interconnection market starting in 2023.

Financing of the Decatur Energy acquisition consisted of a combination of debt and equity. On April 24, 2017, the Company announced the completion of its previously announced public offering of 7,375,000 subscription receipts (Subscription Receipts), on a bought deal basis, at an issue price of $24.75 per Subscription Receipt, for total gross proceeds of $183 million less issue costs of $7 million. On June 13, 2017, upon closing of the Decatur Energy acquisition, each Subscription Receipt was converted for one common share of the Company. No dividend record date occurred during the period when the Subscription Receipts were outstanding and as such, no obligations to make any cash dividend equivalent payments were triggered.

The balance of the purchase price was financed through debt utilizing a temporary expansion of Capital Power's credit facilities which was followed by permanent financing with the issuance of the medium-term note disclosed above.

The Decatur Energy acquisition supports the Company's growth strategy and increases the Company's geographical diversification and contracted cash flows. During the first full year of operations, the Decatur Energy acquisition is expected to increase adjusted funds from operations by $43 million and increase adjusted EBITDA by $60 million.

## Bloom Wind begins commercial operation

On June 1, 2017, the Company's 178 MW Bloom Wind facility commenced commercial operations. On June 12, 2017, the Company received $244 million (US$181 million) in financing from an affiliate of Goldman Sachs (Project Investor) in exchange for Class A interests of a subsidiary of the Company. The Company incurred issue costs of $7 million (US$5 million) associated with the financing. Effective July 1, 2017, Bloom Wind will operate under a 10-year proxy revenue swap agreement with Allianz Risk Transfer, a subsidiary of Allianz SE. Under the contract, which was executed on April 21, 2016, Capital Power swaps the market revenue of the project's generation for a fixed annual payment for a 10-year term. The agreement secures long-term predictable revenues and mitigates generation volume uncertainty.

## Acquisition of thermal facilities

On February 21, 2017, the Company announced that it entered into an agreement to acquire the thermal power business of Veresen Inc. Under the terms of the agreement, Capital Power acquired 284 MW of generation from two natural gas-fired power assets in Ontario consisting of the 84 MW East Windsor Cogeneration Centre (East Windsor) and a 50% interest in the 400 MW York Energy Centre (York Energy), and operates both facilities. The transaction also includes 10 MW of zero-emissions waste heat generation from two facilities (5 MW each), together known as EnPower Green Energy Generation (EnPower), located at Westcoast Energy's BC Gas Pipeline compressor stations in Savona and 150 Mile House, British Columbia.

On April 13, 2017, the Company announced that it had completed the acquisition of the two natural gas-fired power facilities in Ontario. The purchase price for the natural gas-fired facilities consisted of (i) $235 million in total cash consideration, including working capital and other closing adjustments of $12 million, and (ii) the assumption of $254 million of project level debt (proportionate basis at acquisition date net book value).

On June 1, 2017, the Company completed the acquisition of EnPower. The purchase price consisted of (i) $8 million of total cash consideration, including working capital and other closing adjustments of $3 million, and (ii) the assumption of $18 million of project level debt.

The acquisitions of these facilities support the Company's growth strategy and are consistent with the Company's technology and operating focus. During the first full year of operations, these acquisitions are expected to increase adjusted funds from operations by $24 million and increase adjusted EBITDA by $55 million.

### Appointments to the Board of Directors

Effective April 3, 2017, Keith Trent and Katharine Stevenson were appointed to the Capital Power Board of Directors.

### Amendment of Genesee Coal Mine Joint Venture Agreement

On March 28, 2017, the Company announced that it entered into an agreement (the Amending Agreement) to amend its Genesee Mine Joint Venture Agreement with Prairie Mines & Royalty ULC (PMRU), a subsidiary of Westmoreland Coal Company, to accelerate the repayment of amounts it would otherwise have owed to PMRU during the term of the agreement and eliminate all future payments to PMRU relating to existing capital assets at the Genesee Coal Mine (Coal Mine). Capital Power will continue to pay PMRU contracted mining fees for PMRU's ongoing operation of the Coal Mine.

By accelerating the $70 million repayment of capital expenditures to PMRU, the transaction will reduce Capital Power's cost of coal for the Genesee facility, and enhance the Company's net income, adjusted EBITDA, net cash flows from operating activities and adjusted funds from operations. These cost reductions were anticipated to take place and have been included in the adjusted funds from operations guidance that was provided as part of the Company's year-end disclosure on February 17, 2017. As a result of the transaction, net cash flows from operating activities are expected to increase by $14 million for 2017. The operations and management of the Coal Mine are unchanged as a result of the Amending Agreement and the Company will continue to control the Coal Mine and treat it as a subsidiary.

Coal for the Genesee facility is supplied by the adjacent Coal Mine under a long-term, cost of service supply agreement. Prior to the Amending Agreement, Capital Power paid PMRU a fee to cover PMRU's depreciation expense and certain other costs, as well as provide a variable rate of return to PMRU. These fees paid to PMRU were included as part of Capital Power's cost of coal for operating the Genesee facility, and will be eliminated with the Amending Agreement.

## CONSOLIDATED NET INCOME AND RESULTS OF OPERATIONS

The primary factors contributing to the change in consolidated net income for the three and nine months ended September 30, 2017 compared with the three and nine months ended September 30, 2016 are presented below followed by further discussion of these items.

| (unaudited, $ millions) | Three months | | Nine months | |
|---|---|---|---|---|
| **Consolidated net income for the periods ended September 30, 2016** | | **64** | | **76** |
| Increase in adjusted EBITDA: | | | | |
| Alberta commercial facilities and portfolio optimization | (19) | | (41) | |
| Alberta contracted facilities | 3 | | - | |
| Ontario and British Columbia contracted facilities | 10 | | 24 | |
| U.S. contracted facilities | 35 | | 35 | |
| Corporate | 12 | | 31 | |
| Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits | (31) | 10 | (28) | 21 |
| Impairments | | (77) | | (77) |
| Increase in depreciation and amortization expense | | (21) | | (36) |
| Increase in foreign exchange gain | | 18 | | 22 |
| Prior year loss on termination of power purchase arrangement | | - | | 53 |
| Increase in finance expense from joint ventures | | (3) | | (1) |
| Increase in net finance expense | | (10) | | (14) |
| Decrease in income before tax | | (83) | | (32) |
| Change in income tax expense or recovery | | 12 | | 103 |
| **(Decrease) increase in net income** | | **(71)** | | **71** |
| **Consolidated net (loss) income for the periods ended September 30, 2017** | | **(7)** | | **147** |

## Results by facility category and other

| | Three months ended September 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | **Electricity generation** (GWh) [1] | | **Facility availability** (%) [2] | | **Revenues and other income** (unaudited, $ millions) | | **Adjusted EBITDA** (unaudited, $ millions) [3] | |
| Total electricity generation, average facility availability and facility revenues | 4,725 | 3,930 | 97 | 96 | 233 | 170 | | |
| **Alberta commercial facilities** | | | | | | | | |
| Genesee 3 | 509 | 498 | 100 | 100 | 12 | 8 | | |
| Keephills 3 | 380 | 464 | 83 | 96 | 9 | 8 | | |
| Clover Bar Energy Centre 1, 2 and 3 | 140 | 79 | 93 | 91 | 5 | 3 | | |
| Joffre | 101 | 27 | 100 | 81 | 6 | 3 | | |
| Shepard Energy Centre | 730 | 611 | 99 | 99 | 25 | 21 | | |
| Halkirk | 95 | 86 | 88 | 96 | 6 | 6 | | |
| Clover Bar Landfill Gas | 6 | 1 | 94 | 27 | 1 | - | | |
| Alberta commercial facilities – owned | 1,961 | 1,766 | 95 | 95 | 64 | 49 | | |
| Portfolio optimization | N/A | N/A | N/A | N/A | 96 | 114 | | |
| | 1,961 | 1,766 | 95 | 95 | 160 | 163 | 55 | 74 |
| **Alberta contracted facilities** | | | | | | | | |
| Genesee 1 | 830 | 857 | 97 | 100 | | | | |
| Genesee 2 | 823 | 862 | 96 | 100 | | | | |
| | 1,653 | 1,719 | 96 | 100 | 61 | 64 | 41 | 38 |
| **Ontario and British Columbia contracted facilities** | | | | | | | | |
| Island Generation | 12 | 2 | 100 | 92 | 10 | 9 | | |
| York Energy [5, 6] | 10 | N/A | 100 | N/A | N/A | N/A | | |
| East Windsor [5] | 2 | N/A | 99 | N/A | 8 | N/A | | |
| K2 Wind [7] | 28 | 40 | 99 | 98 | N/A | N/A | | |
| Kingsbridge 1 | 11 | 15 | 98 | 95 | - | 1 | | |
| Port Dover and Nanticoke | 39 | 53 | 93 | 94 | 4 | 6 | | |
| Quality Wind | 85 | 78 | 91 | 91 | 8 | 7 | | |
| EnPower [8] | 7 | N/A | 95 | N/A | 1 | N/A | | |
| | 194 | 188 | 98 | 93 | 31 | 23 | 31 | 21 |
| **U.S. contracted facilities** | | | | | | | | |
| Roxboro, North Carolina | 80 | 84 | 99 | 100 | 9 | 10 | | |
| Southport, North Carolina | 124 | 140 | 97 | 96 | 17 | 19 | | |
| Decatur Energy, Alabama [9] | 542 | N/A | 100 | N/A | 31 | N/A | | |
| Beaufort Solar, North Carolina | 7 | 8 | 97 | 98 | 1 | 1 | | |
| Bloom Wind, Kansas [10] | 145 | N/A | 97 | N/A | 17 | N/A | | |
| Macho Springs, New Mexico | 19 | 25 | 98 | 97 | 2 | 4 | | |
| | 917 | 257 | 99 | 97 | 77 | 34 | 46 | 11 |
| **Corporate** [11] | | | | | 14 | 2 | (12) | (24) |
| Unrealized changes in fair value of commodity derivatives and emission credits | | | | | 3 | 88 | (3) | 28 |
| **Consolidated revenues and other income and adjusted EBITDA** | | | | | **346** | **374** | **158** | **148** |

| | Nine months ended September 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | **Electricity generation** (GWh) [1] | | **Facility availability** (%) [2] | | **Revenues and other income** (unaudited, $ millions) | | **Adjusted EBITDA** (unaudited, $ millions) [3] | |
| Total electricity generation, average facility availability and facility revenues excluding the Sundance PPA | 12,361 | 11,535 | 96 | 94 | 594 | 521 | | |
| **Alberta commercial facilities and Sundance PPA** | | | | | | | | |
| Genesee 3 | 1,482 | 1,446 | 99 | 100 | 31 | 22 | | |
| Keephills 3 | 1,244 | 1,353 | 89 | 95 | 27 | 22 | | |
| Clover Bar Energy Centre 1, 2 and 3 | 200 | 233 | 94 | 93 | 7 | 6 | | |
| Joffre | 206 | 131 | 96 | 75 | 14 | 15 | | |
| Shepard Energy Centre | 1.939 | 1,835 | 98 | 94 | 72 | 65 | | |
| Halkirk | 336 | 334 | 94 | 98 | 23 | 22 | | |
| Clover Bar Landfill Gas | 17 | 4 | 94 | 75 | 2 | - | | |
| Alberta commercial facilities – owned | 5,424 | 5,336 | 96 | 94 | 176 | 152 | | |
| Sundance PPA [4] | N/A | 655 | N/A | 95 | N/A | 13 | | |
| Portfolio optimization | N/A | N/A | N/A | N/A | 291 | 352 | | |
| | 5,424 | 5,991 | 96 | 93 | 467 | 517 | 168 | 209 |
| **Alberta contracted facilities** | | | | | | | | |
| Genesee 1 | 2,252 | 2,470 | 89 | 98 | | | | |
| Genesee 2 | 2,459 | 2,277 | 98 | 90 | | | | |
| | 4,711 | 4,747 | 93 | 94 | 177 | 187 | 123 | 123 |
| **Ontario and British Columbia contracted facilities** | | | | | | | | |
| Island Generation | 12 | 2 | 100 | 97 | 29 | 28 | | |
| York Energy [5, 6] | 13 | N/A | 100 | N/A | N/A | N/A | | |
| East Windsor [5] | 3 | N/A | 99 | N/A | 16 | N/A | | |
| K2 Wind [7] | 136 | 145 | 99 | 99 | N/A | N/A | | |
| Kingsbridge 1 | 72 | 65 | 97 | 95 | 3 | 4 | | |
| Port Dover and Nanticoke | 203 | 213 | 97 | 98 | 25 | 26 | | |
| Quality Wind | 263 | 259 | 95 | 96 | 24 | 24 | | |
| EnPower [8] | 9 | N/A | 96 | N/A | 1 | N/A | | |
| | 711 | 684 | 98 | 97 | 98 | 82 | 111 | 87 |
| **U.S. contracted facilities** | | | | | | | | |
| Roxboro, North Carolina | 247 | 232 | 97 | 97 | 28 | 27 | | |
| Southport, North Carolina | 308 | 411 | 91 | 90 | 45 | 57 | | |
| Decatur Energy, Alabama [9] | 649 | N/A | 100 | N/A | 35 | N/A | | |
| Beaufort Solar, North Carolina | 21 | 23 | 95 | 96 | 2 | 3 | | |
| Bloom Wind, Kansas[10] | 190 | N/A | 98 | N/A | 21 | N/A | | |
| Macho Springs, New Mexico | 100 | 102 | 97 | 97 | 12 | 13 | | |
| | 1,515 | 768 | 98 | 94 | 143 | 100 | 62 | 27 |
| **Corporate** [11] | | | | | 44 | 5 | (44) | (75) |
| Unrealized changes in fair value of commodity derivatives and emission credits | | | | | (44) | 43 | (23) | 5 |
| **Consolidated revenues and other income and adjusted EBITDA** | | | | | **885** | **934** | **397** | **376** |

1 Gigawatt hours (GWh) of electricity generation reflects the Company's share of facility output.

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

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

4 The Company's role as Buyer of the Sundance PPA was terminated effective March 24, 2016. Revenues, adjusted EBITDA, electricity generation, and facility availability in 2016 include the results of the Sundance PPA up to that date.

5 East Windsor and York Energy were acquired on April 13, 2017 (see Significant Events).

6 York Energy is accounted for under the equity method. Capital Power's share of the facility's net income is included in income from joint ventures on the Company's condensed interim consolidated statements of income. Capital Power's share of the facility's adjusted EBITDA is included in adjusted EBITDA above. The equivalent of Capital Power's share of the facility's revenue was $7 million and $13 million for the three and nine months ended September 30, 2017, respectively. The facility's revenues are not included in the above results.

7 K2 Wind is accounted for under the equity method. Capital Power's share of the facility's net income is included in income from joint ventures on the Company's condensed interim consolidated statements of income. Capital Power's share of the facility's adjusted EBITDA is included in adjusted EBITDA above. The equivalent of Capital Power's share of the facility's revenue was $6 million and $31 million for the three and nine months ended September 30, 2017, respectively, compared with $7 million and $30 million for the three and nine months ended September 30, 2016, respectively. The facility's revenues are not included in the above results.

8 EnPower was acquired on June 1, 2017 (see Significant Events).

9 Decatur Energy was acquired on June 13, 2017 (see Significant Events).

10 Bloom Wind was commissioned on June 1, 2017 (see Significant Events).

11 Corporate revenues were offset by interplant category eliminations.

***Energy prices and hedged positions***

| | | Three months ended September 30 | | Nine months ended September 30 | | Year ended December |
|---|---|---|---|---|---|---|
| **Alberta** | **Unit** | **2017** | **2016** | **2017** | **2016** | **31, 2016** |
| Hedged position [1] | Percentage sold forward at beginning of period (%) | 100 | 100 | 100 | 100 | 100 |
| Spot power price average | $/MWh | 25 | 18 | 22 | 17 | 18 |
| Realized power price [2] | $/MWh | 49 | 70 | 52 | 60 | 61 |
| Natural gas price (AECO) [3] | $/gigajoule (Gj) | 1.34 | 2.14 | 2.14 | 1.75 | 2.03 |

1 Hedged position is for the Alberta baseload facilities as well as a portion of Joffre and the uncontracted portion of Shepard. The Sundance PPA is no longer a part of Capital Power's baseload generation effective March 24, 2016.

2 Realized power price is the average price realized as a result of the Company's commercial contracted sales and portfolio optimization activities.

3 AECO refers to the historical virtual trading hub located in Alberta and known as the Nova Inventory Transfer system operated by TransCanada PipeLines Limited.

***Alberta commercial facilities, Sundance PPA and portfolio optimization***

The Alberta spot price averaged $25 per MWh and $22 per MWh for the three and nine months ended September 30, 2017, respectively which were higher than the corresponding periods in 2016. Spot prices for 2017 and 2016 reflected minimal market volatility combined with conservative offer strategies from market participants, stable coal supply, strong imports, fewer unplanned baseload facility outages and low natural gas prices.

Generation, availability, revenues and other income and adjusted EBITDA for the Alberta commercial facilities include results of the Sundance PPA up to the effective termination date of March 24, 2016.

For the three months ended September 30, 2017, generation was higher than the comparable period in 2016 primarily due to higher dispatch at Shepard and Clover Bar Energy Centre and lower unplanned outage hours at Joffre in 2017, partially offset by a planned outage at Keephills 3 during the third quarter of 2017 compared with no planned outage during the same period in 2016. Availability for the three months ended September 30, 2017 was consistent with the same period in 2016. Generation for the nine months ended September 30, 2017 was lower primarily due to the termination of the Sundance PPA in the first quarter of 2016 and a planned outage at Keephills 3 in the third quarter of 2017, partially offset by lower unplanned outage hours at Joffre in 2017 and a shorter planned outage at Shepard in the second quarter of 2017 compared with the same period in 2016. Availability for the nine months ended September 30, 2017 was higher compared to the same period in 2016 primarily due to the aforementioned factors affecting generation.

Revenues and other income and adjusted EBITDA for the three months ended September 30, 2017 decreased compared with the corresponding period in 2016 primarily due to lower realized revenues earned on portfolio optimization activities. On a year to date basis, lower revenues and other income and adjusted EBITDA compared to 2016 further reflected lower realized revenues on portfolio optimization activities and the termination of the Sundance PPA in the first quarter of 2016.

***Alberta contracted facilities***

Generation and availability for the three and nine months ended September 30, 2017 were lower than the same periods in 2016 primarily due to forced outages in the third quarter of 2017. Revenues and other income were lower for the three and nine months ended September 30, 2017 compared with the corresponding periods in 2016 primarily due to lower capacity revenues primarily due to lower power purchase arrangement input rates. Adjusted EBITDA was consistent with 2016 results for the nine months ended September 30, 2017. Adjusted EBITDA increased compared to 2016 for the three months ended September 30, 2017, primarily due to favourable impacts related to the Amending Agreement related to the Genesee Coal Mine (See Significant Events) in 2017 with no similar impacts in the same periods in 2016 and lower coal costs in the third quarter of 2017 compared with the same period in 2016 due to higher mining activity in the third quarter of 2017, partially offset by the aforementioned lower capacity revenue.

***Ontario and British Columbia contracted facilities***

Generation, availability, revenue and other income and adjusted EBITDA for the three and nine months ended September 30, 2017 were higher compared with the corresponding periods in 2016 primarily due to the additions of York Energy, East Windsor and EnPower (see Significant Events) in the second quarter of 2017. Revenues and other income does not include K2 Wind and York Energy, which are accounted for under the equity method. For the three and nine months ended September 30, 2017, generation for K2 Wind and Port Dover and Nanticoke was lower than the corresponding periods in 2016, largely driven by paid curtailments.

***U.S. contracted facilities***

Generation, availability, revenue and other income and adjusted EBITDA for the three and nine months ended September 30, 2017 were higher primarily due to the addition of Decatur Energy (see Significant Events) and the commencement of operations at Bloom Wind (see Significant Events) in the second quarter of 2017. These increases were partially offset by lower generation at Southport due largely to derates due to sulfur emission restrictions.

***Corporate***

Corporate results include (i) revenues for cost recoveries and other income related to coal compensation from the Province of Alberta, (ii) costs of support services such as treasury, finance, internal audit, legal, human resources, corporate risk management, asset management, and environment, health and safety, and (iii) business development expenses. Note that cost recovery revenues are primarily intercompany revenues that are offset by interplant category transactions.

Net corporate expenditures decreased and revenue and other income increased in the three and nine months ended September 30, 2017 compared with the corresponding periods in 2016 primarily due to coal compensation from the Province of Alberta that is recognized monthly as other income commencing December 2016. The increase to net corporate expenditures is partially offset by increased business development expenses in 2017 compared with 2016 primarily due to the facilities acquired in 2017 (see Significant Events).

***Unrealized changes in fair value of commodity derivatives and emission credits***

| (unaudited, $ millions) | Three months ended September 30 | | | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Unrealized changes in fair value of commodity derivatives and emission credits** | **Revenues and other income** | | **Adjusted EBITDA** | |
| Unrealized (losses) gains on Alberta energy derivatives | (2) | 86 | (6) | 32 |
| Unrealized gains (losses) on natural gas derivatives | 4 | 1 | 3 | (5) |
| Unrealized gains on emission derivatives | 1 | 1 | 1 | 2 |
| Unrealized losses on emission credits held for trading | - | - | (1) | (1) |
| | **3** | **88** | **(3)** | **28** |

| (unaudited, $ millions) | Nine months ended September 30 | | | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Unrealized changes in fair value of commodity derivatives and emission credits** | **Revenues and other income** | | **Adjusted EBITDA** | |
| Unrealized (losses) gains on Alberta energy derivatives | (62) | 47 | (16) | 4 |
| Unrealized gains (losses) on natural gas derivatives | 15 | - | (10) | 8 |
| Unrealized gains (losses) on emission derivatives | 3 | (4) | 3 | (3) |
| Unrealized losses on emission credits held for trading | - | - | - | (4) |
| | **(44)** | **43** | **(23)** | **5** |

The Company's financial results relating to its Alberta commercial facilities and portfolio optimization include unrealized changes in the fair value of commodity and other derivatives.

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

Unrealized losses on the Alberta energy portfolio recognized by the Company in 2017 were primarily due to the reversal of prior period unrealized net gains on forward sales contracts that settled during the period. During the three months and nine months ended September 30, 2016 the Alberta energy portfolio recognized unrealized net gains of $32 million and $4 million mainly due to the impact of decreasing forward Alberta power prices on net forward sales contracts partially offset by the reversal of prior periods' unrealized gains which settled during the period.

During the three months ended September 30, 2017 unrealized gains on natural gas derivatives of $3 million recognized by the Company were attributable to the reversal of prior periods' unrealized losses which settled during the period. Unrealized losses on natural gas derivatives reported by the Company for the nine months ended September 30, 2017 were attributable to net forward purchase contracts valued against decreasing forward natural gas prices and the reversal of prior periods' unrealized gains which settled during the period. Unrealized net losses on natural gas derivatives reported by the Company for the quarter ended September 30, 2016 were due to net forward purchase contracts valued against decreasing forward prices combined with the reversal of prior period net gains on net forward purchase contracts that settled during the quarter. For the nine months ended September 30, 2016, unrealized net gains of $8 million were primarily attributable to the reversal of previously unrealized net losses on contracts which settled in the period.

Unrealized gains on emission derivatives reported by the Company in 2017 were primarily due to forward purchase contracts on emissions allowances and renewable energy credits which were valued against increasing forward prices and the impact of the reversal of previously unrealized losses on positions that settled during the period. During the nine months ended September 30, 2016, the unrealized losses on emission derivatives reported by the Company were mostly attributable to net forward purchase contracts on allowances and renewable energy credits which were valued at decreasing prices and the reversal of prior period unrealized gains on positions settled during the first nine months of the year, partially offset by gains on net forward purchase contracts valued at increasing prices.

During the nine months ended September 30, 2016, the Company recognized unrealized net losses in fair value of emission credits held for trading of $4 million primarily due to the reversal of previously unrealized net gains.

### Consolidated other expenses and non-controlling interests

| (unaudited, $ millions) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Interest on borrowings less capitalized interest | (29) | (18) | (69) | (56) |
| Realized gains on the settlement of interest rate derivatives | - | 1 | - | 1 |
| Other net finance expense – interest on coal compensation from the Province of Alberta, sundry interest, guarantee and other fees | 3 | (2) | 10 | (3) |
| | (26) | (19) | (59) | (58) |
| Other finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to coal compensation from the Province of Alberta | (5) | (2) | (17) | (4) |
| Total net finance expense | (31) | (21) | (76) | (62) |
| Impairments | (83) | (6) | (83) | (6) |
| Depreciation and amortization | (74) | (53) | (199) | (163) |
| Foreign exchange gain | 21 | 3 | 32 | 10 |
| Loss on termination of power purchase arrangement | - | - | - | (53) |
| Finance expense from joint ventures | (6) | (3) | (11) | (10) |
| Income tax recovery (expense) | 8 | (4) | 87 | (16) |
| Net loss attributable to non-controlling interests | 2 | 2 | 7 | 7 |

#### *Net finance expense*

Higher net finance expense for the three and nine months ended September 30, 2017 compared with the same periods in the prior year was primarily due to additional loans and borrowings as a result of the acquisition of the Veresen thermal facilities and Decatur Energy and the receipt of Bloom Wind Project Investor financing (see Significant Events) in the second quarter of 2017. The additional loans and borrowings included the $160 million private placement debt issued in the third quarter of 2016 and the $450 million medium-term notes issued in the third quarter of 2017. These increases were partially offset by the EPCOR debt repayment in the first quarter of 2016 and higher capitalized interest resulting from Bloom Wind construction, which commenced in the second quarter of 2016.

#### *Impairments*

During the third quarter of 2017, the Company recognized pre-tax impairment losses of $32 million, $14 million and $37 million related to the Southport, Roxboro and Decatur Energy cash generating units (see Significant Events).

#### *Depreciation and amortization*

Depreciation and amortization for the three and nine months ended September 30, 2017 increased compared with the same periods in the prior year primarily due to the facility acquisitions in the second quarter of 2017 (see Significant Events) and the shortening of asset lives in late 2016 related to the coal-fired facilities. The components of the coal-fired facilities that are unique to coal-fired generation had their useful lives shortened to 2030 while those components which can be utilized upon conversion to natural gas facilities had their useful lives shortened to 2045.

#### *Foreign exchange gain*

In June 2017, the Company increased its committed credit facilities by US$300 million to fund the acquisition of Decatur Energy (see Significant Events) which was an addition to its pre-existing outstanding U.S. dollar denominated debt payable of US$295 million. Approximately US$300 million was economically hedged using foreign currency derivative instruments. In September 2017, the Company issued $450 million of medium-term notes (see Significant Events) which was primarily used to repay the increased committed credit facilities. The foreign exchange gain consisted primarily of the gain incurred on the revaluation of U.S. dollar denominated debt not hedged for accounting purposes, partially offset by losses on foreign currency derivative instruments not designated as hedges for accounting purposes. For the three and nine months ended September 30, 2017, the exchange rate of the Canadian dollar relative to the U.S. dollar strengthened, resulting in an unrealized gain in both periods. For the three and nine months ended September 30, 2016, the Canadian dollar weakened and strengthened, respectively, compared to the U.S. dollar. In the third quarter of 2016, the Company recognized hedge ineffectiveness gains of $3 million related to U.S. foreign exchange hedges.

#### *Loss on termination of power purchase arrangement*

On March 24, 2016, the Company notified the Balancing Pool of the Company's decision to terminate its role as Buyer of the Sundance PPA and recorded a pre-tax loss of $53 million with respect to the de-recognition of the Sundance PPA intangible asset.

***Finance expense from joint ventures***

Finance expense from joint ventures includes Capital Power's share of finance expenses of K2 Wind and York Energy accounted for under the equity method.

***Income tax recovery (expense)***

For the three and nine months ended September 30, 2017, the Company has recorded an income tax recovery, compared with income tax expense in the corresponding periods in 2016. The change is primarily due to the reversal, in the second quarter of 2017, of a previous write-down related to U.S. income tax losses. As disclosed in previous periods, a non-cash write-down was recorded in the third quarter of 2014 as at that time, it was not considered probable that sufficient future taxable income would be available based on the Company's forecast for U.S. taxable income for the then existing U.S. income tax loss carryforwards to be recognized. With the acquisition of Decatur Energy and the commissioning of Bloom Wind (see Significant Events), the Company's forecast for U.S. taxable income has improved and as a result, the Company has recognized a deferred tax asset in the amount of $86 million on a portion of the U.S. income tax losses that are expected to be utilized against future taxable income that will be generated from the U.S. operations. During the quarter ended September 30, 2016, a deferred tax liability was recognized on the Company's investment in a subsidiary. The deferred tax liability had not previously been recognized as the Company did not expect the taxable temporary difference to reverse in the foreseeable future. This increase in the deferred tax liability was offset by a benefit relating to previously unrecognized deferred tax assets as realizing these deferred tax assets was determined to be probable.

***Non-controlling interests***

Non-controlling interests consist only of the Coal Mine partner's share of the consolidated depreciation expense of the Coal Mine.

## COMPREHENSIVE (LOSS) INCOME

| (unaudited, $ millions) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Net (loss) income | (7) | 64 | 147 | 76 |
| Other comprehensive (loss) income: | | | | |
| Net unrealized gains on derivative instruments | 13 | 43 | 9 | 62 |
| Net unrealized gains (losses) on derivatives designated as cash flow hedges – joint ventures | 3 | (2) | 3 | (10) |
| Net realized gains on derivative instruments reclassified to net income | (13) | (24) | (48) | (73) |
| Net realized losses on derivatives designated as cash flow hedges reclassified to net income – joint ventures | 1 | 1 | 3 | 1 |
| Unrealized foreign exchange (loss) gain on the translation of foreign operations | (35) | 4 | (56) | (9) |
| Actuarial gain related to the Company's defined benefit pension plan | - | - | 2 | - |
| | (31) | 22 | (87) | (29) |
| **Comprehensive (loss) income** | **(38)** | **86** | **60** | **47** |

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

## FINANCIAL POSITION

The significant changes in the consolidated statements of financial position from December 31, 2016 to September 30, 2017 were as follows:

| (unaudited, $ millions) | September 30, 2017 | December 31, 2016 | Increase (decrease) | Acquisitions through business combinations | Other | Primary other changes |
|---|---|---|---|---|---|---|
| Trade and other receivables | 219 | 223 | (4) | 14 | (18) | Primarily lower generation receivables at various facilities and the receipt of Genesee emissions receivables. |
| Inventories | 137 | 118 | 19 | 6 | 13 | Increase in emission credits held for trading, higher coal inventory and acquisition of transformers for development sites. |
| Other assets | 69 | 20 | 49 | - | 49 | Increase primarily due to the non-current portion of the prepayment related to the amendment of the Genesee Coal Mine Joint Venture Agreement (see Significant Events). |
| Net derivative financial instruments assets | 89 | 177 | (88) | - | (88) | Impact of increasing forward Alberta power prices on the fair value of forward sales contracts. |
| Equity-accounted investments | 184 | 18 | 166 | 153 | 13 | Net income and unrealized gain recognized, partially offset by distributions received. |
| Intangible assets | 401 | 299 | 102 | 47 | 55 | Increase primarily due to the receipt and purchase of emission credit inventory. |
| Property, plant and equipment | 4,382 | 3,764 | 618 | 748 | (130) | Impairment charges (see Significant Events) and depreciation and amortization, partially offset by capital additions, primarily Bloom Wind. |
| Goodwill | 37 | 23 | 14 | 78 | (64) | Impairment charges to Southport and Decatur Energy (see Significant Events) and foreign currency translation adjustments. |

| (unaudited, $ millions) | September 30, 2017 | December 31, 2016 | Increase (decrease) | Acquisitions through business combinations | Other | Primary other changes |
|---|---|---|---|---|---|---|
| Trade and other payables | 202 | 217 | (15) | 3 | (18) | Decrease primarily due to the timing of Bloom Wind construction and Genesee Mine payables, reduction in volume of trades settling in the current period and the settlement of emissions compliance payables, partially offset by emission compliance liabilities to the Balancing Pool for emission credits received. |
| Loans and borrowings (including current portion) | 2,155 | 1,508 | 647 | 171 | 476 | Addition of debt related to Bloom Wind, issuance of $450 million medium-term note (see Significant Events), partially offset by overall decreased credit facility utilization (see Liquidity and Capital Resources). |
| Deferred revenue and other liabilities (including current portion) | 666 | 689 | (23) | - | (23) | Decrease primarily due to the recognition into income of deferred revenue for compensation related to the phase out of coal-fired generation. |
| Net deferred tax liabilities | 275 | 363 | (88) | 20 | (108) | Decrease primarily due to the recognition of previously unrecognized net operating losses as a result of the acquisition of Decatur Energy and the commissioning of Bloom Wind (see Significant Events). |
| Provisions (including current portion) | 265 | 257 | 8 | 13 | (5) | Primarily due to decreased decommissioning and employee benefits provisions. |
| Share capital | 3,261 | 2,918 | 343 | - | 343 | Increase due to common shares issued and share options exercised, partially offset by share issue costs. |
| Deficit | (117) | (124) | 7 | - | 7 | Net income less common and preferred share dividends. |
| Other reserves | (39) | 49 | (88) | - | (88) | Unrealized loss on foreign exchange translation and reclassification of unrealized gains on cash flow hedges. |

## LIQUIDITY AND CAPITAL RESOURCES

| (unaudited, $ millions) | Nine months ended September 30 | | |
|---|---|---|---|
| **Cash inflows (outflows)** | **2017** | **2016** | **Change** |
| Operating activities | 297 | 306 | (9) |
| Investing activities | (1,079) | (135) | (944) |
| Financing activities | 749 | (227) | 976 |

### Operating activities

Cash flows from operating activities for the nine months ended September 30, 2017 decreased compared with the same period in 2016 primarily due to working capital cash inflows in 2016 compared with flat working capital movements in 2017 and lower adjusted EBITDA (before unrealized changes in fair value of commodity derivatives and emission credits, income recognized related to the Off-Coal Agreement from the Province of Alberta and adjusted EBITDA from joint ventures). These decreases were partially offset by a lower cash outflow in 2017 compared with 2016 related to fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty.

### Investing activities

Cash flows used in investing activities for the nine months ended September 30, 2017 increased compared with the same period in 2016 primarily due to the acquisition of the Veresen thermal facilities and Decatur Energy (see Significant Events), construction of Bloom Wind, which began in the third quarter of 2016 and the prepayment related to the Amending Agreement (see Significant Events).

***Capital expenditures and investments***

| (unaudited, $ millions) | Pre-2017 Actual | Nine months ended September 30, 2017 Actual | Balance of 2017 Estimated [1, 2] | Actual or Projected Total [2, 3] | Timing |
|---|---|---|---|---|---|
| Genesee 4 and 5 [4] | 16 | 2 | - | 700 | Targeted completion as early as 2021 and 2022, respectively |
| New Frontier Wind | - | 5 | 14 | 182 | Targeted completion in December 2018 |
| Bloom Wind | 219 | 94 | 1 | 314 [5] | Completed in the second quarter of 2017 |
| Development sites | - | 7 | - | 7 | |
| **Subtotal growth projects** | | **108** | | | |
| Sustaining – plant maintenance excluding Genesee mine | | 42 | | | |
| Sustaining – Genesee mine maintenance and lands [6] | | 12 | | | |
| **Total capital expenditures** [7] | | **162** | | | |
| Emission credits held for compliance | | 20 | | | |
| Less capitalized interest | | (6) | | | |
| **Purchase of property, plant and equipment and other assets** | | **176** | | | |

1 The Company's 2017 estimated capital expenditures include only expenditures for previously announced growth projects and exclude other potential new development projects.

2 Projected capital expenditures to be incurred over the life of the projects for the previously announced Genesee 4 and 5, Bloom Wind and New Frontier Wind projects are based on management's estimates. Projected capital expenditures for development sites, based on management's estimates, are for 2017 only.

3 Excludes interest to fund construction and refundable transmission system contribution payments.

4 Continuation and timing of the Genesee 4 and 5 project will be considered once sufficient Alberta market certainty exists and new generation is required in Alberta to balance supply and demand.

5 Excludes a $31 million (US$23 million) developer fee paid to a subsidiary of the Company.

6 Capital expenditures for Genesee mine maintenance represent only those capital expenditures funded by the Company for its share of the Genesee mine operation.

7 Capital expenditures include capitalized interest. Capital expenditures excluding capitalized interest are presented on the condensed interim consolidated statements of cash flows as purchase of property, plant and equipment and other assets.

### Financing activities

The cash flows from financing activities for the nine months ended September 30, 2017 primarily reflected the net issuance of loans and borrowings (see Significant Events), issuance of common and preferred shares (see Significant Events) and Project Investor financing received for Bloom Wind (see Significant Events) partially offset by the repayment of loans and borrowings and the sum of common share dividends and preferred share dividends.

The Company's credit facilities consisted of:

| (unaudited, $ millions) | | As at September 30, 2017 | | | As at December 31, 2016 | | |
|---|---|---|---|---|---|---|---|
| | Maturity timing | Total facilities | Credit facility utilization | Available | Total facilities | Credit facility utilization | Available |
| Committed credit facilities | 2020/ 2022 | 1,055 | | | 1,055 | | |
| Letters of credit outstanding | | | 13 | | | 58 | |
| Bank loans outstanding (U.S. dollars) | | | 7 | | | 134 | |
| | | 1,055 | 20 | 1,035 | 1,055 | 192 | 863 |
| Bilateral demand credit facilities | N/A | 200 | | | 200 | | |
| Letters of credit outstanding | | | 125 | | | 114 | |
| | | 200 | 125 | 75 | 200 | 114 | 86 |
| Demand credit facilities | N/A | 25 | - | 25 | 25 | - | 25 |
| | | **1,280** | **145** | **1,135** | **1,280** | **306** | **974** |

As at September 30, 2017, the committed credit facility utilization decreased $161 million compared with the utilization as at December 31, 2016. During the nine months ended September 30, 2017, the Company's financing requirements increased as a result of the construction of Bloom Wind and the acquisitions of Decatur Energy and the thermal power business of Veresen Inc. (see Significant Events). These financing requirements were more than met by financing received from the Bloom Wind Project Investor, the completion of the common and preferred share offerings and the issuance of $450 million of unsecured medium-term notes (see Significant Events). In July 2017, the Company extended the maturity date of its then existing committed credit facilities to July 9, 2022. In July 2016, the Company exercised the accordion feature of the committed credit facility to increase the facility size by $55 million. The accordion feature permits an additional $245 million increase to the facility in the future, subject to certain conditions including lender approval. Of the existing credit facilities, $55 million matures in July 2020 and $1 billion matures in July 2022. The available credit facilities provide the Company with adequate funding for ongoing development projects.

The Company has a corporate credit rating of BBB- with a stable outlook from Standard & Poor's (S&P). The BBB rating category assigned by S&P is the fourth highest rating of S&P's ten rating categories for long-term debt obligations. According to S&P, a BBB corporate credit rating exhibits adequate capacity to meet financial commitments, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

On April 3, 2017, DBRS Limited (DBRS) revised the Company's senior unsecured long-term debt credit rating from BBB to BBB (low) with a stable outlook. The BBB rating category assigned by DBRS is the fourth highest rating of DBRS' ten rating categories for long-term debt obligations. According to DBRS, long-term debt rated BBB is of adequate credit quality and the capacity of the payment of financial obligations is considered acceptable but the entity is vulnerable to future events.

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

### Future cash requirements

The following estimates of future cash requirements are subject to variable factors including those discussed in Forward-looking Information. Capital Power's expected cash requirements for 2017 include:

| (unaudited, $ millions) | **Nine months ended September 30, 2017 Actual** | **Balance of 2017 estimated** | **Total 2017 expected cash requirements** |
|---|---|---|---|
| Repayment of debt payable to EPCOR | 10 | - | 10 |
| Capital expenditures – sustaining | 53 | 11 | 64 |
| Capital expenditures – ongoing growth projects [1] | 7 | 15 | 22 |
| Capital expenditures – Genesee performance standard | 1 | 4 | 5 |
| Common share dividends [2] | 116 | 44 | 160 |
| Preferred share dividends | 25 | 10 | 35 |
| | **212** | **84** | **296** |

1 Ongoing growth projects do not reflect the acquisitions noted in Significant Events.

2 Includes 7% annual dividend growth (see Significant Events).

The Company uses a short-form base shelf prospectus to provide it with the ability, market conditions permitting, to obtain new debt and equity capital from external markets when required. Under the short-form base shelf prospectus, Capital Power may raise up to $3 billion by issuing common shares, preferred shares, subscription receipts exchangeable for common shares and/or other securities of the Company and/or debt securities. This prospectus expires in June 2018.

If the Canadian and U.S. financial markets become unstable, as they did particularly in the period from 2008 to 2010, Capital Power's ability to raise new capital, to meet its financial requirements, and to refinance indebtedness under existing credit facilities and debt agreements may be adversely affected. Capital Power has credit exposure relating to various agreements, particularly with respect to its power purchase agreement, power purchase arrangement, energy supply contract, trading and supplier counterparties. While Capital Power continues to monitor its exposure to its significant counterparties, there can be no assurance that all counterparties will be able to meet their commitments.

### Off-statement of financial position arrangements

The Company has off-statement of financial position arrangements including operating leases and, as at September 30, 2017, $138 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements and to satisfy legislated reclamation requirements. If the Company were to terminate these off-statement of financial position arrangements, the penalties or obligations would not have a material impact on the Company's financial condition, results of operations, liquidity, capital expenditures or resources.

## Capital resources

| (unaudited, $ millions) | As at | |
|---|---|---|
| | September 30, 2017 | December 31, 2016 |
| Loans and borrowings | 2,155 | 1,508 |
| Finance lease obligation [1] | 18 | 20 |
| Less cash and cash equivalents | (62) | (98) |
| Net debt | 2,111 | 1,430 |
| Share capital | 3,261 | 2,918 |
| Deficit and other reserves | (156) | (75) |
| Non-controlling interests | 51 | 58 |
| Total equity | 3,156 | 2,901 |
| **Total capital** | **5,267** | **4,331** |

[1] Includes the current portion disclosed within trade and other payables.

# CONTINGENT LIABILITIES

## Line Loss Rule Proceeding

Capital Power is participating in the Line Loss Rule (LLR) Proceeding currently underway before the Alberta Utilities Commission (AUC) regarding loss factors that form the basis for certain transmission charges paid by Alberta generators, including Capital Power. The LLR Proceeding intends to address the replacement for the currently non-compliant LLR as well as the possible correction of line loss charges and credits for the years 2006 forward through three modules. In January 2015, the AUC issued its "Module A" decision and concluded that it has the jurisdiction and authority to retroactively adjust line loss rates. The Module A decision was subsequently appealed by multiple parties, including the Company and consideration of those appeals has been deferred until after the completion of "Module C".

The AUC approved principles for the new LLR in "Module B" in November 2015 and directed the Alberta Electric System Operator (AESO) to provide a plan for implementing the new LLR. In June 2016, the AUC rejected two applications for review and variance of the Module B decision, ruling that it would be premature to review the decision prior to completing Module C. The AUC approved the AESO's Compliance Filing relating to the new LLR on November 30, 2016. In September 2017, the AESO published loss factors calculated under the new LLR that will be in effect on a prospective basis, retroactive to January 1, 2017. One party has filed an application for review and variance of the AUC's approval of the AESO's Compliance Filing which the AUC has indicated will be considered along with all other outstanding review applications following the completion of Module C.

Module C will determine what retrospective adjustments, if any, are to be paid to or received by the various parties, and the Company expects the Module C decision by the end of 2017.

As at October 24, 2017, no retroactive (Module C) loss factors for the full historic period have been produced by the AESO using the new LLR, nor has any alternative or supplemental mechanism for determining retrospective adjustments been established by the AUC. It is therefore unclear at this time when retrospective loss factors under any approved methodology will be made available by the AESO.

Capital Power may incur material additional charges related to transmission amounts of historical periods but a provision has not been recorded in the Company's unaudited condensed interim consolidated financial statements since the outcome of the LLR Proceeding continues to be unknown. As a result of the termination of the Company's role as Buyer of the Sundance PPA and the settlement of the Government of Alberta's related legal action, the Balancing Pool has assumed all obligations of Buyer under the Sundance PPA, without exception or limitation. Any potential retroactive liability relating to the Company's role as Buyer of the Sundance PPA for losses has therefore been transferred to the Balancing Pool and Capital Power's total remaining liability pertaining to its Alberta assets is yet to be determined and could be material.

## North Carolina facility permitting

The North Carolina Department of Air Quality (DAQ) has indicated that new permits will be required for the Company's Roxboro and Southport facilities based on 2015 carbon monoxide and particulate matter emissions. The required permits have been applied for, however the DAQ advised in June 2017 that it is also pursuing permits for sulfur dioxide emissions. It is unknown at this time what, if any, new capital investment may be required under these permits.

### Other contingent liabilities

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

## RISKS AND RISK MANAGEMENT

There have been no material changes in the nine months ended September 30, 2017 to the Company's business and operational risks as described in the Company's December 31, 2016 MD&A.

## ENVIRONMENTAL MATTERS

The Company recorded decommissioning provisions of $207 million as at September 30, 2017 ($195 million as at December 31, 2016) for its generation facilities and the Coal Mine as it is obliged to remove the facilities at the end of their useful lives and restore the facility and mine sites to their original condition. Decommissioning provisions for the Coal Mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation. The timing of reclamation activities could vary and the amount of decommissioning provisions could change depending on potential future changes in environmental regulations and the timing of any facility fuel conversions.

The Company is obligated to purchase environmental credits totaling $300 million in future years and expects to mostly use these credits to comply with applicable environmental regulations, including the proposed CCR.

During the first quarter of 2017, the Government of Alberta indicated that, commencing in 2018, the portion of a facility's emission compliance obligation that can be met through the use of compliance credits would be limited to 30 per cent of the facility's compliance obligation. During the third quarter of 2017, the Alberta Climate Change Office facilitated a stakeholder engagement process pertaining to this limit. Through this process, Capital Power, among other parties, submitted alternative proposals to the Government of Alberta's proposed 30 per cent cap on offset usage. It is expected that the resulting legislation will be finalized during the fourth quarter of 2017 and the Company does not expect a material adverse outcome associated with this legislation.

## USE OF JUDGMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. There have been no significant changes to the Company's use of judgments and estimates as described in the Company's December 31, 2016 MD&A.

## ACCOUNTING CHANGES

### Effective January 1, 2017

The Company adopted amendments to one accounting standard as issued by the International Accounting Standards Board (IASB). The amendments and impact to Capital Power are:

| Standard | Description | Impact to Capital Power |
|---|---|---|
| Statement of Cash Flows (amendments to IAS 7) | Amendments issued to improve disclosures of changes in financing liabilities to allow users of financial statements to evaluate changes in liabilities arising from financing activities. | The Company added disclosure of changes in liabilities arising from financing activities in the Company's interim financial statement disclosures. |

### Future

The IASB issued the following new standards and amendments to existing standards that were not yet effective as of September 30, 2017 and are relevant to Capital Power:

| Standard | Description | Impact to Capital Power and current implementation status | Effective Date |
|---|---|---|---|
| Revenue from contracts with customers (IFRS 15) | New standard on revenue recognition consisting of a single and comprehensive framework for revenue recognition to ensure consistent treatment for all transactions in all industries and capital markets. | Management has assessed the applicability of this new standard on the Company's various contracts and reporting systems and does not expect significant changes or reclassifications to the consolidated financial statements as a result of this transition. A number of the Company's revenue contracts are accounted for under IFRS 11 – Joint Arrangements, IAS 17 – Leases, IAS 39 – Financial Instruments: Recognition and Measurement and are therefore excluded from the scope of IFRS 15. Management will utilize the cumulative effect method when initially applying the new standard which will reflect an adjustment to the opening equity balance at the date of initial application. This transition method also requires disclosure of what the transition year financial statements would have presented under the previous accounting standards. For those contracts affected by IFRS 15, management anticipates increased disclosure requirements to consist of: separately disclosed and disaggregated revenue and opening and closing balances of receivables. | Effective for annual periods beginning on or after January 1, 2018; early application permitted and to be applied retrospectively. |
| Financial instruments (IFRS 9) | New standard, replacing IAS 39, which addresses requirements for classification and measurement, impairment, hedge accounting and de-recognition of financial assets and liabilities. | Management has assessed the applicability of IFRS 9 on the Company's various contracts and reporting systems and does not expect a significant impact to the consolidated financial statements. Management anticipates increased disclosure requirements to consist of: separately disclosed changes in fair value of financial instruments attributable to changes in credit risk recognized in net (loss) income and other comprehensive (loss) income. | Effective for annual periods beginning on or after January 1, 2018; early application permitted. |
| Leases (IFRS 16) | New standard which replaces IAS 17 which addresses the recognition, measurement, presentation and disclosure of leases and provides a new approach to lessee accounting, requiring lessees to recognize assets and liabilities for all leases. | Management is currently assessing whether certain power purchase agreements and energy supply contracts, that are currently considered to be finance leases with the Company as the lessor, will continue to be considered leases upon adoption of IFRS 16. This assessment and any associated practical expedients will also affect disclosures under IFRS 15. Early application is permitted if IFRS 15 has also been applied. This standard will require the Company to recognize leased assets and leased obligations with respect to its lease arrangements for office space. | Effective for annual periods beginning on or after January 1, 2019. Early application is permitted if IFRS 15 has also been applied. |

## FINANCIAL INSTRUMENTS

The classification, carrying amounts and fair values of financial instruments held at September 30, 2017 and December 31, 2016 were as follows:

| (unaudited, $ millions) | | September 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|---|
| | Fair value hierarchy level [1] | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets:** | | | | | |
| Loans and receivables | | | | | |
| Cash and cash equivalents | N/A | 62 | 62 | 98 | 98 |
| Trade and other receivables [2] | N/A | 139 | 139 | 147 | 147 |
| Government grant receivable [3] | Level 2 | 558 | 558 | 594 | 594 |
| Finance lease receivables [3] | Level 2 | 672 | 733 | 689 | 762 |
| Other financial assets [3] | Level 2 | 6 | 6 | 7 | 7 |
| Designated at fair value through income or loss | | | | | |
| Derivative financial instruments assets – current and non-current | See Below | 177 | 177 | 269 | 269 |
| **Financial liabilities:** | | | | | |
| Other financial liabilities | | | | | |
| Trade and other payables [4] | N/A | 201 | 201 | 216 | 216 |
| Finance lease obligation [3] | Level 2 | 18 | 20 | 20 | 20 |
| Loans and borrowings [3] | Level 2 | 2,155 | 2,229 | 1,508 | 1,540 |
| Designated at fair value through income or loss | | | | | |
| Derivative financial instruments liabilities – current and non-current | See Below | 88 | 88 | 92 | 92 |

1 Fair values for Level 1 financial assets and liabilities are based on unadjusted quoted prices in active markets for identical instruments while fair values for Level 2 financial assets and liabilities are generally based on indirectly observable prices. The determination of fair values for Level 3 financial assets and liabilities is prepared by appropriate subject matter experts and reviewed by the Company's commodity risk group and by management.

2 Excludes current portion of government grant receivable, finance lease receivables and other financial assets.

3 Includes current portion.

4 Excludes current portion of finance lease obligation.

## Risk management and hedging activities

There have been no material changes in the nine months ended September 30, 2017 to the Company's risk management and hedging activities as described in the Company's December 31, 2016 MD&A.

The derivative financial instruments assets and liabilities held at September 30, 2017 compared with December 31, 2016 and used for risk management purposes were measured at fair value and consisted of the following:

| (unaudited, $ millions) | | As at September 30, 2017 | | | |
|---|---|---|---|---|---|
| | **Fair value hierarchy level** | **Commodity cash flow hedges** | **Commodity non-hedges** | **Foreign exchange non-hedges** | **Total** |
| Derivative financial instruments assets | Level 2 | 30 | 93 | 42 | 165 |
| | Level 3 | - | 12 | - | 12 |
| | | 30 | 105 | 42 | 177 |
| Derivative financial instruments liabilities | Level 2 | (7) | (67) | (5) | (79) |
| | Level 3 | (9) | - | - | (9) |
| | | (16) | (67) | (5) | (88) |
| **Net derivative financial instruments assets** | | **14** | **38** | **37** | **89** |

| (unaudited, $ millions) | | As at December 31, 2016 | | | |
|---|---|---|---|---|---|
| | **Fair value hierarchy level** | **Commodity cash flow hedges** | **Commodity non-hedges** | **Foreign exchange hedges** | **Total** |
| Derivative financial instruments assets | Level 2 | 69 | 133 | 58 | 260 |
| | Level 3 | - | 9 | - | 9 |
| | | 69 | 142 | 58 | 269 |
| Derivative financial instruments liabilities | Level 2 | (3) | (70) | - | (73) |
| | Level 3 | (19) | - | - | (19) |
| | | (22) | (70) | - | (92) |
| **Net derivative financial instruments assets** | | **47** | **72** | **58** | **177** |

### Commodity and foreign exchange derivatives designated as accounting hedges

Unrealized gains and losses for fair value changes on commodity and foreign exchange derivatives that qualify for hedge accounting are recorded in other comprehensive (loss) income and, when realized, are reclassified to net (loss) income as revenues, energy purchases and fuel, or foreign exchange gains and losses. As a result of the termination of the Sundance PPA, certain commodity derivatives that were previously designated as accounting hedges were de-designated as the hedged transactions were no longer expected to occur. The Company performed a hedge effectiveness test before and after the de-designation and concluded no ineffectiveness was present. Unrealized gains and losses associated with these de-designated commodity cash flow hedges began to flow through net income as revenues starting in the first quarter of 2016. As a result of the Decatur Energy acquisition (see Significant Events) and the repayment of certain U.S. dollar denominated loans and borrowings during the third quarter of 2017, the foreign currency exposure that the cross-currency interest rate swap was hedging no longer existed. As a result, the Company de-designated the cross-currency interest rate swap as a foreign exchange cash flow hedge during the third quarter of 2017. Unrealized gains associated with this de-designated foreign exchange cash flow hedge began to flow directly through net income as foreign exchange gains starting in the third quarter of 2017. Prior to the time of de-designation of the foreign exchange cash flow hedge, the unrealized gains or losses were reclassified to net income, within foreign exchange gains or losses, each period to offset the impact to unrealized foreign exchange gains and losses from the revaluation of the U.S. dollar loans and borrowings that were being hedged.

### Commodity and foreign exchange derivatives not designated as accounting hedges

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

Unrealized and realized losses on foreign exchange derivatives that are not designated as hedges for accounting purposes are recorded in net income as foreign exchange gains or losses.

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no significant changes in the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the nine months ended September 30, 2017 that have materially affected or are reasonably likely to materially affect the Company's disclosures of required information and internal control over financial reporting.

## SUMMARY OF QUARTERLY RESULTS

| (GWh) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Electricity generation** | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| Total generation excluding Sundance PPA | 4,725 | 3,674 | 3,962 | 3,793 | 3,930 | 3,707 | 3,898 | 3,929 |
| **Alberta commercial facilities and Sundance PPA** | | | | | | | | |
| Genesee 3 | 509 | 480 | 493 | 341 | 498 | 474 | 474 | 500 |
| Keephills 3 | 380 | 419 | 445 | 478 | 464 | 501 | 388 | 489 |
| Clover Bar Energy Centre 1, 2 and 3 | 140 | 24 | 36 | 94 | 79 | 106 | 48 | 41 |
| Joffre | 101 | 70 | 35 | 66 | 27 | 21 | 83 | 84 |
| Shepard | 730 | 560 | 649 | 410 | 611 | 647 | 577 | 387 |
| Halkirk | 95 | 119 | 122 | 121 | 86 | 124 | 124 | 129 |
| Clover Bar Landfill Gas | 6 | 6 | 5 | 3 | 1 | 2 | 1 | 1 |
| Alberta commercial facilities – owned | 1,961 | 1,678 | 1,785 | 1,513 | 1,766 | 1,875 | 1,695 | 1,631 |
| Sundance PPA [1] | N/A | N/A | N/A | N/A | N/A | N/A | 655 | 717 |
| | 1,961 | 1,678 | 1,785 | 1,513 | 1,766 | 1,875 | 2,350 | 2,348 |
| **Alberta contracted facilities** | | | | | | | | |
| Genesee 1 | 830 | 576 | 846 | 863 | 857 | 770 | 843 | 842 |
| Genesee 2 | 823 | 825 | 811 | 860 | 862 | 582 | 833 | 861 |
| | 1,653 | 1,401 | 1,657 | 1,723 | 1,719 | 1,352 | 1,676 | 1,703 |
| **Ontario and British Columbia contracted facilities** | | | | | | | | |
| Island Generation | 12 | - | - | 37 | 2 | - | - | 5 |
| York Energy | 10 | 2 | N/A | N/A | N/A | N/A | N/A | N/A |
| East Windsor | 2 | 1 | N/A | N/A | N/A | N/A | N/A | N/A |
| K2 Wind | 28 | 29 | 79 | 77 | 40 | 34 | 71 | 102 |
| Kingsbridge 1 | 11 | 25 | 36 | 37 | 15 | 16 | 34 | 36 |
| Port Dover and Nanticoke | 39 | 71 | 93 | 92 | 53 | 65 | 95 | 95 |
| Quality Wind | 85 | 84 | 94 | 85 | 78 | 90 | 91 | 121 |
| EnPower | 7 | 2 | N/A | N/A | N/A | N/A | N/A | N/A |
| | 194 | 214 | 302 | 328 | 188 | 205 | 291 | 359 |
| **U.S. contracted facilities** | | | | | | | | |
| Roxboro, North Carolina | 80 | 88 | 79 | 84 | 84 | 82 | 66 | 77 |
| Southport, North Carolina | 124 | 92 | 92 | 107 | 140 | 144 | 127 | 131 |
| Decatur Energy, Alabama | 542 | 107 | N/A | N/A | N/A | N/A | N/A | N/A |
| Beaufort Solar, North Carolina | 7 | 8 | 6 | 6 | 8 | 8 | 7 | - |
| Bloom Wind, Kansas | 145 | 46 | N/A | N/A | N/A | N/A | N/A | N/A |
| Macho Springs, New Mexico | 19 | 40 | 41 | 32 | 25 | 41 | 36 | 28 |
| | 917 | 381 | 218 | 229 | 257 | 275 | 236 | 236 |

[1] The Company's role as Buyer of the Sundance PPA was terminated effective March 24, 2016. Results of the Sundance PPA were recognized up to March 24, 2016.

| (%) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Facility availability** | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| Total average facility availability excluding Sundance PPA | 97 | 94 | 97 | 94 | 96 | 90 | 97 | 99 |
| **Alberta commercial facilities and Sundance PPA** | | | | | | | | |
| Genesee 3 | 100 | 97 | 99 | 68 | 100 | 100 | 99 | 100 |
| Keephills 3 | 83 | 92 | 93 | 99 | 96 | 100 | 90 | 100 |
| Clover Bar Energy Centre 1, 2 and 3 | 93 | 89 | 99 | 99 | 91 | 91 | 99 | 97 |
| Joffre | 100 | 96 | 92 | 98 | 81 | 55 | 89 | 100 |
| Shepard | 99 | 97 | 99 | 76 | 99 | 82 | 100 | 98 |
| Halkirk | 88 | 99 | 96 | 98 | 96 | 98 | 99 | 96 |
| Clover Bar Landfill Gas | 94 | 95 | 95 | 92 | 27 | 99 | 99 | 84 |
| Alberta commercial facilities – owned | 95 | 95 | 97 | 87 | 95 | 87 | 96 | 98 |
| Sundance PPA [1] | N/A | N/A | N/A | N/A | N/A | N/A | 95 | 92 |
| | 95 | 95 | 97 | 87 | 95 | 87 | 96 | 96 |
| **Alberta contracted facilities** | | | | | | | | |
| Genesee 1 | 97 | 70 | 100 | 100 | 100 | 95 | 100 | 99 |
| Genesee 2 | 96 | 100 | 97 | 100 | 100 | 72 | 99 | 100 |
| | 96 | 85 | 98 | 100 | 100 | 84 | 99 | 100 |
| **Ontario and British Columbia contracted facilities** | | | | | | | | |
| Island Generation | 100 | 100 | 100 | 100 | 92 | 100 | 100 | 100 |
| York Energy | 100 | 100 | N/A | N/A | N/A | N/A | N/A | N/A |
| East Windsor | 99 | 99 | N/A | N/A | N/A | N/A | N/A | N/A |
| K2 Wind | 99 | 100 | 99 | 100 | 98 | 99 | 99 | 99 |
| Kingsbridge 1 | 98 | 95 | 98 | 97 | 95 | 97 | 94 | 98 |
| Port Dover and Nanticoke | 93 | 100 | 98 | 99 | 94 | 100 | 97 | 98 |
| Quality Wind | 91 | 99 | 97 | 97 | 91 | 98 | 99 | 98 |
| EnPower | 95 | 98 | N/A | N/A | N/A | N/A | N/A | N/A |
| | 98 | 99 | 99 | 99 | 93 | 99 | 99 | 99 |
| **U.S. contracted facilities** | | | | | | | | |
| Roxboro, North Carolina | 99 | 100 | 93 | 94 | 100 | 100 | 89 | 99 |
| Southport, North Carolina | 97 | 86 | 92 | 98 | 96 | 92 | 83 | 93 |
| Decatur Energy, Alabama | 100 | 100 | N/A | N/A | N/A | N/A | N/A | N/A |
| Beaufort Solar, North Carolina | 97 | 90 | 97 | 92 | 98 | 91 | 98 | 100 |
| Bloom Wind, Kansas | 97 | 98 | N/A | N/A | N/A | N/A | N/A | N/A |
| Macho Springs, New Mexico | 98 | 96 | 98 | 97 | 97 | 98 | 97 | 96 |
| | 99 | 96 | 94 | 96 | 97 | 95 | 89 | 96 |

1 The Company's role as Buyer of the Sundance PPA was terminated effective March 24, 2016. Results of the Sundance PPA were recognized up to March 24, 2016.

## Financial results

| (unaudited, $ millions) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Sep 30 2017 | Jun 30 2017 | Mar 31 2017 | Dec 31 2016 | Sep 30 2016 | Jun 30 2016 | Mar 31 2016 | Dec 31 2015 |
| **Revenues and other income** | | | | | | | | |
| Alberta commercial facilities, Sundance PPA and portfolio optimization [1] | 160 | 153 | 154 | 172 | 163 | 166 | 188 | 199 |
| Alberta contracted facilities | 61 | 55 | 61 | 65 | 64 | 59 | 64 | 66 |
| Ontario and British Columbia contracted facilities | 31 | 32 | 35 | 33 | 23 | 25 | 34 | 40 |
| U.S. contracted facilities | 77 | 37 | 29 | 29 | 34 | 34 | 32 | 30 |
| Corporate [2] | 14 | 16 | 14 | 11 | 2 | 1 | 2 | 1 |
| Unrealized changes in fair value of commodity derivatives and emission credits | 3 | (92) | 45 | (30) | 88 | (59) | 14 | 1 |
| | **346** | **201** | **338** | **280** | **374** | **226** | **334** | **337** |
| **Adjusted EBITDA** | | | | | | | | |
| Alberta commercial facilities, Sundance PPA and portfolio optimization [1] | 55 | 55 | 58 | 70 | 74 | 71 | 64 | 70 |
| Alberta contracted facilities | 41 | 37 | 45 | 40 | 38 | 43 | 42 | 45 |
| Ontario and British Columbia contracted facilities [3] | 31 | 40 | 40 | 40 | 21 | 28 | 38 | 45 |
| U.S. contracted facilities | 46 | 10 | 6 | 8 | 11 | 8 | 8 | 10 |
| Corporate | (12) | (17) | (15) | (20) | (24) | (27) | (24) | (24) |
| Unrealized changes in fair value of commodity derivatives and emission credits | (3) | (29) | 9 | 6 | 28 | (15) | (8) | (12) |
| | **158** | **96** | **143** | **144** | **148** | **108** | **120** | **134** |

1 The Company's role as Buyer of the Sundance PPA was terminated effective March 24, 2016. Results of the Sundance PPA were recognized up to March 24, 2016.

2 Revenues are offset by interplant category revenue eliminations.

3 Commencing with the first quarter of 2016, the reported Ontario and British Columbia contracted facilities' adjusted EBITDA was changed to include the adjusted EBITDA from joint ventures and the applicable comparative periods have been adjusted to conform to the current period's presentation.

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

## Financial highlights

| (unaudited, $ millions except per share amounts) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| Revenues and other income | 346 | 201 | 338 | 280 | 374 | 226 | 334 | 337 |
| Adjusted EBITDA [1,2] | 158 | 96 | 143 | 144 | 148 | 108 | 120 | 134 |
| Net (loss) income | (7) | 107 | 47 | 26 | 64 | 20 | (8) | 34 |
| Net (loss) income attributable to shareholders of the Company | (5) | 109 | 50 | 28 | 66 | 23 | (6) | 35 |
| Basic (loss) earnings per share ($) | (0.13) | 1.03 | 0.44 | 0.21 | 0.63 | 0.19 | (0.11) | 0.29 |
| Normalized earnings per share ($) [1] | 0.28 | 0.27 | 0.34 | 0.27 | 0.31 | 0.30 | 0.33 | 0.42 |
| Net cash flows from operating activities | 120 | 78 | 99 | 69 | 105 | 70 | 131 | 114 |
| Adjusted funds from operations [1] | 134 | 47 | 91 | 56 | 79 | 79 | 93 | 118 |
| Purchase of property, plant and equipment and other assets | 28 | 63 | 85 | 174 | 27 | 81 | 31 | 17 |

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

[2] Commencing with the first quarter of 2016, the reported Ontario and British Columbia contracted facilities' adjusted EBITDA was changed to include the adjusted EBITDA from joint ventures and the applicable comparative periods have been adjusted to conform to the current period's presentation.

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Spot price averages** | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| Alberta power ($ per MWh) | 25 | 19 | 22 | 22 | 18 | 15 | 18 | 21 |
| Alberta natural gas (AECO) ($ per Gj) | 1.34 | 2.62 | 2.56 | 2.97 | 2.14 | 1.34 | 1.72 | 2.35 |
| **Capital Power's Alberta portfolio average realized power price ($ per MWh)** | 49 | 52 | 55 | 67 | 70 | 61 | 52 | 55 |

### Factors impacting results for the previous quarters

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

The results for the second quarter of 2017 continued to reflect low Alberta power pricing and realized power prices. The Company completed the acquisitions of the thermal power business of Veresen Inc. and Decatur Energy. The Company also reversed a previous write-down of deferred tax assets related to the tax benefit associated with the Company's U.S. income tax loss carryforwards as a result of the acquisition of Decatur Energy and the commissioning of Bloom Wind. Despite these acquisitions, adjusted EBITDA was lower in the second quarter of 2017 compared to the second quarter of 2016 primarily due to lower realized power prices in 2017 compared with 2016 and unrealized losses on net forward natural gas purchase contracts valued against decreasing forward natural gas prices in 2017 compared with net forward natural gas purchase contracts valued against increasing forward natural gas prices in 2016.

Financial results for the first quarter of 2017 and 2016 reflected low Alberta power pricing and realized power prices. Adjusted EBITDA increased quarter over quarter mainly due to unrealized gains on net forward power sales contracts valued against decreasing prices and other income related to coal compensation from the Province of Alberta. The Company's normalized earnings per share of $0.34 in the first quarter of 2017 was consistent with the normalized earnings per share of $0.33 in the first quarter of 2016 after adjustment for the $46 million post-tax loss as a result of the de-recognition of the Sundance PPA intangible asset in the first quarter of 2016.

For the quarter ended December 31, 2016, the Company recorded net income attributable to shareholders of $28 million and normalized earnings per share of $0.27, compared to $35 million and $0.42, respectively, for the quarter ended December 31, 2015. Net income attributable to common shareholders was lower for the quarter compared to the same quarter in the prior year primarily due to the payment for the settlement of legal action related to the termination of the Sundance PPA in 2016, partially offset by higher adjusted EBITDA and lower interest costs in the fourth quarter of 2016 compared with the same period in 2015. Normalized earnings per share of $0.27 in the fourth quarter of 2016 was lower than the comparable amount of $0.42 in the fourth quarter of 2015 primarily due to the decrease in adjusted EBITDA after removing the effects of unrealized changes in fair value of derivative contracts and increased preferred share dividends in 2016 compared with 2015.

The results for the third quarter of 2016 reflected strong portfolio results as the portfolio was fully hedged at an average realized price of $70 per MWh compared with $61 per MWh in the third quarter of 2015. The spot price average in the third quarter of 2016 was $18 per MWh compared with $26 per MWh in the third quarter of 2015. Because of the lower spot price in 2016 compared with 2015, the portfolio results in the third quarter of 2016 were partially offset by lower revenues from the Alberta commercial and Alberta contracted facilities. Although the Company's portfolio realized higher power prices in the third quarter of 2016, portfolio optimization revenues were lower compared with the same period in 2015 as the Company secured a portion of commercial production for the third quarter of 2015 in June 2015, when forward rates increased temporarily during that month. In the third quarter of 2016, the Alberta energy portfolio recognized unrealized gains of $32 million compared with unrealized gains of $26 million in the third quarter of 2015. The Company also recognized a pre-tax impairment loss of $6 million related to the Southport cash generating unit.

The results for the second quarter of 2016 reflected strong portfolio results as the portfolio was fully hedged at an average realized price of $61 per MWh compared with $46 per MWh in the second quarter of 2015. The spot price average in the second quarter of 2016 was $15 per MWh compared with $57 per MWh in the second quarter of 2015. Because of the lower spot price in 2016 compared with 2015, the portfolio results in the second quarter of 2016 were partially offset by lower revenues from the Alberta commercial and Alberta contracted facilities. In the second quarter of 2016, the Alberta energy portfolio recognized unrealized losses of $29 million compared with unrealized losses of $46 million in the second quarter of 2015. Partially offsetting those unrealized losses in 2016 were unrealized gains on natural gas derivatives of $15 million due to reversals of previously unrealized net losses. There were no such gains reported in 2015.

Financial results for the first quarter of 2016 reflected the impact of lower Alberta power pricing averaging $18 per MWh. Revenues were lower compared with the corresponding period in 2015 mainly due to lower Alberta average spot prices and lower average realized prices on the Alberta portfolio. Adjusted EBITDA decreased quarter over quarter mainly due to unrealized losses recognized on commodity derivatives and emission credits held for trading. Adjusted EBITDA was also negatively impacted by increased environmental compliance costs resulting from higher contributions to the Climate Change and Emissions Fund and decreased generation at Quality Wind. The Company exercised its right to terminate the Sundance PPA effective March 24, 2016. As a result, Capital Power's first quarter net income was negatively impacted by a non-cash $53 million pre-tax loss with respect to the de-recognition of the Sundance PPA intangible asset.

For the quarter ended December 31, 2015, the Company recorded net income attributable to shareholders of $35 million and normalized earnings per share of $0.42, compared to $39 million and $0.20, respectively, for the quarter ended December 31, 2014. Net income attributable to common shareholders was lower for the quarter compared to the same quarter in the prior year primarily due to lower adjusted EBITDA, increased depreciation on new assets and net finance expense on additional financing, partially offset by the contribution of K2 equity earnings and lower taxes. Generating facilities contributed higher adjusted EBITDA for the fourth quarter with higher generation across the fleet, including the fully hedged Alberta baseload units, the addition of Shepard and a full quarter of Macho Springs compared to the same quarter in the prior year. These additions were more than offset by the quarter over quarter decrease in unrealized changes in the fair value of derivative contracts. In the fourth quarter of 2014, the Company reported unrealized gains of $37 million due to declining forward prices on its forward sales contracts. In the fourth quarter of 2015, the Company reported unrealized losses on its forward electricity sales contracts upon reversal of prior quarter gains and declining prices combined with its forward natural gas purchase contracts. Normalized earnings per share of $0.42 in the fourth quarter of 2015 was higher than the comparable amount of $0.20 in the fourth quarter of 2014 primarily due to the increase in adjusted EBITDA after removing the effects of unrealized changes in fair value of derivative contracts.

## SHARE AND PARTNERSHIP UNIT INFORMATION

### Quarterly common share trading information

The Company's common shares are listed on the TSX under the symbol CPX and began trading on June 26, 2009.

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Sep 30 2017** | **Jun 30 2017** | **Mar 31 2017** | **Dec 31 2016** | **Sep 30 2016** | **Jun 30 2016** | **Mar 31 2016** | **Dec 31 2015** |
| **Share price ($/common share)** | | | | | | | | |
| High | 26.51 | 26.14 | 26.43 | 24.49 | 22.16 | 20.23 | 18.93 | 20.21 |
| Low | 23.81 | 24.05 | 23.15 | 19.90 | 18.95 | 17.31 | 16.37 | 15.41 |
| Close | 24.67 | 24.32 | 26.06 | 23.23 | 20.62 | 19.28 | 18.00 | 17.77 |
| **Volume of shares traded (millions)** | 14.1 | 14.8 | 17.0 | 23.2 | 16.0 | 14.8 | 19.2 | 20.5 |

### Outstanding share and partnership unit data

As at October 19, 2017, the Company had 104.264 million common shares, 5 million Cumulative Rate Reset Preference Shares, Series 1, 6 million Cumulative Rate Reset Preference Shares, Series 3, 8 million Cumulative Rate Reset Preference Shares, Series 5, 8 million Cumulative Minimum Rate Reset Preference Shares, Series 7, 6 million Cumulative Minimum Rate Reset Preference Shares, Series 9 and one special limited voting share outstanding. Assuming full conversion of the outstanding and issuable share purchase options to common shares and ignoring exercise prices, the outstanding and issuable common shares as at October 19, 2017 were 108.293 million. The outstanding special limited voting share is held by EPCOR.

As at October 19, 2017, CPLP had 21.750 million general partnership units outstanding and 80.953 million common limited partnership units outstanding. All of the outstanding general partnership units and the outstanding common limited partnership units are held by the Company.

## ADDITIONAL INFORMATION

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

Condensed Interim Consolidated Financial Statements of

# CAPITAL POWER CORPORATION

(Unaudited, in millions of Canadian dollars)
Nine months ended September 30, 2017 and 2016

# CAPITAL POWER CORPORATION

Condensed Interim Consolidated Financial Statements
Nine months ended September 30, 2017 and 2016

**Condensed Interim Consolidated Financial Statements:**

# CAPITAL POWER CORPORATION

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

| | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| Revenues | $ 317 | $ 370 | $ 821 | $ 927 |
| Other income | 29 | 4 | 64 | 7 |
| Energy purchases and fuel | (115) | (158) | (279) | (348) |
| **Gross margin** | 231 | 216 | 606 | 586 |
| Other raw materials and operating charges | (29) | (22) | (82) | (79) |
| Staff costs and employee benefits expense | (31) | (31) | (98) | (94) |
| Depreciation and amortization | (74) | (53) | (199) | (163) |
| Loss on termination of power purchase arrangement | - | - | - | (53) |
| Impairments (note 6) | (83) | (6) | (83) | (6) |
| Other administrative expense | (23) | (21) | (66) | (63) |
| Foreign exchange gain | 21 | 3 | 32 | 10 |
| **Operating income** | 12 | 86 | 110 | 138 |
| Net finance expense | (31) | (21) | (76) | (62) |
| Income from joint ventures | 4 | 3 | 26 | 16 |
| **(Loss) income before tax** | (15) | 68 | 60 | 92 |
| Income tax recovery (expense) (note 7) | 8 | (4) | 87 | (16) |
| **Net (loss) income** | $ (7) | $ 64 | $ 147 | $ 76 |
| **Attributable to:** | | | | |
| Non-controlling interests | $ (2) | $ (2) | $ (7) | $ (7) |
| Shareholders of the Company | $ (5) | $ 66 | $ 154 | $ 83 |

| | | | | |
|---|---|---|---|---|
| **Earnings (loss) per share** (attributable to common shareholders of the Company): | | | | |
| Basic (note 8) | $ (0.13) | $ 0.63 | $ 1.30 | $ 0.71 |
| Diluted (note 8) | $ (0.13) | $ 0.63 | $ 1.29 | $ 0.71 |

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| **Net (loss) income** | $ (7) | $ 64 | $ 147 | $ 76 |
| **Other comprehensive (loss) income:** | | | | |
| **Items that will not be reclassified subsequently to net (loss) income:** | | | | |
| Defined benefit plans: | | | | |
| Actuarial gains[1] | - | - | 2 | - |
| **Items that are or may be reclassified subsequently to net (loss) income:** | | | | |
| Cash flow hedges: | | | | |
| Unrealized gains on derivative instruments[2] | 13 | 43 | 9 | 62 |
| Unrealized gains (losses) on derivative instruments – joint ventures[3] | 3 | (2) | 3 | (10) |
| Reclassification of gains on derivative instruments to income for the period[4] | (13) | (24) | (48) | (73) |
| Reclassification of losses on derivative instruments to income for the period – joint ventures[5] | 1 | 1 | 3 | 1 |
| Net investment in foreign subsidiaries: | | | | |
| Unrealized (losses) gains[6] | (35) | 4 | (56) | (9) |
| Total items that are or may be reclassified subsequently to net income, net of tax | (31) | 22 | (89) | (29) |
| Total other comprehensive (loss) income, net of tax | (31) | 22 | (87) | (29) |
| **Total comprehensive (loss) income** | $ (38) | $ 86 | $ 60 | $ 47 |
| **Attributable to:** | | | | |
| Non-controlling interests | $ (2) | $ (2) | $ (7) | $ (7) |
| Shareholders of the Company | $ (36) | $ 88 | $ 67 | $ 54 |

[1] For the three and nine months ended September 30, 2017 and September 30, 2016, net of income tax expense of nil.

[2] For the three and nine months ended September 30, 2017, net of income tax expense of $6 million and $5 million respectively. For the three and nine months ended September 30, 2016, net of income tax expense of $15 million and $22 million, respectively.

[3] For the three and nine months ended September 30, 2017, net of income tax expense of $1 million. For the three and nine months ended September 30, 2016, net of income tax recovery of nil and $3 million, respectively.

[4] For the three and nine months ended September 30, 2017, net of reclassification of income tax expense of $4 million and $17 million, respectively. For the three and nine months ended September 30, 2016, net of reclassification of income tax expense of $9 million and $27 million, respectively.

[5] For the three and nine months ended September 30, 2017, net of reclassification of income tax recovery of nil and $1 million, respectively. For the three and nine months ended September 30, 2016, net of reclassification of income tax recovery of nil.

[6] For the three and nine months ended September 30, 2017, net of income tax recovery of $1 million and nil, respectively. For the three and nine months ended September 30, 2016, net of income tax recovery of nil.

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 62 | $ 98 |
| Trade and other receivables (note 9) | 219 | 223 |
| Inventories | 137 | 118 |
| Derivative financial instruments assets (note 10) | 122 | 115 |
| | 540 | 554 |
| Non-current assets: | | |
| Other assets (note 9) | 69 | 20 |
| Derivative financial instruments assets (note 10) | 55 | 154 |
| Finance lease receivables | 650 | 667 |
| Government grant receivable | 504 | 542 |
| Other financial assets | 2 | 5 |
| Deferred tax assets | 113 | 16 |
| Equity-accounted investments | 184 | 18 |
| Intangible assets | 401 | 299 |
| Property, plant and equipment (note 6) | 4,382 | 3,764 |
| Goodwill (notes 5 and 6) | 37 | 23 |
| Total assets | $ 6,937 | $ 6,062 |
| Liabilities and equity | | |
| Current liabilities: | | |
| Trade and other payables | $ 202 | $ 217 |
| Derivative financial instruments liabilities (note 10) | 54 | 48 |
| Loans and borrowings | 236 | 200 |
| Deferred revenue and other liabilities | 62 | 57 |
| Provisions | 23 | 26 |
| | 577 | 548 |
| Non-current liabilities: | | |
| Derivative financial instruments liabilities (note 10) | 34 | 44 |
| Loans and borrowings (notes 12 and 13) | 1,919 | 1,308 |
| Finance lease obligation | 17 | 19 |
| Deferred revenue and other liabilities | 604 | 632 |
| Deferred tax liabilities | 388 | 379 |
| Provisions | 242 | 231 |
| | 3,204 | 2,613 |
| Equity: | | |
| Equity attributable to shareholders of the Company | | |
| Share capital (note 11) | 3,261 | 2,918 |
| Deficit | (117) | (124) |
| Other reserves | (39) | 49 |
| Deficit and other reserves | (156) | (75) |
| | 3,105 | 2,843 |
| Non-controlling interests | 51 | 58 |
| Total equity | 3,156 | 2,901 |
| Total liabilities and equity | $ 6,937 | $ 6,062 |

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | Share capital | Cash flow hedges[1] | Cumulative translation reserve[1] | Defined benefit plan actuarial losses[1] | Employee benefits reserve | Deficit | Equity attributable to shareholders of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| Equity as at January 1, 2017 | $ 2,918 | $ 22 | $ 26 | $ (10) | $ 11 | $ (124) | $ 2,843 | $ 58 | $ 2,901 |
| Net income (loss) | - | - | - | - | - | 154 | 154 | (7) | 147 |
| Other comprehensive (loss) income: | | | | | | | | | |
| Defined benefit plan actuarial gains | - | - | - | 2 | - | - | 2 | - | 2 |
| Cash flow derivative hedge gains | - | 14 | - | - | - | - | 14 | - | 14 |
| Cash flow derivative hedge gains – joint ventures | - | 4 | - | - | - | - | 4 | - | 4 |
| Reclassification of gains to net income | - | (65) | - | - | - | - | (65) | - | (65) |
| Reclassification of losses to net income – joint ventures | - | 4 | - | - | - | - | 4 | - | 4 |
| Unrealized loss on foreign currency translation | - | - | (56) | - | - | - | (56) | - | (56) |
| Tax on items recognized directly in equity | - | 10 | - | - | - | - | 10 | - | 10 |
| Other comprehensive (loss) income | $ - | $ (33) | $ (56) | $ 2 | $ - | $ - | $ (87) | $ - | $ (87) |
| Total comprehensive (loss) income | - | (33) | (56) | 2 | - | 154 | 67 | (7) | 60 |
| Common share dividends (note 11) | - | - | - | - | - | (122) | (122) | - | (122) |
| Preferred share dividends (note 11) | - | - | - | - | - | (25) | (25) | - | (25) |
| Issue of share capital (note 11) | 333 | - | - | - | - | - | 333 | - | 333 |
| Share issue costs (note 11) | (11) | - | - | - | - | - | (11) | - | (11) |
| Deferred taxes on share issue costs | 3 | - | - | - | - | - | 3 | - | 3 |
| Share-based payment | - | - | - | - | (1) | - | (1) | - | (1) |
| Share options exercised | 18 | - | - | - | - | - | 18 | - | 18 |
| Equity as at September 30, 2017 | $ 3,261 | $ (11) | $ (30) | $ (8) | $ 10 | $ (117) | $ 3,105 | $ 51 | $ 3,156 |

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

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | Share capital | Cash flow hedges[1] | Cumulative translation account[1] | Defined benefit plan actuarial losses[1] | Employee benefits reserve | Deficit | Equity attributable to shareholders of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| Equity as at January 1, 2016 | $ 2,744 | $ 42 | $ 31 | $ (9) | $ 10 | $ (70) | $ 2,748 | $ 68 | $ 2,816 |
| Net income (loss) | - | - | - | - | - | 83 | 83 | (7) | 76 |
| Other comprehensive loss: | | | | | | | | | |
| Cash flow derivative hedge gains | - | 84 | - | - | - | - | 84 | - | 84 |
| Cash flow derivative hedge losses – joint venture | - | (13) | - | - | - | - | (13) | - | (13) |
| Reclassification of gains to net income | - | (100) | - | - | - | - | (100) | - | (100) |
| Reclassification of losses to net income – joint venture | - | 1 | - | - | - | - | 1 | - | 1 |
| Unrealized loss on foreign currency translation | - | - | (9) | - | - | - | (9) | - | (9) |
| Tax on items recognized directly in equity | - | 8 | - | - | - | - | 8 | - | 8 |
| Other comprehensive loss | $ - | $ (20) | $ (9) | $ - | $ - | $ - | $ (29) | $ - | $ (29) |
| Total comprehensive (loss) income | - | (20) | (9) | - | - | 83 | 54 | (7) | 47 |
| Net additional investment by non-controlling interests | - | - | - | - | - | - | - | 1 | 1 |
| Common share dividends (note 11) | - | - | - | - | - | (108) | (108) | - | (108) |
| Preferred share dividends (note 11) | - | - | - | - | - | (15) | (15) | - | (15) |
| Common shares purchased | (22) | - | - | - | - | - | (22) | - | (22) |
| Share-based payment | - | - | - | - | 1 | - | 1 | - | 1 |
| Equity as at September 30, 2016 | $ 2,722 | $ 22 | $ 22 | $ (9) | $ 11 | $ (110) | $ 2,658 | $ 62 | $ 2,720 |

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

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | Nine months ended September 30, 2017 | 2016 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 147 | $ 76 |
| Non-cash adjustments to reconcile net income to net cash flows from operating activities: | | |
| Loss on termination of power purchase arrangement | - | 53 |
| Impairments (note 6) | 83 | 6 |
| Depreciation and amortization | 199 | 163 |
| Net finance expense | 76 | 62 |
| Fair value changes on commodity derivative instruments and emission credits held for trading | 22 | (5) |
| Unrealized foreign exchange gains | (6) | (9) |
| Realized net foreign exchange gains on financing activities | (25) | - |
| Income tax (recovery) expense | (87) | 16 |
| Income from joint ventures | (26) | (16) |
| Reduction in finance lease receivable | 16 | 15 |
| Recognition of government grant deferred revenue | (39) | - |
| Other items | (11) | (1) |
| Change in fair value of derivative instruments reflected as cash settlement | (6) | (20) |
| Distributions received from joint ventures | 22 | 20 |
| Interest paid[1] | (55) | (54) |
| Income taxes paid[2] | (2) | - |
| Other cash items | (11) | (12) |
| Change in non-cash operating working capital | - | 12 |
| Net cash flows from operating activities | 297 | 306 |
| **Cash flows used in investing activities:** | | |
| Purchase of property, plant and equipment and other assets | (176) | (139) |
| Business acquisitions, net of acquired cash (note 5) | (839) | - |
| Government grant received | 50 | - |
| Genesee Coal Mine prepayment (note 9) | (70) | - |
| Other cash flows from investing activities | 9 | 13 |
| Change in non-cash investing working capital | (53) | (9) |
| Net cash flow used in investing activities | (1,079) | (135) |
| **Cash flows from (used in) financing activities:** | | |
| Proceeds from issue of loans and borrowings (note 12) | 1,098 | 164 |
| Repayment of loans and borrowings | (510) | (240) |
| Issue costs on loans and borrowings | (9) | - |
| Issue of share capital (note 11) | 183 | - |
| Issue of preferred shares (note 11) | 150 | - |
| Share issue costs (note 11) | (11) | - |
| Proceeds from exercise of share options | 17 | - |
| Common shares purchased (note 11) | - | (22) |
| Common share dividends paid (note 11) | (116) | (106) |
| Preferred share dividends paid (note 11) | (25) | (15) |
| Reduction in finance lease obligation | (1) | - |
| Realized losses on settlement of foreign exchange derivatives | (13) | - |
| Capitalized interest paid[1] | (6) | (2) |
| Income taxes paid[2] | (8) | (6) |
| Net cash flows from (used in) financing activities | 749 | (227) |
| Foreign exchange loss on cash held in a foreign currency | (3) | (2) |
| Net decrease in cash and cash equivalents | (36) | (58) |
| Cash and cash equivalents at beginning of period | 98 | 80 |
| Cash and cash equivalents at end of period | $ 62 | $ 22 |

[1] Total interest paid.
[2] Total income taxes paid.
See accompanying notes to the condensed interim consolidated financial statements

**1. Reporting entity:**

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

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

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

**2. Basis of presentation:**

These condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2016 annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent annual consolidated financial statements, except as outlined in note 3, and have been prepared under the historical cost basis, except for the Company's derivative instruments, emission credits held for trading, defined benefit pension assets and cash-settled share based payments, which are stated at fair value.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on October 24, 2017.

**3. Current accounting change:**

Effective January 1, 2017, the Company has adopted the following amendment:

IAS 7 - Statement of Cash Flows (Amendment) - The objective of this amendment is to improve disclosures of changes in financing liabilities to allow users of the financial statements to evaluate changes in liabilities arising from financing activities. The IAS 7 amendment is effective for annual periods beginning on or after January 1, 2017 and the resulting disclosure is presented in note 13.

**4. Future accounting changes:**

IFRS 15 – Revenue from Contracts with Customers – IFRS 15 is a single and comprehensive framework for revenue recognition that replaces previous revenue standards. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Management has assessed the applicability of this new standard on the Company's various contracts and reporting systems and does not expect significant changes or reclassifications to the consolidated financial statements as a result of this transition. A number of the Company's revenue contracts are accounted for under IFRS 11 – Joint Arrangements, IAS 17 – Leases, IAS 39 – Financial Instruments: Recognition and Measurement and are therefore excluded from the scope of IFRS 15. Management will utilize the cumulative effect method when initially applying the new standard which will reflect an adjustment to the opening equity balance at the date of initial application. This transition method also requires disclosure of what the transition year financial statements would have presented under the previous accounting standards. For those contracts affected by the new standard, management anticipates increased disclosure requirements to consist of separately disclosed and disaggregated revenue and opening and closing balances of receivables.

**4. Future accounting changes, continued:**

IFRS 9 – Financial Instruments – IFRS 9 addresses the classification and measurement requirements of financial assets and liabilities and is intended to improve transparency in the disclosure of expected credit losses and to improve the overall usefulness of financial statements for users by revising the current hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Earlier application is permitted. Management has assessed the applicability of this new standard on the Company's various contracts and reporting systems and does not expect a significant impact to the consolidated financial statements. Management anticipates increased disclosure requirements to consist of separately disclosed changes in fair value of financial instruments attributable to changes in credit risk recognized in income (loss) and other comprehensive income.

IFRS 16 – Leases – The new standard which replaces IAS 17 – Leases addresses the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides a new approach to lessee accounting, requiring lessees to recognize assets and liabilities for all leases, which will require the Company to recognize a leased asset and leased obligation with respect to its lease arrangements for office space. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Management is currently assessing whether certain Power Purchase Agreements (PPAs) and energy supply contracts that are currently considered to be finance leases, with the Company as the lessor, will continue to be considered leases upon adoption of this new standard. This assessment and any associated practical expedients will also affect disclosures under IFRS 15 – Revenue from Contracts with Customers. Early application is permitted if IFRS 15 – Revenue from Contracts with Customers has also been applied, however management expects to adopt this standard beginning January 1, 2019.

**5. Business acquisitions:**

**Acquisition of Decatur Energy**

On June 13, 2017, a subsidiary of the Company acquired all of the equity interests in Decatur Power Holdings, LLC, which owns Decatur Energy Centre (Decatur Energy) from an affiliate of LS Power Equity Partners III. Decatur Energy is a 795 MW natural gas-fired combined cycle power generation facility located in Alabama. The purchase price consisted of $603 million (US$448 million) in total cash consideration, including working capital and other closing adjustments of $9 million (US$7 million). The allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values is as described below.

**Acquisition of thermal facilities**

During the first quarter of 2017, the Company entered into an agreement to acquire the thermal power business of Veresen Inc. On April 13, 2017, the Company announced that it had completed the acquisition of the two natural gas-fired power facilities in Ontario consisting of the 84 MW East Windsor Cogeneration Center (East Windsor) and a 50% interest in the 400 MW York Energy Center (York Energy). The purchase price for the natural gas-fired facilities consisted of (i) $235 million in total cash consideration, including working capital and other closing adjustments of $12 million, and (ii) the assumption of $254 million of project level debt (proportionate basis at acquisition date net book value). On June 1, 2017, the Company completed the acquisition of EnPower Green Energy Generation (EnPower) consisting of 10 MW of zero-emissions waste heat generation from two facilities (5 MW each) in British Columbia. The purchase price consisted of (i) $8 million of total cash consideration, including working capital and other closing adjustments of $3 million, and (ii) the assumption of $18 million of project level debt.

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

**5. Business acquisitions, continued:**

**Purchase price allocation information**

The allocations of the respective purchase prices to the assets acquired and liabilities assumed based on their estimated fair values is as follows:

| | Decatur Energy | East Windsor | York Energy | EnPower | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 1 | $ 4 | $ - | $ 2 | $ 7 |
| Trade and other receivables | 8 | 6 | - | - | 14 |
| Inventories | 4 | 2 | - | - | 6 |
| Equity accounted investment | - | - | 153 | - | 153 |
| Intangible assets | 44 | 3 | - | - | 47 |
| Property, plant and equipment | 518 | 202 | - | 28 | 748 |
| Goodwill | 41 | 37 | - | - | 78 |
| Trade and other payables | (2) | (1) | - | - | (3) |
| Loans and borrowings | - | (153) | - | (18) | (171) |
| Provisions | (11) | (1) | - | (1) | (13) |
| Deferred tax liabilities | - | (17) | - | (3) | (20) |
| Fair value of net assets acquired | $ 603 | $ 82 | $ 153 | $ 8 | $ 846 |

These acquisitions support the Company's growth strategy and are consistent with the Company's technology and operating focus.

The amounts allocated to trade and other receivables for the acquisitions above represent both the estimated fair value and the gross contractual amounts receivable. As at September 30, 2017, for each acquisition respectively, the Company estimated that all of the contractual cash flows pertaining to the acquired trade and other receivables were collectible.

The goodwill recognized on the acquisition of East Windsor was primarily attributable to the potential for favourable re-contracting of the facility or favourable commercial alternatives at the end of the current long-term contract and the recognition of deferred tax liabilities associated with the acquisition. The goodwill recognized on the acquisition of Decatur Energy was primarily attributable to the ability to utilize a portion of the Company's U.S. income tax loss carryforwards. As required by the international accounting standard pertaining to income taxes, these U.S. income tax loss carryforwards were recognized as a deferred tax asset in the second quarter of 2017 (see note 7) and as a result, the goodwill associated with Decatur Energy was subsequently impaired during the Company's annual impairment testing of cash generating units (CGUs) containing goodwill in the third quarter of 2017 (see note 6). All goodwill recorded related to the Decatur Energy acquisition is deductible for tax purposes, while the goodwill pertaining to East Windsor is not deductible for tax purposes.

The project level debt assumed related to East Windsor bears interest at a rate of 6.28%, is repayable quarterly, and matures in September 2029. The project level debt assumed related to EnPower was repaid in October 2017.

The results of operations of Decatur Energy, East Windsor, York Energy and EnPower are included in the Company's consolidated statements of income and statements of changes in equity from their respective dates of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the consolidated statement of financial position. Since each respective acquisition date, the following revenues and income are included in the consolidated statements of income for the three and nine months ended September 30, 2017, respectively:

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

**5. Business acquisitions, continued:**

| | For the three months ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Decatur Energy | East Windsor | York Energy | EnPower | Total |
| Revenues | $ 31 | $ 8 | $ N/A | $ 1 | $ 40 |
| Net (loss) income[1] | (12) | 2 | 1 | - | (9) |

| | For the nine months ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Decatur Energy | East Windsor | York Energy | EnPower | Total |
| Revenues | $ 35 | $ 16 | $ N/A | $ 1 | $ 52 |
| Net (loss) income[1] | (11) | 2 | 6 | - | (3) |

[1] The net loss for Decatur Energy includes an impairment related to that CGU (see note 6).

Had the acquisitions occurred at January 1, 2017, the combined entity of the Company, Decatur Energy, East Windsor, York Energy and EnPower would have had a total of $857 million of revenues and $154 million of net income for the nine months ended September 30, 2017.

In conjunction with the acquisition of the thermal power business of Veresen Inc., for the three and nine months ended September 30, 2017, the Company incurred nil and $6 million, respectively, in acquisition costs which have been recorded on the Company's statement of income as other administrative expenses. In conjunction with the acquisition of Decatur Energy, for the three and nine months ended September 30, 2017, the Company incurred nil and less than $1 million in acquisition costs, respectively.

**6. Impairment testing:**

The Company reviews its CGUs that contain goodwill on an annual basis, generally in the third quarter, to determine whether any impairments should be recognized. As a result, the Company's East Windsor, Decatur Energy and Southport CGUs were tested for impairment during the third quarter of 2017.

In addition, the uncertainty created by potential additional capital investment at the Southport and Roxboro facilities to meet more restrictive emissions standards has triggered the Company to test the Roxboro CGU for impairment of its property, plant and equipment. These emissions standards are likely to render the Southport and Roxboro facilities uneconomic once the PPAs associated with those facilities expire in 2021.

The carrying amounts of the Decatur Energy, Southport, and Roxboro CGUs were above the high-ends of the respective ranges of their estimated recoverable amounts and as such, pre-tax impairments were recorded to reduce the carrying amounts of the respective CGUs to their estimated recoverable amounts as follows:

| | 2017 | | | 2016 |
|---|---|---|---|---|
| | Decatur Energy | Southport | Roxboro | Southport |
| Impairment of goodwill | $ 37 | $ 21 | $ N/A | $ 6 |
| Impairment of property, plant and equipment | N/A | 11 | 14 | N/A |

**Key assumptions – recoverable amounts**

The recoverable amounts of the East Windsor, Decatur Energy, Southport and Roxboro CGUs (the tested CGUs) were determined based on the higher of each CGUs respective fair value less costs to sell or value in use, estimated using discounted cash flows. The recoverable amount of the Decatur CGU was determined using a fair value less cost to sell approach and the recoverable amount of each of the other tested CGU's was determined using their respective values in use. The fair value measurements of the tested CGUs are categorized in Level 3 of the fair value hierarchy based on the inputs used in the valuation models. The calculations of the recoverable amounts for the tested CGUs are sensitive to several key assumptions as described below.

**6. Impairment testing, continued:**

**Discount rates and growth rates**

The after-tax discount rates used for the tested CGUs reflect the market weighted average cost of capital (WACC) using a capital asset pricing model approach, giving consideration to the risks specific to each of the tested CGUs. The method and assumptions used to calculate the WACC rate are consistent with the Company's past experience and previous valuations performed by the Company. The calculated WACC rates used for impairment testing were in the range of 6% to 7%.

The Company has projected cash flows for a period of ten years for the East Windsor and Decatur Energy CGUs and used growth rates to extrapolate the cash flow projections beyond the ten-year period through to the end of the useful life of those CGUs. The growth rates reflect past experience, are consistent with industry practice and ranged between nil and 4% for the tested CGUs.

**Other key cash flow assumptions**

The Company's cash flow projections incorporate estimates of annual plant revenues, expenses and capital expenditures. These estimates reflect past experience and the Company's current view of future generating capacity, fuel mix, fuel pricing and expectations around cash flows following the currently contracted periods, for the tested CGU's.

The Company has assumed that the Southport and Roxboro PPAs will not be extended following the expiry of the current PPAs and that the fuel mixes for the Southport and Roxboro facilities will be optimized at 55% wood waste, 35% tire-derived fuel, and 10% coal for the remainder of their respective PPA terms.

Consideration is given to externally available information related to future electricity contract rates and fuel inputs when developing assumptions and such external information is used to validate the Company's current view of future rates and costs. These external sources of information include information from third party advisory and research firms serving the industry.

**Sensitivities for key cash flow assumptions**

The carrying amount of the East Windsor CGU was within the range of its estimated recoverable amount and as such, no impairment was required.

Management has identified that a reasonably possible change in the following assumptions could cause the carrying amount of the East Windsor CGU to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually to result in an impairment of the East Windsor CGU's carrying amount:

| | Change required |
|---|---|
| Discount rate – currently contracted and post current contract period, together | +0.5% |
| Revenue growth rate | -0.3% |
| Annual cash flow projections | -3.6% |

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

## 7. Income tax:

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

| | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| (Loss) income before tax | $ (15) | $ 68 | $ 60 | $ 92 |
| Income tax at the statutory rate of 27% | (4) | 19 | 16 | 25 |
| Increase (decrease) resulting from: | | | | |
| (Non-taxable) non-deductible amounts | (9) | (2) | (15) | 3 |
| Amounts attributable to non-controlling interests | 6 | - | 7 | 2 |
| Change in unrecognized tax benefits[1] | 2 | (27) | (89) | (28) |
| Deferred income tax expense related to temporary difference on investment in subsidiary | - | 13 | - | 13 |
| Statutory and other rate differences | (1) | - | (2) | (2) |
| Other | (2) | 1 | (4) | 3 |
| Income tax (recovery) expense | $ (8) | $ 4 | $ (87) | $ 16 |

[1] During the second quarter of 2017, the Company reversed a previous write-down of deferred tax assets of $86 million related to the tax benefit associated with the Company's U.S. income tax loss carryforwards. As a result of the acquisition of Decatur Energy (see note 5) and the commissioning of Bloom Wind (see note 12), the Company expects to utilize a portion of its existing U.S. income tax loss carryforwards that were previously written down as it is now probable that sufficient future taxable income will be available from U.S. operations to utilize the underlying losses. The goodwill associated with the Decatur Energy acquisition was primarily attributable to the ability to utilize these loss carryforwards and as a result was impaired during the impairment testing completed in the third quarter (see note 6).

## 8. Earnings (loss) per share:

### Basic (loss) earnings per share

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

| | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| (Loss) income for the period attributable to shareholders of the Company | $ (5) | $ 66 | $ 154 | $ 83 |
| Preferred share dividends of the Company[1] | (9) | (5) | (25) | (15) |
| (Loss) earnings used in the calculation of basic (loss) earnings per share | $ (14) | $ 61 | $ 129 | $ 68 |

[1] Includes preferred share dividends and related taxes in respect of the three and nine months ended September 30, 2017 and 2016 respectively.

| | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| Weighted average number of common shares used in the calculation of basic (loss) earnings per share | 104,156,318 | 96,134,243 | 99,549,463 | 96,240,191 |

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

**8. Earnings (loss) per share, continued:**

**Diluted (loss) earnings per share**

The (loss) earnings used in the calculation of diluted (loss) earnings per share does not differ from the (loss) earnings used in the calculation of basic (loss) earnings per share for the three and nine months ended September 30, 2017 and 2016. The weighted average number of common shares for the purposes of diluted (loss) earnings per share reconciles to the weighted average number of common shares used in the calculation of basic (loss) earnings per share as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Weighted average number of common shares used in the calculation of basic (loss) earnings per share | 104,156,318 | 96,134,243 | 99,549,463 | 96,240,191 |
| Effect of dilutive share purchase options[2] | 366,687 | 127,319 | 367,801 | 29,728 |
| Weighted average number of common shares used in the calculation of diluted (loss) earnings per share | 104,523,005 | 96,261,562 | 99,917,264 | 96,269,919 |

[2] For the nine months ended September 30, 2017, the average market price of the Company's common shares exceeded the exercise price of certain of the granted share purchase options and had a dilutive effect on earnings per share. For the three months ended September 30, 2017 and the three and nine months ended September 30, 2016, the average market price of the Company's common shares exceeded the exercise price of certain granted share purchase options, but had a neutral effect on earnings per share.

**9. Amendment of Genesee Coal Mine Joint Venture Agreement:**

On March 28, 2017, the Company entered into an agreement (the Amending Agreement) to amend the Genesee Coal Mine Joint Venture Agreement to accelerate the repayment of $70 million it would otherwise have owed to an external party during the term of the agreement and eliminate all future payments to the external party relating to existing capital assets of the Genesee Coal Mine (Coal Mine). Capital Power has also received a security interest in the portion of the Coal Mine held by the external party.

The operations and management of the Coal Mine are unchanged as a result of the Amending Agreement. The Company will continue to control the Coal Mine and treat it as a subsidiary and will continue to pay the third party contracted mining fees for the ongoing operation of the Coal Mine. This payment is recorded as a prepayment, with the current and non-current portions recorded within trade and other receivables and other assets, respectively. The prepayment will be recognized into income through 2030, within energy purchases and fuel, based on the remaining lives of the existing capital assets of the Coal Mine.

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

**10. Derivative financial instruments and hedge accounting:**

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

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

| | September 30, 2017 | | | |
|---|---|---|---|---|
| | Energy and emission allowances | | Foreign exchange | |
| | cash flow hedges | non-hedges | non-hedges | Total |
| Derivative instruments assets: | | | | |
| Current | $ 17 | $ 63 | $ 42 | $ 122 |
| Non-current | 13 | 42 | - | 55 |
| Derivative instruments liabilities: | | | | |
| Current | (4) | (45) | (5) | (54) |
| Non-current | (12) | (22) | - | (34) |
| Net fair value | $ 14 | $ 38 | $ 37 | $ 89 |
| Net notional buys (sells) (millions): | | | | |
| Megawatt hours of electricity | (19) | (2) | | |
| Gigajoules of natural gas | | 21 | | |
| Metric tons of emission allowances | | (2) | | |
| Number of renewable energy credits | | (3) | | |
| Cross currency interest rate swaps (U.S. dollars) | | | $ 195 | |
| Forward currency sales (U.S. dollars) | | | $ (195) | |
| Range of remaining contract terms in years[1] | 0.1 to 13.4 | 0.1 to 8.7 | 3.7 to 8.7 | |

[1] Terms of the cross currency interest rate swap contracts require settlement in 0.7 years. The remaining years of the underlying derivatives of these contracts are reflected in the table above.

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Energy and emission allowances | | Foreign exchange | |
| | cash flow hedges | non-hedges | cash flow hedges | Total |
| Derivative instruments assets: | | | | |
| Current | $ 38 | $ 75 | $ 2 | $ 115 |
| Non-current | 31 | 67 | 56 | 154 |
| Derivative instruments liabilities: | | | | |
| Current | (5) | (43) | - | (48) |
| Non-current | (17) | (27) | - | (44) |
| Net fair value | $ 47 | $ 72 | $ 58 | $ 177 |
| Net notional buys (sells) (millions): | | | | |
| Megawatt hours of electricity | (15) | (6) | | |
| Gigajoules of natural gas | | 26 | | |
| Number of renewable energy credits | | (1) | | |
| Cross currency interest rate swaps (U.S. dollars) | | | $ 195 | |
| Range of remaining contract terms in years[2] | 0.1 to 10.5 | 0.1 to 8.4 | 4.5 to 9.5 | |

[2] Terms of the cross currency interest rate swap contracts require settlement in 1.5 years. The remaining years of the underlying derivatives of these contracts are reflected in the table above.

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

**10. Derivative financial instruments and hedge accounting, continued:**

Fair values of derivative instruments are determined, using valuation techniques, inputs, and assumptions as described in the Company's 2016 annual consolidated financial statements. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

The Company has previously elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices and currency risk relating to U.S. dollar denominated loans and borrowings. As a result of the Decatur Energy acquisition (see note 5) and the repayment of certain foreign currency loans and borrowings during the third quarter of 2017, the foreign currency exposure, that was previously hedged by a cross currency interest rate swap, no longer existed. As a result, the Company de-designated the cross currency interest rate swap as a foreign exchange cash flow hedge during the third quarter of 2017. The gains associated with the cross currency interest rate swap, up until the time of de-designation, had previously been reclassified from other comprehensive (loss) income to net (loss) income and as a result, upon de-designation no further reclassification is required.

Unrealized and realized pre-tax gains and losses on derivative instruments recognized in other comprehensive (loss) income and net (loss) income were:

| | Three months ended September 30, 2017 | | Three months ended September 30, 2016 | |
|---|---|---|---|---|
| | Unrealized (losses) gains | Realized gains (losses) | Unrealized gains | Realized gains |
| Energy cash flow hedges | $ - | $ 19 | $ 34 | $ 30 |
| Energy and emission allowances non-hedges | (2) | 14 | 29 | 39 |
| Foreign exchange cash flow hedges[3] | (50) | - | 3 | - |
| Interest rate non-hedges | - | - | - | 1 |
| Foreign exchange non-hedges | 41 | (13) | - | - |

| | Nine months ended September 30, 2017 | | Nine months ended September 30, 2016 | |
|---|---|---|---|---|
| | Unrealized (losses) gains | Realized gains (losses) | Unrealized (losses) gains | Realized gains |
| Energy cash flow hedges | $ (52) | $ 65 | $ (16) | $ 92 |
| Energy and emission allowances non-hedges | (23) | 41 | 9 | 107 |
| Foreign exchange cash flow hedges[3] | (58) | 1 | (11) | 1 |
| Interest rate non-hedges | - | - | - | 1 |
| Foreign exchange non-hedges | 37 | (13) | - | - |

[3] For the three and nine months ended September 30, 2017, prior to the time of de-designation of the foreign currency cash flow hedge, unrealized losses of $15 million and $24 million, respectively (three and nine months ended September 30, 2016 – unrealized gains of $4 million and unrealized losses of $14 million, respectively), related to foreign exchange cash flow hedge were reclassified from other comprehensive loss to net income to offset the impact to unrealized foreign exchange gains and losses from the revaluation of U.S. dollar denominated loans and borrowings.

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

**10. Derivative financial instruments and hedge accounting, continued:**

Realized and unrealized gains and losses relate only to financial derivative instruments. The following realized and unrealized gains and losses are included in the Company's statements of (loss) income for the three and nine months ended September 30, 2017 and 2016:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues | $ 72 | $ 189 | $ 156 | $ 342 |
| Energy purchases and fuel | (41) | (91) | (73) | (134) |
| Foreign exchange (loss) gain | (23) | 7 | (33) | (10) |
| Finance expense | - | 1 | - | 1 |

For the three and nine months ended September 30, 2017, prior to the time of de-designation of the foreign currency cash flow hedge, the changes in the fair value of the ineffective portion of hedging derivatives required to be recognized in the statement of (loss) income were nil and a gain of $2 million, respectively (three and nine months ended September 30, 2016 – gain of $3 million).

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

| | September 30, 2017 |
|---|---|
| Within one year | $ 13 |
| Between 1 – 5 years | (2) |
| After more than 5 years | (1) |
| | $ 10 |

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

**11. Share capital:**

| | Dividends declared | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the three months ended September 30, | | | | For the nine months ended September 30, | | | |
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | Per share | Total | Per share | Total | Per share | Total | Per share | Total |
| Common | $ 0.4175 | $ 44 | $ 0.3900 | $ 38 | $ 1.1975 | $122 | $ 1.1200 | $108 |
| Preference, Series 1 | 0.1913 | 1 | 0.1913 | 1 | 0.5739 | 3 | 0.5739 | 3 |
| Preference, Series 3 | 0.2875 | 2 | 0.2875 | 2 | 0.8625 | 6 | 0.8625 | 6 |
| Preference, Series 5 | 0.2813 | 2 | 0.2813 | 2 | 0.8439 | 6 | 0.8439 | 6 |
| Preference, Series 7 | 0.3750 | 3 | - | - | 1.1250 | 9 | - | - |
| Preference, Series 9 | 0.2048 | 1 | - | - | 0.2048 | 1 | - | - |

| | Dividends paid | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | For the three months ended September 30, | | | | For the nine months ended September 30, | | | |
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | Per share | Total | Per share | Total | Per share | Total | Per share | Total |
| Common | $ 0.3900 | $ 40 | $ 0.3650 | $ 35 | $ 1.1700 | $116 | $ 1.0950 | $106 |
| Preference, Series 1 | 0.1913 | 1 | 0.1913 | 1 | 0.5739 | 3 | 0.5739 | 3 |
| Preference, Series 3 | 0.2875 | 2 | 0.2875 | 2 | 0.8625 | 6 | 0.8625 | 6 |
| Preference, Series 5 | 0.2813 | 2 | 0.2813 | 2 | 0.8439 | 6 | 0.8439 | 6 |
| Preference, Series 7 | 0.3750 | 3 | - | - | 1.1250 | 9 | - | - |
| Preference, Series 9 | 0.2048 | 1 | - | - | 0.2048 | 1 | - | - |

During the three and nine months ended September 30, 2017, the Company did not purchase and cancel any of its outstanding common shares (three and nine months ended September 30, 2016 – nil and 1,245,600, respectively) under its Toronto Stock Exchange approved normal course issuer bids.

On April 24, 2017, the Company announced the completion of its previously announced public offering of 7,375,000 subscription receipts (Subscription Receipts), on a bought deal basis, at an issue price of $24.75 per Subscription Receipt, for total gross proceeds of $183 million less issue costs of $7 million. On June 13, 2017, upon closing of the Decatur Energy acquisition, each Subscription Receipt was converted for one common share of the Company. No dividend record date occurred during the period when the Subscription Receipts were outstanding and as such, no obligations to make any cash dividend equivalent payments were triggered.

**11. Share capital, continued:**

On August 9, 2017, the Company issued 6 million Cumulative Minimum Rate Reset Preference Shares, Series 9 (Series 9 Shares) at a price of $25.00 per share for gross proceeds of $150 million less issue costs of $4 million. The preferred shares will pay fixed cumulative dividends of $1.4375 per share per annum, yielding 5.75% per annum, payable on the last business day of March, June, September and December of each year, as and when declared by the Board of Directors of Capital Power, for the initial period ending September 30, 2022. The dividend rate will be reset on September 30, 2022 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.12%, provided that, in any event, such rate shall not be less than 5.75%. The Series 9 Shares are redeemable by Capital Power, at its option on September 30, 2022 and every five years thereafter at a value of $25.00 per share.

Holders of the Series 9 Shares will have the right to convert all or any part of their shares into Cumulative Floating Rate Preference Shares, Series 10 (Series 10 Shares), subject to certain conditions, on September 30, 2022 and every five years thereafter. Holders of the Series 10 Shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 4.12%, as and when declared by the Board of Directors of Capital Power. The Series 10 Shares would be redeemable by Capital Power, at its option, on September 30, 2027 and September 30 of every fifth year thereafter at a value of $25.00 per share. The Series 10 shares would also be redeemable by Capital Power, at its option, on any date after September 30, 2022 excluding September 30 of every fifth year, at a value of $25.50 per share.

**12. Financing:**

**Project equity financing for Bloom Wind**

On June 1, 2017, the Company commenced commercial operation of Bloom Wind. On June 12, 2017, the Company received $244 million (US$181 million) in financing from an affiliate of Goldman Sachs (Project Investor) in exchange for Class A interests of a subsidiary of the Company. The Company incurred issue costs of $7 million (US$5 million) associated with the financing. The interest of the Project Investor is accounted for as tax equity financing within loans and borrowings and will be adjusted for earnings, tax benefits and cash distributions paid. The maturity date of this obligation is subject to change and is driven by the date on which the Project Investor receives the agreed upon rate of return.

**Medium-term note issuance**

On September 18, 2017, the Company issued $450 million of unsecured medium-term notes due in 2024 with interest payable semi-annually at 4.284% commencing on March 18, 2018.

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

**13. Reconciliation of movements of liabilities to cash flows arising from financing activities:**

| | Total loans and borrowings[1] | Finance lease obligation[2] |
|---|---|---|
| As at January 1, 2017 | $ 1,508 | $ 20 |
| Changes from financing cash flows: | | |
| Proceeds from issue of loans and borrowings[3] | 1,098 | - |
| Repayments[3] | (510) | (1) |
| Deferred debt issue costs | (9) | - |
| Addition through business acquisitions (note 7) | 171 | - |
| Total changes from financing cash flows | 750 | (1) |
| Effect of changes in foreign exchange rates | (94) | (1) |
| Non-cash repayments on tax-equity financing | (9) | - |
| Total other changes | (103) | (1) |
| As at September 30, 2017 | $ 2,155 | $ 18 |

[1] Includes deferred debt issue costs.

[2] Includes the current portion disclosed within trade and other payables.

[3] In the second quarter of 2017, the Company increased its committed credit facilities which were subsequently repaid in the third quarter of 2017. Proceeds from issue of loans and borrowings include the use of this increase in committed credit facilities, the use of existing credit facilities, and the medium-term note issuance and Bloom Wind project equity financing described in note 12.

**14. Financial instruments:**

**Fair values**

Details of the fair values of the Company's derivative instruments are described in note 10.

The classification and measurement of the Company's other short-term financial instruments are consistent with the methodologies described in the Company's 2016 annual consolidated financial statements. Due to the short-term nature of the financial instruments, the fair values are not materially different from their carrying amounts.

The fair values of the Company's other long-term financial instruments are determined using the same valuation techniques, inputs, and assumptions as described in the Company's 2016 annual consolidated financial statements. The classification, carrying amount and fair value of the Company's other financial instruments are summarized as follows:

| | | September 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|---|
| | Fair value hierarchy level | Carrying amount | Fair value | Carrying amount | Fair value |
| Loans and receivables[1] | | | | | |
| Other financial assets | Level 2 | $ 6 | $ 6 | $ 7 | $ 7 |
| Finance lease receivables | Level 2 | 672 | 733 | 689 | 762 |
| Government grant receivable | Level 2 | 558 | 558 | 594 | 594 |
| Other financial liabilities[1] | | | | | |
| Loans and borrowings | Level 2 | 2,155 | 2,229 | 1,508 | 1,540 |
| Finance lease obligation | Level 2 | 18 | 20 | 20 | 20 |

[1] Includes current portion.

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

**14. Financial instruments, continued:**

**Fair values, continued**

Fair value represents the Company's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction under no compulsion to act. Fair value measurements recognized in the consolidated statements of financial position are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs and precedence is given to those fair value measurements calculated using observable inputs over those using unobservable inputs. The determination of fair value requires judgment and is based on market information where available and appropriate. The valuation techniques used by the Company in determining the fair value of its financial instruments are the same as those used as at December 31, 2016.

The fair value measurement of a financial instrument is included in only one of the three levels described in the Company's 2016 annual consolidated financial statements, the determination of which is based upon the lowest level input that is significant to the derivation of the fair value. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment which will affect the placement within the fair value hierarchy levels.

The Company's policy is to recognize transfers between levels as of the date of the event of change in circumstances that caused the transfer. The transfers between levels in the fair value hierarchy for the nine months ended September 30, 2017 and the year ended December 31, 2016 are disclosed below within the continuity of Level 3 balances.

The table below presents the Company's financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position, classified using the fair value hierarchy described in the Company's 2016 annual consolidated financial statements.

**Fair value hierarchy**

| | September 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative financial instruments assets | $ - | $ 165 | $ 12 | $ 177 |
| Derivative financial instruments liabilities | - | (79) | (9) | (88) |

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative financial instruments assets | $ - | $ 260 | $ 9 | $ 269 |
| Derivative financial instruments liabilities | - | (73) | (19) | (92) |

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

## 14. Financial instruments, continued:

### Fair value hierarchy, continued

*Valuation techniques used in determination of fair values within Level 3*

On August 30, 2017, the Company entered into a 12-year contract to swap the market price per megawatt hour (MWh) for a fixed price per MWh for 87% of the notional generation of its New Frontier Wind project. The term of this contract extends beyond a liquid trading period. As forward market prices are not available for the full period of this contract, its fair value is derived using a forecast based on internal modelling. Accordingly, this financial instrument is classified as Level 3.

On April 21, 2016, the Company entered into a 10-year, fixed price contract to swap the market revenue of its Bloom Wind project's generation for a fixed annual payment for a 10-year term, which extends beyond a liquid trading period. As forward market prices are not available for the full period of this contract, its fair value is derived using a forecast based on internal modelling. Accordingly, this financial instrument is classified as Level 3.

In addition, as at September 30, 2017 and December 31, 2016, the Company holds a contract for the sale of renewable energy certificates (RECs) for which pricing beyond two years is not readily observable and is therefore classified in Level 3 of the hierarchy. The fair values of the Company's commodity derivatives included within Level 3 are determined by applying a mark-to-forecast model. The table below presents ranges for the Company's Level 3 inputs:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| REC pricing (per certificate) | $0.44 to $0.53 | $0.54 to $0.58 |
| Power pricing (per MWh) - Bloom Wind | $20.43 to $35.70 | $22.67 to $44.44 |
| Power pricing (per MWh) – New Frontier Wind | $25.90 to $39.47 | N/A |

*Valuation process applied to Level 3*

The valuation models used to calculate the fair values of the derivative financial instruments assets and liabilities within Level 3 are prepared by appropriate internal subject matter experts and reviewed by the Company's commodity risk group and by management. The valuation technique and the associated inputs are assessed on a regular basis for ongoing reasonability. The table below presents the impact to fair value of Level 3 derivative instruments based on reasonably possible alternative assumptions:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| REC pricing[1] | $ 1 | $ 1 |
| Power pricing[1] – Bloom Wind | 8 | 8 |
| Power pricing[1] – New Frontier | 4 | N/A |

[1] Increase or decrease to fair value calculated using a $1 per unit change.

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

## 14. Financial instruments, continued:

### Fair value hierarchy, continued

*Continuity of Level 3 balances*

The Company classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model used to determine fair value. In addition to these unobservable inputs, the valuation model for Level 3 instruments also relies on a number of inputs that are observable either directly or indirectly. Accordingly, the unrealized gains and losses shown below include changes in the fair value related to both observable and unobservable inputs. The following table summarizes the changes in the fair value of financial instruments classified in Level 3:

| | Nine months ended September 30, 2017 | Year ended December 31, 2016 |
|---|---|---|
| As at January 1[1] | $ (10) | $ 11 |
| Unrealized and realized gains included in net (loss) income[2] | 5 | 1 |
| Unrealized and realized gains (losses) included in other comprehensive (loss) income | 9 | (19) |
| Settlements[3] | 1 | - |
| Transfers[4] | (2) | (3) |
| As at end of period | $ 3 | $ (10) |
| Total unrealized gains (losses) for the period included in other comprehensive (loss) income | $ 9 | $ (19) |
| Total unrealized and realized gains for the period included in net (loss) income[2] | $ 6 | $ 1 |

[1] The fair value of derivative instruments assets and liabilities are presented on a net basis.

[2] Gains are recorded in revenues.

[3] Relates to settlement of financial derivative instruments.

[4] Relates to transfers between Level 3 and Level 2 as pricing inputs become readily observable.

All instruments classified as Level 3 are derivative type instruments. Gains and losses associated with Level 3 balances may not necessarily reflect the underlying exposures of the Company. As a result, unrealized gains and losses from Level 3 financial instruments are often offset by unrealized gains and losses on financial instruments that are classified in Levels 1 or 2.

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

**15. Segment information:**

The Company operates in one reportable business segment involved in the operation of electrical generation facilities within Canada (Alberta, British Columbia and Ontario) and in the U.S. (North Carolina, New Mexico, Kansas and Alabama), as this is how management assesses performance and determines resource allocations. The Company also holds a portfolio of wind and solar development sites in the U.S.

The Company's results from operations and certain asset balances within each geographic area are:

| | Three months ended September 30, 2017 | | | | Three months ended September 30, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Canada | U.S. | Inter-area eliminations | Total | Canada | U.S. | Inter-area eliminations | Total |
| Revenues - external | $ 239 | $ 78 | $ - | $ 317 | $ 334 | $ 36 | $ - | $ 370 |
| Revenues - inter-area | 11 | 11 | (22) | - | 2 | 4 | (6) | - |
| Other income | 16 | 13 | - | 29 | 4 | - | - | 4 |
| Total revenues and other income | $ 266 | $ 102 | $ (22) | $ 346 | $ 340 | $ 40 | $ (6) | $ 374 |

| | Nine months ended September 30, 2017 | | | | Nine months ended September 30, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Canada | U.S. | Inter-area eliminations | Total | Canada | U.S. | Inter-area eliminations | Total |
| Revenues - external | $ 664 | $ 157 | $ - | $ 821 | $ 823 | $ 104 | $ - | $ 927 |
| Revenues - inter-area | 29 | 40 | (69) | - | 7 | 3 | (10) | - |
| Other income | 48 | 16 | - | 64 | 7 | - | - | 7 |
| Total revenues and other income | $ 741 | $ 213 | $ (69) | $ 885 | $ 837 | $ 107 | $ (10) | $ 934 |

| | As at September 30, 2017 | | | As at December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Canada | U.S. | Total | Canada | U.S. | Total |
| Property, plant and equipment | $ 3,473 | $ 909 | $ 4,382 | $ 3,348 | $ 416 | $ 3,764 |
| Intangible assets | 310 | 91 | 401 | 249 | 50 | 299 |
| Goodwill | 37 | - | 37 | - | 23 | 23 |
| Other assets | 68 | 1 | 69 | 19 | 1 | 20 |
| | $ 3,888 | $ 1,001 | $ 4,889 | $ 3,616 | $ 490 | $ 4,106 |

**16. Comparative figures:**

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