Capital Power well-positioned for yield improvement

Solid performance
- Operational excellence
- Asset optimization
- Commodity management

Strong growth
- Achieved though 2017
- Positioned for additional growth

Dividend guidance
- 7% annual guidance through 2020
- Based on existing growth

Declining risks
- Asset portfolio
- Alberta market
- Coal (CO₂)
Alberta power market upside
Step-change increase in AB power prices starting in 2018

- Current forward prices in $55-$60/MWh range for 2018 and 2019 compared to $22/MWh average in 2017
  - Decommissioning and mothballing of older coal units
  - Higher carbon taxes
  - Demand growth from improving AB economy
  - Balancing Pool returning PPAs to owners

- 2018 AFFO financial target based on $49/MWh average AB power price
  - EBITDA sensitivity to a $5/MWh change in spot price: $10M in 2018, $23M in 2019 and $27M in 2020

- AESO recently released Draft 1 of the Comprehensive Market Design, which is generally consistent with our view of a properly designed capacity market for Alberta
Alberta market forecasts
Uplift in power prices starting in 2018

- Announced early retirements and mothballing of coal-fired units reduce supply in the market
- Balancing Pool returning PPAs to owners
- Demand growth recovering
- Pass-through of higher environmental compliance costs
- Mandated coal retirements near the end of this decade

1) Power and gas forecasts represent the average forecasts of leading 3rd party consulting firms as of Feb 2018.
2) Forward prices as of Feb 2018.
Alberta load growth\(^{(1)}\)
Fundamentals improving

(1) Alberta Internal Load normalized for weather
Source: CPC, EIA
### Alberta power market outlook

**AB commercial portfolio positions**
(as of Dec 31/17)

<table>
<thead>
<tr>
<th>% baseload generation sold forward(^{(1)})</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>87%</td>
<td>37%</td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contracted prices(^{(2)}) ($/MWh)</th>
<th>High- $40</th>
<th>Low- $50</th>
<th>Low- $50</th>
</tr>
</thead>
</table>

**Nearly 500 MW (gas peaking, wind) available to capture upside from higher power prices or price volatility**

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1) Based on the Alberta baseload plants 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.
Maximizing the commodity portfolio
Creating incremental value through market expertise

Average realized power prices\(^{(1)}\) have exceeded spot power prices by 24% since the Company’s inception 8 years ago

\[ ($/MWh) \]

1) Based on the Alberta baseload plants and the acquired Sundance PPA plus the uncontracted portion of Shepard Energy Centre baseload. Effective March 24, 2016, Sundance PPA is no longer a part of Capital Power’s baseload generation due to termination of the Sundance PPA.

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Capacity market design

Key components of Draft 1

- AESO released Draft 1 of the Comprehensive Market Design on Jan 26/18
- Overall, design appears constructive and resembles a market structure where existing and future assets have the opportunity to earn a return on/of capital without putting undue cost or risk onto the ratepayer
- Government of AB’s commitment to treat new and existing assets equitably has been honored – one auction for new and existing
- Draft 1 includes a reasonable amount of energy and capacity market mitigation as expected
- AESO will be working through an iterative process to finalize market design that is targeted for July 20, 2018

Draft 1 is generally consistent with our view of a properly designed capacity market for Alberta and Capital Power is well-positioned under this market design
Capacity market design

AESO’s forecast revenue for baseload facilities commencing in 2021 based on proposed design

Under the capacity market, AESO’s forecast of $55-$65/MWh for the combined capacity and energy payments will allow existing and future assets an opportunity to earn a return on/of capital.
Alberta power market design change
Transition to a capacity market from energy-only market by 2021

Alberta Government Objectives

✅ System Reliability
System stability as renewables are brought on under the Climate Leadership Plan

✅ Investor Confidence
Opportunity for new and existing assets to receive a fair return of and on capital

✅ Investment Signals
To strike a balance between decreasing revenue variability and sending appropriate price signals for investment

2017/18
Stakeholder engagement to determine design

2018/19
Incorporation of design in ISO rules, contracts, and/or legislation

2019
Procurement begins, contracts awarded

2021
First delivery

Capital Power is well-positioned with a young, diversified, and efficient fleet
Alberta growth opportunities
$20B+ opportunity

- Coal phase-out
- Junior developer consolidation
  - >2,500 MW of capacity
- Renewable Electricity Program
  - 5,000 MW opportunity
- Gas-fired opportunities

Junior Portfolios

- > 2,500 MW of capacity
- > 20 opportunities
- Aggregation potential

Halkirk 2

- 148 MW
- Next to existing facility
- 37%+ capacity factor
- Available transmission
- Locational advantage with wind diversity - high capture factor

Whitla 1&2

- 300 MW combined
- 38%+ capacity factor
- Available transmission
- Proximity to interconnection
Alberta strategic position

Siksika Nation

- Exclusive agreement to jointly develop new generation
- 172,000 acres of land
- Solar, wind, and gas project potential
- Attractive location
- Existing transmission and distribution infrastructure
- Ample water
- Potential for renewable attributes
Whitla Wind (phase I) awarded 20-year contract

Successful bidder in 1st round of REP

- 1 of 3 successful proponents selected by AESO under the Renewable Electricity Program (REP) that attracted global participation
- Awarded a 20-year contract for 201.6 MW
  - Specific price guaranteed subject to performance obligations
  - Project capital costs of $315 to $325M
  - Expected to generate Adjusted EBITDA of $27M and AFFO of $17M per year
- Whitla Wind site has capacity for 300 MW that can be developed in two phases
  - COD for first phase expected in Q4/19
Alberta power market

Renewable Electricity Program (REP) – Rounds 2 & 3

- Next two rounds of the REP target 700 MW of new renewable capacity
- Key requirements under both rounds
  - new or expanded renewable electricity generation projects
  - connection to existing distribution or transmission systems
- AESO to submit competition proposals to Minister of Energy at the end of Feb/18 for approval, including recommendations for payment mechanisms and target in-service dates
- AESO expects to launch both competitions this spring and successful bidders to be announced by the end of 2018

Capital Power is well-positioned to bid on both competitions with its Whitla 2 and Halkirk 2 projects

REP-2 (300 MW)
Minimum Indigenous equity component (i.e. ownership stake in the project or land use agreement between the company and the community)

REP-3 (400 MW)
Similar to round 1
Canadian opportunity set
Significant investment required by 2030

British Columbia
Site C uncertainty
Development sites:
• 2x wind
• 1x gas

Ontario
Nuclear retirements
Market renewal
• Incremental capacity auctions
• Enabling system flexibility
New long-term Energy Plan
Further consolidation

Saskatchewan
Targeting 50% renewable generation capacity by 2030
• 1,600 MW of new wind

Development sites:
• 2x wind
• 1x gas

Targeting 50% renewable generation capacity by 2030
• 1,600 MW of new wind
US wind development opportunities

Our approach

**Tisch Mills**
- 100 MW
- >7 m/s wind speed
- MISO
- WI RPS
- Advanced DPP

**Black Fork**
- 100-180 MW
- >6 m/s wind speed
- PJM
- Executed GIA
- Permitted OH project

**Cardinal Point**
- 150 MW
- >7 m/s wind speed
- MISO
- IL RPS contracted
- Advanced DPP

**New Frontier**
- 99 MW
- >8 m/s wind speed
- MISO
- Executed GIA
- Contracted

**Nolin Hills**
- 350 MW
- >6 m/s wind speed

**Garrison Butte**
- 200 MW
- >8 m/s wind speed
- MISO or SPP

**Salt Springs**
- 200 MW
- >8 m/s wind speed
- SPP
- 30 mi north of Bloom Wind

**Willow Creek**
- 100-200 MW
- MISO

**Willow Creek**
- 100-200 MW
- MISO

**Willow Creek**
- 100-200 MW
- MISO

**Willow Creek**
- 100-200 MW
- MISO

**Willow Creek**
- 100-200 MW
- MISO
U.S. tax reform

- Investment Tax Credits (ITC) and Production Tax Credits (PTC) eligibility rules remain unchanged.

- Base Erosion and Anti-Abuse (BEAT) provision
  - Impacts on investors appetite = modest yield pressure
  - No material impact on US windfarm model

- Corporate tax rate reduced from 35% to 21%
  - Not currently paying federal income tax
  - Non-cash impact on US deferred income tax

- Immediate expensing for eligible property
  - Full cost of eligible property acquired after Sep 27, 2017 is deductible immediately as opposed to subject to depreciation

*Impact on our U.S. renewables portfolio and growth opportunities is not expected to be material.*
Executing on strategies to reduce GHG costs/risks

Carbon price

- Alberta carbon price of $30/tonne in place January 1, 2018
- Government model shifts the profile of existing carbon credit value realization but maintains overall value to Capital Power

Management of risks and opportunities

- First year of Genesee Performance Standard (GPS) project completed with subsequent years accelerated
- Continue to actively develop and optimize carbon credits
- Biofuel opportunities
- Total conversion of coal plants to natural gas
Genesee generation station
Industry leader through the carbon transition

Advantages
- Highest availability for Alberta coal plants (96% over last 3 years)
- Lowest fuel cost from mine mouth operation
- Youngest units (21 years average) in Alberta
- Excellent maintenance history and focused reliability program
- Transition to natural gas maintains these advantages

Transition
- World-leading, unique carbon reduction program (GPS)
- Staged approach for coal to gas conversion and dual fuel firing
- Bio-fuel substitution strategy

Genesee is well positioned to maintain its role as an industry leading generation facility
GPS program savings
Program reduces fuel & carbon compliance costs

- Program targets an 11% reduction in GHG emissions
- $50M forecasted capital investment accelerated resulting in greater savings earlier in program
- Beyond 2021, savings maintained at $35M/year

1) Assumes a $30/tonne carbon compliance cost and baseload operation
Mitigating carbon costs

Savings Agreement with Balancing Pool

- Agreement in place with Balancing Pool to share savings from reduction in GHG emissions at Genesee 1 & 2. Absent this Agreement, Balancing Pool as the buyer of the PPA would receive 100% of the savings.

- Under Agreement, Capital Power receives 90% of the savings for any reduction in GHG emissions intensity below 0.98t/MWh, and 15% of savings above 0.98t/MWh.

- Genesee 1&2 currently operate at or below 0.98t/MWh – Capital Power will receive 90% of compliance cost savings on future reductions in GHG emissions from GPS or other optimization projects.
Coal-to-gas conversion transition plan

Optimal operational flexibility for Genesee units

- Anticipate decision point in 2020 due to carbon & natural gas pricing
- Timing of conversion flexible with conversion period of 9 months or less
- Outage of 2 months per unit; capital cost of $25M-$50M per unit
- Co-firing provides greatest fuel flexibility through to 2030
- Developing gas strategies with JV partner
  - Genesee can currently co-fire up to 250 MW of natural gas
  - Reviewing ability to enhance natural gas utilization during planned outages
  - On track to bring significant natural gas to site by 2020
- Federal coal to gas regulations extends facility life to almost 2040

Superior availability and efficiency of coal fleet will carry over as converted natural gas units
# Alberta’s coal fleet

Retirements under federal / provincial regulations and conversion to gas

<table>
<thead>
<tr>
<th>Facility</th>
<th>AESO max capacity (MW)</th>
<th>Age in 2018 (yrs)</th>
<th>End of coal life (CLP)(1)</th>
<th>Current Status</th>
<th>Coal to gas conversion Expectation</th>
<th>PPA status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battle River 3</td>
<td>149</td>
<td>49</td>
<td>2019</td>
<td>Online</td>
<td>ATCO announced CtG by 2020</td>
<td>Merchant</td>
</tr>
<tr>
<td>Sundance 1</td>
<td>288</td>
<td>48</td>
<td>2019</td>
<td>Decommissioned end of 2017</td>
<td>PPA expired end of 2017</td>
<td></td>
</tr>
<tr>
<td>H.R. Milner</td>
<td>144</td>
<td>46</td>
<td>2019</td>
<td>Mothballed since May/17</td>
<td>Merchant</td>
<td></td>
</tr>
<tr>
<td>Sundance 2</td>
<td>288</td>
<td>45</td>
<td>2019</td>
<td>Mothballed</td>
<td>PPA expired end of 2017</td>
<td></td>
</tr>
<tr>
<td>Battle River 4</td>
<td>155</td>
<td>43</td>
<td>2025</td>
<td>Online</td>
<td>ATCO announced CtG by 2020</td>
<td>Merchant</td>
</tr>
<tr>
<td>Sundance 3</td>
<td>368</td>
<td>42</td>
<td>2026</td>
<td>To be mothballed Apr/18 (up to 2 yrs)</td>
<td>TA announced CtG 2021-22</td>
<td>Returns to TA in Apr/18</td>
</tr>
<tr>
<td>Sundance 4</td>
<td>406</td>
<td>41</td>
<td>2027</td>
<td>To be mothballed Apr/19 (up to 2 yrs)</td>
<td>TA announced CtG 2021-22</td>
<td>Returns to TA in Apr/18</td>
</tr>
<tr>
<td>Sundance 5</td>
<td>406</td>
<td>40</td>
<td>2028</td>
<td>To be mothballed Apr/19 (up to 1 yr)</td>
<td>TA announced CtG 2021-22</td>
<td>Returns to TA in Apr/18</td>
</tr>
<tr>
<td>Sundance 6</td>
<td>401</td>
<td>38</td>
<td>2029</td>
<td>Online</td>
<td>TA announced CtG 2021-22</td>
<td>Returns to TA in Apr/18</td>
</tr>
<tr>
<td>Battle River 5</td>
<td>385</td>
<td>37</td>
<td>2029</td>
<td>Online</td>
<td>ATCO announced CtG by 2020</td>
<td>Returns to ATCO Sep/18</td>
</tr>
<tr>
<td>Keephills 1</td>
<td>395</td>
<td>35</td>
<td>2029</td>
<td>Online</td>
<td>TA announced CtG 2021-22</td>
<td>Balancing Pool; Dec/20 expiry</td>
</tr>
<tr>
<td>Keephills 2</td>
<td>395</td>
<td>34</td>
<td>2029</td>
<td>Online</td>
<td>TA announced CtG 2021-22</td>
<td>Balancing Pool; Dec/20 expiry</td>
</tr>
<tr>
<td>Sheerness 1</td>
<td>400</td>
<td>32</td>
<td>2030</td>
<td>Online</td>
<td>ATCO announced CtG by 2020</td>
<td>Balancing Pool; Dec/20 expiry</td>
</tr>
<tr>
<td>Genesee 2</td>
<td>400</td>
<td>29</td>
<td>2030</td>
<td>Online</td>
<td>ATCO announced CtG by 2020</td>
<td>Balancing Pool; Dec/20 expiry</td>
</tr>
<tr>
<td>Sheerness 2</td>
<td>390</td>
<td>28</td>
<td>2030</td>
<td>Online</td>
<td>ATCO announced CtG by 2020</td>
<td>Balancing Pool; Dec/20 expiry</td>
</tr>
<tr>
<td>Genesee 1</td>
<td>400</td>
<td>24</td>
<td>2030</td>
<td>Online</td>
<td>ATCO announced CtG by 2020</td>
<td>Balancing Pool; Dec/20 expiry</td>
</tr>
<tr>
<td>Genesee 3(2)</td>
<td>466</td>
<td>13</td>
<td>2030</td>
<td>Online</td>
<td>TA announced CtG 2021-22</td>
<td>Returns to TA in Apr/18</td>
</tr>
<tr>
<td>Keephills 3(2)</td>
<td>463</td>
<td>7</td>
<td>2030</td>
<td>Online</td>
<td>ATCO announced CtG by 2020</td>
<td>Returns to TA in Apr/18</td>
</tr>
</tbody>
</table>

1) Current coal regulations under Climate Leadership Plan (Alberta).
2) Capital Power and TransAlta Corporation are 50% owners on Genesee 3 and Keephills 3.
## Strategically evolving profile

### Decreasing risk and growing cash flows

<table>
<thead>
<tr>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Generation technology</strong></td>
<td><strong>Contracted capacity</strong></td>
</tr>
<tr>
<td>42% gas and renewables</td>
<td>66% Contracted</td>
</tr>
<tr>
<td>54% gas and renewables</td>
<td>79% Contracted</td>
</tr>
</tbody>
</table>

### Fuel diversification

- Greater visibility

### Geographic diversification

- North American footprint
- Alberta
Overview of financial strategy

- Annual 7% dividend growth within AFFO payout ratio of 45-55%
- Provide stability through contracted cash flow profile
  - Ensure and improve competitive cost of capital
  - Ensure strong access to capital markets
  - Provides stability to the dividend
  - Properly laddered debt maturities
  - Effective management of interest rate, foreign exchange and counterparty risk
  - Adherence to target return expectation
  - Accretive to AFFO per share
Capital allocation

1) Maintain growing dividend backed by sufficient contracted cash flow base

2) Fund growth opportunities in the near term with discretionary cash flow

3) Consider debt reduction and share buybacks absent growth
   - Normal Course Issuer Bid (NCIB) in place to buy back up to 9.3M common shares (~9% of outstanding shares) during a one-year period ending Feb 20/19
AFFO\(^{(1,2)}\) continues to support dividend growth
Cash available for common share dividends and growth

- CAGR of ~10% since 2014

Average 5-year AFFO payout ratio of 46%

---

1) 2018 AFFO target represents the mid-point of $360M - $400M guidance range. AFFO is a non-GAAP financial measure.
2) Historical AFFO figures restated using Adjusted AFFO (2018 method).
3) Includes cash dividends, dividends retained under DRIP, and distributions to EPCOR.
Common share dividend guidance

- AFFO payout ratio of 44% in 2017 was slightly below the target annual payout ratio of 45-55%

Well positioned to deliver consistent annual dividend growth

1) Subject to market conditions, economic outlook, cash flow forecast, and Board approval at the time.
2) 2013 to 2017 annualized dividend based on year-end quarterly common shares dividend declared.
Continue to build contracted cash flow profile

1) Margins have been averaged over the periods except in the year of commissioning/acquisition.
2) Only includes contracted portions of Halkirk and Shepard plants. Shepard contracted portion adjusted in 2018 for toll step-down.
3) Capital Power’s share of adjusted EBITDA for all assets.
4) Includes off-coal compensation.
5) Adjusted funds from operations (AFFO) is a non-GAAP financial measure.
6) Bloom EBITDA has been adjusted for impacts of US tax reform legislation.

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Financial obligations covered by contracted cash flow

Operating margin\(^{(1,6)}\) to financial obligations\(^{(2)}\) and dividends\(^{(3)}\)

- **Contracted\(^{(5)}\) + merchant ($60/MWh)**
- **Contracted\(^{(5)}\) + merchant (forwards\(^{(4)}\))**
- **Contracted\(^{(5)}\) + merchant ($40/MWh)**
- **Contracted\(^{(5)}\) margin**

Minimum Alberta power prices required to cover financial obligations and dividends\(^{(3)}\)

<table>
<thead>
<tr>
<th></th>
<th>2018T</th>
<th>2019F</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018T</td>
<td>$0/MWh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019F</td>
<td>Low-$20s/MWh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020F</td>
<td>High-$20s/MWh</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Merchant margin is calculated using $40/MWh and $60/MWh and is based on hedged position as at December 31, 2017.
2) Based on existing plants plus committed development projects. Financial obligations include interest payments (including interest during construction), sustaining contracted capital expenditures, project & tax-equity debt repayments, cash tax payable, and general & administration expenses.
3) Dividends include common and preferred dividends, including preferred dividend tax. Assumptions consistent common dividend growth in 2018-2020.
4) Forwards as of December 31, 2017
5) Includes off-coal compensation
6) Includes finance lease principal payments.
## Cash flow and financing outlook

**Sufficient funding for current growth projects**

<table>
<thead>
<tr>
<th>Sources of cash flow</th>
<th>2018T ($M)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds from operations(^{(3)}) + coal compensation</td>
<td>$505</td>
<td></td>
</tr>
<tr>
<td>Estimated proceeds from tax-equity debt (New Frontier Wind)</td>
<td>$125</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>$630</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of cash flow</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends (common &amp; preferred shares)</td>
<td>($215)</td>
<td></td>
</tr>
<tr>
<td>New Frontier Wind capex</td>
<td>($170)</td>
<td></td>
</tr>
<tr>
<td>Debt repayment(^{(1)})</td>
<td>($155)</td>
<td></td>
</tr>
<tr>
<td>Genesee Performance Standard(^{(2)})</td>
<td>($15)</td>
<td></td>
</tr>
<tr>
<td>Sustaining and maintenance capex</td>
<td>($85)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>($640)</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Deficit to be funded by credit facility draws**

$(10)

---

1) Excludes debt repayments to tax equity investor & equity accounted investment debt repayments and net of gains on swap settlements.

2) Genesee Performance Standard (GPS) is a program to reduce CO2 and improve coal plant efficiency. Total program costs of ~$50M.

3) Funds from operations (FFO) is a is a non-GAAP financial measure.
Financial strength

Strong balance sheet and investment grade credit rating

- Investment grade credit ratings by S&P and DBRS
- Continued to be well capitalized with capacity for leverage

<table>
<thead>
<tr>
<th>Agency</th>
<th>Ratings</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P</td>
<td>BBB- / P-3</td>
<td>Stable</td>
</tr>
<tr>
<td>DBRS</td>
<td>BBB(low) / Pfd-3 (low)</td>
<td>Stable</td>
</tr>
</tbody>
</table>

Debt to total capitalization:

- 2016: 30%
- 2017: 40%

Corporate Liquidity:

- 2017: 2.0

Capital Power is committed to maintaining investment grade
Credit metrics

Within DBRS financial criteria for current rating

Within S&P financial criteria for investment grade rating

1) Cash flow and adjusted EBITDA amounts include coal compensation in 2017.
2) Based on S&P’s weighted average ratings methodology.
Financial outlook

- Growing dividend supported by AFFO growth
- Financial obligations and dividends covered by contracted cash flow
- Financial capacity to fund growth
- Access to capital remains strong
- In addition to hedges on 700 MW of baseload generation, have ability to capture upside from higher Alberta power prices or price volatility from 340 MW of peaking gas and 150 MW of wind
- Share price growth expected to be driven by 7% dividend growth and yield compression as Alberta uncertainty continues to subside, increased contracted cash flow, risk reduction and diversification
2018 Financial target

Adjusted funds from operations\(^{(1)}\)

2017: $363
2018T: $360 to $400\(^{(2)}\)

2018 AFFO expected to be above the mid-point of the guidance range

AFFO\(^{(3)}\) per share

Expect ~10% CAGR for AFFO/share from 2014 to 2018

1) 2017 Adjusted FFO is calculated under the current method and 2018T Adjusted FFO is calculated under the 2018 method.
2) 2018 key assumptions include: $49/MWh average Alberta power price and approximately $2/GJ AECO natural gas. Excludes any impacts from $500M of committed capital for growth.
3) Represents Adjusted FFO (2018 method), less the portion allocated to the non-controlling interest (calculated consistent with the proportion of income and distributions allocated to the non-controlling interest in each period). Commencing in 2016, there is no longer a non-controlling interest, therefore, for 2016 onward this metric reflects adjusted FFO (2018 method).
2018 Development & construction targets

Disciplined growth

- Complete New Frontier Wind within $182M budget for COD in Dec 2018
- Complete Whitla Wind within $315-$325M budget for COD in Q4 2019
- Execute contracts for the output of 1-3 new wind developments
  - Alberta REP – rounds 2 & 3
  - US development pipeline

Well-positioned to add contracted cash flow growth in 2018
Attractive investment opportunity

2018

- Growth in AFFO partially offset by carbon tax
- Alberta market
  - Other coal plants coming off line and significant demand growth – higher prices reflected in forward curve
  - Greater clarity on the new capacity market
- Expect to secure 1-3 contracted wind developments (already secured Whitla Wind)

Beyond 2018

- Actions to reduce GHG emissions by 11% (GPS)
- Improving Alberta power market outlook
- 7% annual dividend growth to 2020
- Strong pipeline of contracted growth opportunities in Canada & US

Yield reduction through lower & diversified risk combined with strong cash flow growth

Reduced risk / strong diversification

- Increasing contracted cashflow
- Geographic & fuel source diversification
- Maximizing optionality & flexibility in coal to gas conversion
- GPS and carbon credit inventory
Debt maturity schedule\(^{(1)}\)

\(~\$1\)B in committed credit facilities renewed with 5-year tenor maturing 2022, of which virtually all is available\(^{(1)}\)

Well spread-out debt maturities are supported by long asset lives

1) Debt amounts as of February 1, 2018 excludes non recourse debt, credit facility debt, and tax-equity financing. Amount available on credit facilities as of January 31, 2018.
## Summary of assets

<table>
<thead>
<tr>
<th>Alberta Contracted</th>
<th>Alberta Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capacity</strong></td>
<td></td>
</tr>
<tr>
<td>Genesee 1</td>
<td>430 MW</td>
</tr>
<tr>
<td>Genesee 2</td>
<td>430 MW</td>
</tr>
<tr>
<td>Genesee 3</td>
<td>516 MW</td>
</tr>
<tr>
<td>Keehills 3</td>
<td>516 MW</td>
</tr>
<tr>
<td>Joffre</td>
<td>480 MW</td>
</tr>
<tr>
<td>Clover Bar Energy Centre</td>
<td>243 MW</td>
</tr>
<tr>
<td>Clover Bar Landfill</td>
<td>5 MW</td>
</tr>
<tr>
<td>Halkirk</td>
<td>150 MW</td>
</tr>
<tr>
<td>Shepard Energy Centre</td>
<td>800 MW</td>
</tr>
<tr>
<td><strong>% owned / operated</strong></td>
<td></td>
</tr>
<tr>
<td>Genesee 1</td>
<td>100 / 100</td>
</tr>
<tr>
<td>Genesee 2</td>
<td>100 / 100</td>
</tr>
<tr>
<td>Genesee 3</td>
<td>50 / 100</td>
</tr>
<tr>
<td>Joffre</td>
<td>50 / 0</td>
</tr>
<tr>
<td>Clover Bar Energy Centre</td>
<td>40 / 0</td>
</tr>
<tr>
<td>Clover Bar Landfill</td>
<td>100 / 100</td>
</tr>
<tr>
<td>Halkirk</td>
<td>100 / 100</td>
</tr>
<tr>
<td>Shepard Energy Centre</td>
<td>50% / 0%</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td></td>
</tr>
<tr>
<td>Warburg</td>
<td>Warburg</td>
</tr>
<tr>
<td>Warburg</td>
<td>Warburg</td>
</tr>
<tr>
<td>Wabamun</td>
<td>Joffre</td>
</tr>
<tr>
<td>Edmonton</td>
<td>Edmonton</td>
</tr>
<tr>
<td>Halkirk</td>
<td>Halkirk</td>
</tr>
<tr>
<td>Shepard Energy Centre</td>
<td>Calgary</td>
</tr>
<tr>
<td><strong>Fuel &amp; equipment</strong></td>
<td></td>
</tr>
<tr>
<td>Coal (50% ownership of coal mine)</td>
<td>Coal (50% ownership of coal mine)</td>
</tr>
<tr>
<td>Coal (50% ownership of coal mine)</td>
<td>Coal</td>
</tr>
<tr>
<td>Coal</td>
<td>Natural gas (Combined cycle cogeneration)</td>
</tr>
<tr>
<td>Natural gas (Two 100 MW GE LMS100 turbines; 43 MW GE LM6000)</td>
<td>Landfill gas</td>
</tr>
<tr>
<td>Natural gas (Combined cycle; two Mitsubishi G-Class natural gas turbines; steam turbine)</td>
<td>Vestas wind turbines</td>
</tr>
<tr>
<td><strong>Commercial Operations</strong></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>1989</td>
</tr>
<tr>
<td>2005</td>
<td>2011</td>
</tr>
<tr>
<td>2011</td>
<td>2000</td>
</tr>
<tr>
<td>2000</td>
<td>Unit 1 in 2008; units 2&amp;3 in 2009</td>
</tr>
<tr>
<td>2005</td>
<td>2012</td>
</tr>
<tr>
<td>2015</td>
<td></td>
</tr>
<tr>
<td><strong>PPA Expiry</strong></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>2020</td>
</tr>
<tr>
<td>Merchant</td>
<td>Merchant</td>
</tr>
<tr>
<td>Merchant</td>
<td>Primarily merchant with some revenues under contract</td>
</tr>
<tr>
<td>Merchant</td>
<td>Merchant</td>
</tr>
<tr>
<td>Merchant</td>
<td>Large portion of total revenues from 20-year REC sale agreement / Merchant</td>
</tr>
<tr>
<td>20-year tolling agreement on 50% of Capital Power’s output</td>
<td></td>
</tr>
</tbody>
</table>
## Summary of assets

<table>
<thead>
<tr>
<th>Island Generation</th>
<th>Quality Wind</th>
<th>Savona</th>
<th>150 Mile House</th>
<th>Port Dover &amp; Nanticoke</th>
<th>Kingsbridge 1</th>
<th>K2 Wind</th>
<th>York Energy</th>
<th>East Windsor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity</td>
<td>275 MW</td>
<td>142 MW</td>
<td>5 MW</td>
<td>5 MW</td>
<td>105 MW</td>
<td>40 MW</td>
<td>270 MW</td>
<td>400 MW</td>
</tr>
<tr>
<td>% owned / operated</td>
<td>100 / 100</td>
<td>100 / 100</td>
<td>100 / 0</td>
<td>100 / 100</td>
<td>33.3% owned</td>
<td>50 / 100</td>
<td>100 / 100</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>Campbell River, BC</td>
<td>Tumbler Ridge, BC</td>
<td>BC</td>
<td>BC</td>
<td>Counties of Norfolk and Haldimand, Ontario</td>
<td>Goderich, Ontario</td>
<td>Ashfield-Colborne-Wawanosh, Ontario</td>
<td>Township of King, Ontario</td>
</tr>
<tr>
<td>PPA Expiry</td>
<td>2022</td>
<td>2037</td>
<td>2028</td>
<td>2028</td>
<td>2033</td>
<td>2026 / 2027</td>
<td>2035</td>
<td>2032</td>
</tr>
</tbody>
</table>
## Summary of assets

<table>
<thead>
<tr>
<th>U.S. Contracted</th>
<th>Roxboro</th>
<th>Southport</th>
<th>Macho Springs</th>
<th>Beaufort Solar</th>
<th>Decatur</th>
<th>Bloom Wind</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capacity</strong></td>
<td>46 MW</td>
<td>88 MW</td>
<td>50 MW</td>
<td>15 MW</td>
<td>795 MW</td>
<td>178 MW</td>
</tr>
<tr>
<td><strong>% owned / operated</strong></td>
<td>100 / 100</td>
<td>100 / 100</td>
<td>100 / 100</td>
<td>100 (sale &amp; leaseback) / 100</td>
<td>100 / 100</td>
<td>100 / 100</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td>Roxboro, North Carolina</td>
<td>Southport, North Carolina</td>
<td>Luna County, New Mexico</td>
<td>Beaufort County, North Carolina</td>
<td>Decatur, Alabama</td>
<td>Ford and Clark Counties, Kansas</td>
</tr>
<tr>
<td><strong>Fuel &amp; equipment</strong></td>
<td>Mixture of wood residuals, tire-derived fuel and coal</td>
<td>Mixture of wood residuals, tire-derived fuel and coal</td>
<td>Vestas wind turbines</td>
<td>Solar</td>
<td>Natural gas (Combined cycle; 3X1 CCGT Siemens 501FD2 combustion turbines)</td>
<td>Vestas wind turbines</td>
</tr>
<tr>
<td><strong>PPA Expiry</strong></td>
<td>2021</td>
<td>2021</td>
<td>2031</td>
<td>2030</td>
<td>2022</td>
<td>2027</td>
</tr>
</tbody>
</table>
# Projects under development/construction

<table>
<thead>
<tr>
<th></th>
<th>Alberta Commercial</th>
<th>Alberta Contracted</th>
<th>U.S. Contracted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Genesee 4&amp;5</strong></td>
<td>Up to 1,060 MW</td>
<td>150 MW</td>
<td>99 MW</td>
</tr>
<tr>
<td><strong>Halkirk 2</strong></td>
<td>150 MW</td>
<td>201.6 MW</td>
<td></td>
</tr>
<tr>
<td><strong>Whitla Wind (Phase I)</strong></td>
<td>201.6 MW</td>
<td>201.6 MW</td>
<td></td>
</tr>
<tr>
<td><strong>New Frontier Wind</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% owned / operated</td>
<td>50 / 100</td>
<td>100 / 100</td>
<td>100 / 100</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td>Warburg</td>
<td>Halkirk</td>
<td>McHenry County, North Dakota</td>
</tr>
<tr>
<td><strong>Fuel &amp; equipment</strong></td>
<td>Combined-cycle natural gas (Mitsubishi J-Class natural gas turbine technology)</td>
<td>Wind</td>
<td>Wind (technology to be determined)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commercial Operations</strong></td>
<td>To be determined</td>
<td>Q4 2019</td>
<td>December 2018</td>
</tr>
<tr>
<td><strong>PPA Expiry</strong></td>
<td>8-year tolling arrangement with ENMAX for 50% of Capital Power’s share of the output.</td>
<td>20-year contract-for-differences structured contract</td>
<td>12-year fixed price contract</td>
</tr>
<tr>
<td><strong>Expected Capital Cost</strong></td>
<td>$1.4B for total project (excluding interest during construction and refundable transmission system contribution payments)</td>
<td>$315M to $325M</td>
<td>$145M (USD)</td>
</tr>
</tbody>
</table>
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. For periods prior to 2017, the Company used funds from operations.

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) and funds from operations and adjusted funds from operations to net cash flows from operating activities are contained in the Company’s quarterly and annual Management’s Discussion and Analysis documents available under the Company’s profile on SEDAR at www.SEDAR.com and on the Company’s website at capitalpower.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. 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.

Adjusted funds from operations

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. Commencing with the Company’s March 31, 2018 quarter-end, the Company will be adjusting its adjusted funds from operations measure to better reflect the purpose of the measure. These changes include the following:

- The reduction for sustaining capital expenditures historically included costs associated with the Company’s Genesee performance standard project. These costs have been considered further and given that the intent of this project is to improve efficiency of the facility, management considers these costs to be growth in nature, and hence they should not be considered sustaining capital expenditures that would be deducted in the adjusted funds from operations measure.
- In prior periods, there has been an addback included for Part VI.1 preferred dividend tax impacts which effectively contemplated the associated tax deduction related to preferred share dividends that reduced current tax payable. Upon further consideration, since that deduction offsets the cash tax payable related to Part VI.1 preferred dividend taxes, the cash effects of the preferred dividend tax impacts should offset. The remaining impact to adjusted funds from operations should therefore be the current income tax expense without any adjustment pertaining to preferred dividend tax impacts.
Non-GAAP financial measures (cont’d)

- Historically, the impacts of tax equity financing structures on adjusted funds from operations have been insignificant. With the commencement of commercial operations of Bloom Wind in 2017, management has revisited the flow of these operations through the adjusted funds from operations metric. Similar to the treatment of joint venture interests, the treatment of assets under tax equity financing structures has been adjusted to reflect the Company’s share of the adjusted funds from operations of these assets within consolidated adjusted funds from operations. To give effect to this change, the deduction for net finance expense now excludes non-cash implicit interest expense pertaining to tax equity financing structures. However, a deduction is made to remove the tax equity project investors’ respective shares of the adjusted funds from operations of the assets under tax equity financing structures, as determined by their shares of the distributable cash of the respective operations.

Comparative figures have been restated to reflect the above refinements to the adjusted funds from operations metric.

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 is reduced by the tax equity financing project investors’ shares of adjusted funds from operations associated with assets under tax equity financing structures to ensure that only the Company’s share is reflected in the overall metric. 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. 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.

Funds from operations

For periods prior to 2017, Capital Power 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. Funds from operations were net cash flows from operating activities adjusted to include finance and current income tax expenses and exclude changes in operating working capital. They also excluded the impact of fair value changes in certain unsettled derivative financial instruments that were charged or credited to the Company’s bank margin account held with a specific exchange counterparty. The Company included interest and current income tax expenses excluding Part VI.1 tax recorded during those periods rather than interest and income taxes paid. The timing of cash receipts and payments of interest and income taxes and the resulting cash basis amounts are not comparable from period to period. The timing of cash receipts and payments also affects the period-to-period comparability of changes in operating working capital which were also excluded from funds from operations.
Forward-looking information

Forward-looking information or statements included in this presentation and in responses to questions are provided to inform the Company’s shareholders and potential investors about management’s assessment of Capital Power’s future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this presentation 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 presentation 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 the New Frontier Wind project and phase 1 of the Whits Wind project),
- 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 acquisition of Decatur Energy regarding: (i) financial impacts including expected impacts to adjusted funds from operations and adjusted EBITDA, and (ii) re-contracting of the facility,
- 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,
- 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,
- expectations around the Line Loss Rule Proceeding including timing of retrospective loss factors being finalized, participation in applicable appeal processes, and potential impacts to the Company,
- expectations around future impacts of U.S. tax law changes substantively enacted in the fourth quarter of 2017, 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 Targets for 2018 sections, and
- anticipated performance of the acquired Veresen thermal facilities and Decatur Energy

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 businesses and assets, and
- changes in general economic and competitive conditions.

See Risks and Risk Management in the 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.
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