# Investor Meetings
# March, 2010

**Brian Vaasjo, President & CEO**
**Stuart Lee, CFO**

# Cautionary statement regarding forward-looking information

Capital Power Corporation

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

Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information is contained on pages 57-58 of the Company's Management's Discussion and Analysis (MD&A) dated March 9, 2010 for the quarter ended December 31, 2009, which is filed on SEDAR and available at www.sedar.com.

# Overview of Capital Power

Capital Power Corporation

- New company formed in July/09 from EPCOR Utilities Inc.'s spin-off of its power generation business
- Canadian-based independent power producer (IPP) operating in North America
- Business model: stable and growing cash flow from a balanced portfolio of long-term contracts and merchant components, supported by an investment grade credit rating
- Disciplined growth through a prudent expansion strategy supported by development pipeline and proven construction expertise

***Vision:*** **to be one of North America's most respected, reliable and competitive power generators**

***Goal:*** **to triple the size to 10,000 MWs by 2020 on a progressively accretive basis**

# Corporate strengths

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| | |
|---|---|
| **Large, high quality generation portfolio** | One of Canada's largest IPPs with interests in 31 facilities totaling ~3,500 MW of owned and/or operated generation capacity; geographic, fuel source and counterparty diversification |
| **Modern fleet with very good operating history** | Average plant availability of 94%[1]; average facility age of only 12 years[2]; long remaining average useful lives |
| **Financial strength with access to capital** | Strong balance sheet; commitment to maintain investment grade credit rating providing access to capital |
| **Long-term contracts & merchant position provide stable cash flows & upside opportunities** | Remaining average contract life of 11 years[2]; significant portion of portfolio sold forward in 2010; open merchant positions provide upside when power prices rise |
| **Solid platform for growth** | Numerous development opportunities at varying stages of development and planning; solid track record of execution on opportunities |

(1) Average plant availability for six months ended Dec 31, 2009
(2) As of December 31, 2009

# Large, high quality generation portfolio

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## Interests in 31 facilities (~3,500 MW)

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**Directly Owned**

- **Alberta Contracted**
  **Two Facilities**
  **820 MW(1)**
  *(820 MW)(2)*
- **Alberta Commercial**
  - **Six Facilities**
    **943 MW(1)**
    *(695 MW)(2)*
  - **PPA**
    **371 MW(1)**
    *(371 MW)(2)*
- **ON/BC Contracted**
  **Three Facilities**
  **80 MW(1)**
  *(80 MW)(2)*

**30.5% LP Interest**

- **Capital Power Income L.P.**
  **20 Facilities**
  **1,668 MW(1)**
  *(472 MW)(2)*

(1) Capacity owned and/or operated
(2) Capital Power Corporation capacity owned

# Strategic North American platform

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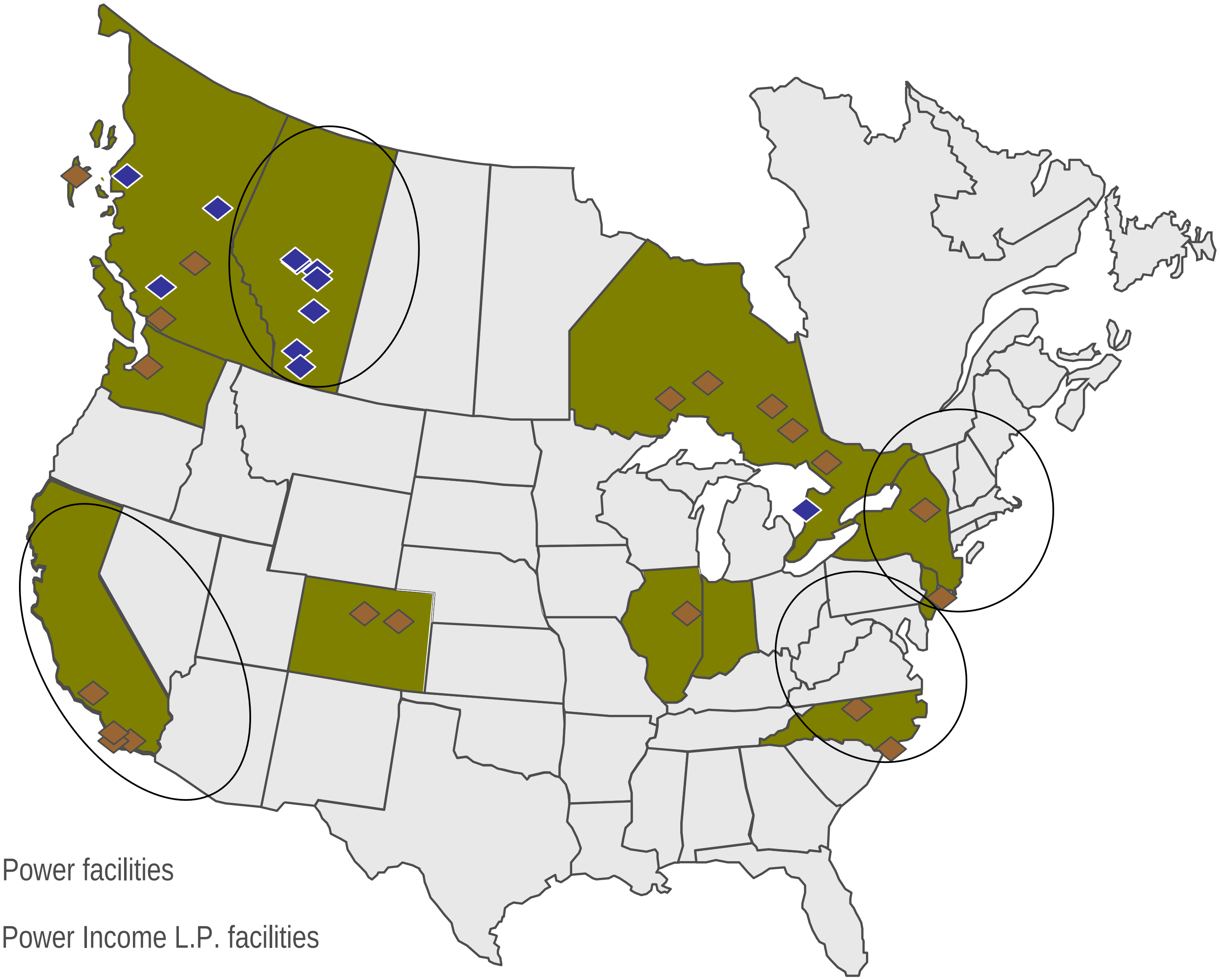


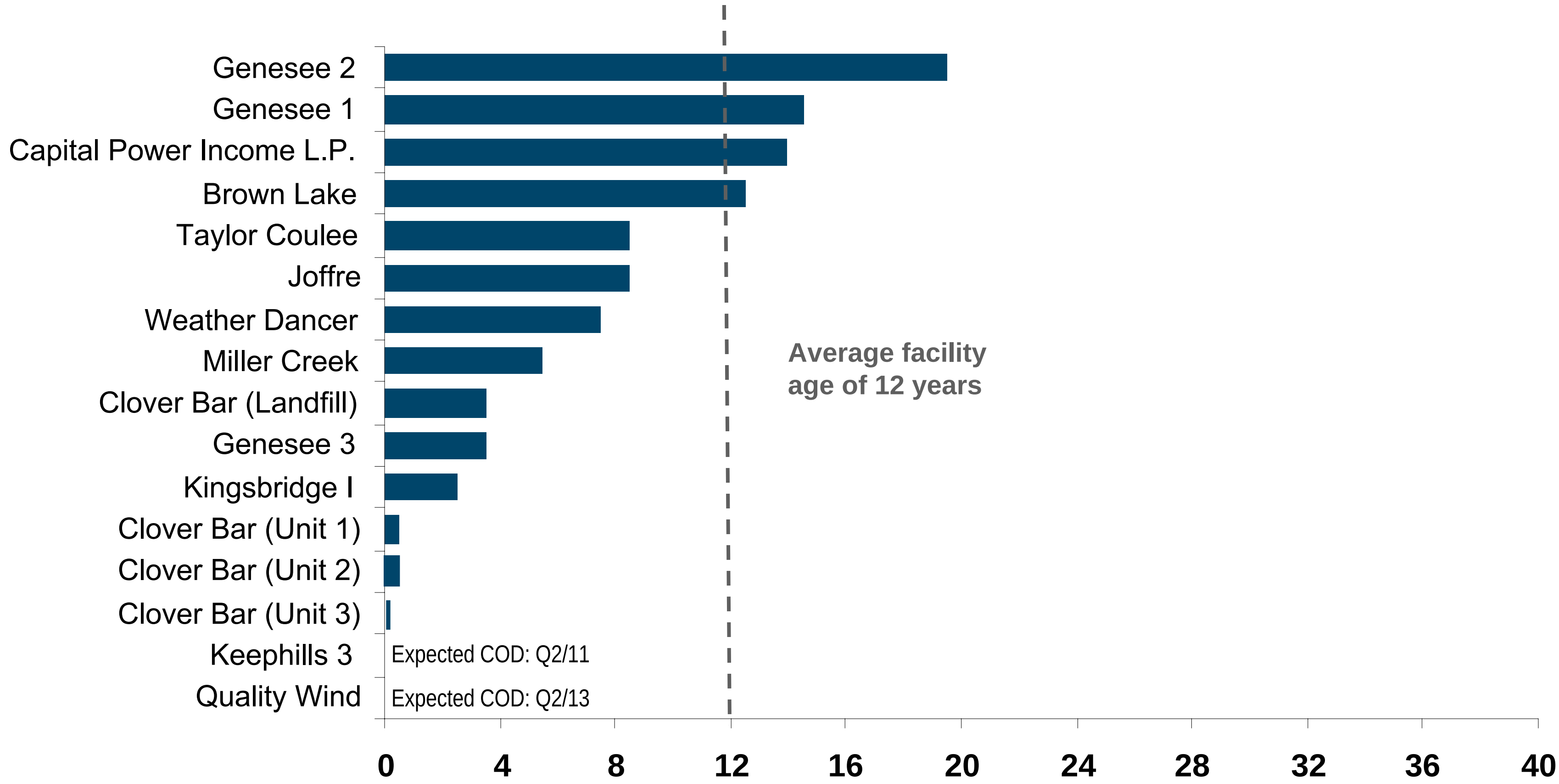
Capital Power facilities

Capital Power Income L.P. facilities

# Modern fleet

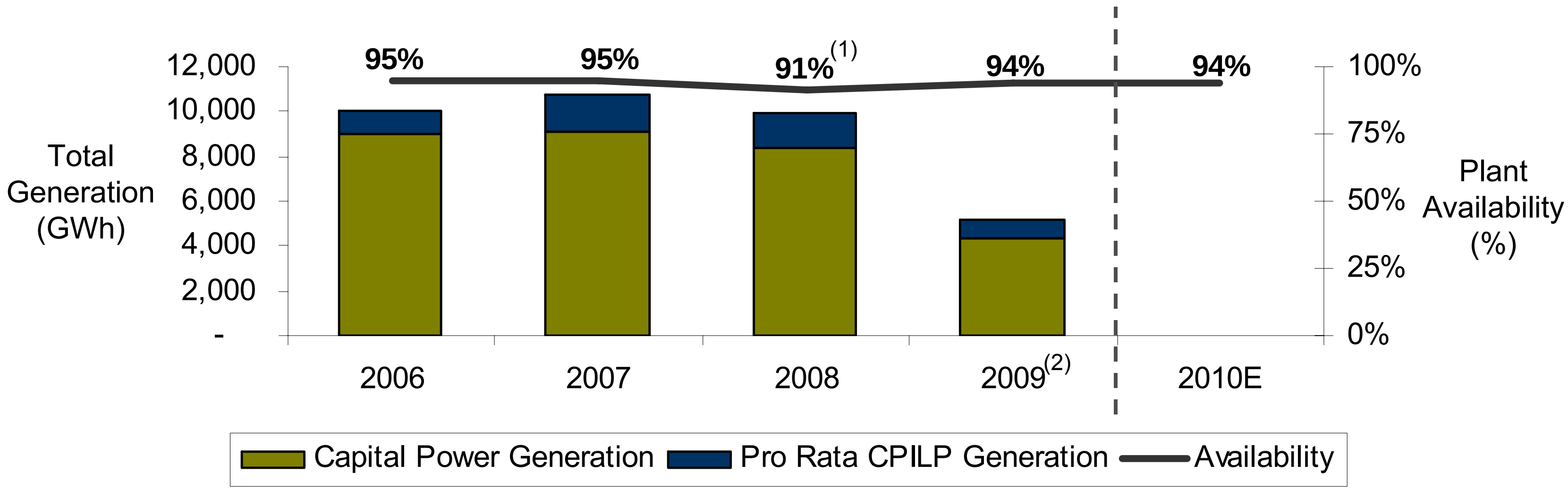
## Modern fleet with average facility age of 12 years; two units commissioned in late 2009 with 390 MW of additional capacity in 2011/13

**Facility age (as of December 31, 2009)**



# Strong operating history, fleet availability

## Very good operating performance history with high plant availability




(1) Lower availability in 2008 primarily due to a 39-day outage at Genesee 3 from a blade failure and planned outages at Genesee 1 and 2
(2) 2009 actual results reflect production for six months ended December 31, 2009

# Financial strength and access to capital[1]

- Strong balance sheet with BBB investment grade credit rating (S&P/DBRS)
  - $1.2B in credit facilities, of which $1.0B available
  - Net debt / total capitalization of ~34% (non-consolidated basis)
  - Consolidated assets of ~$5.0B with only ~$1.7B in long-term debt
    - ~$3.5B of assets, ~$1B in long-term debt (excluding CPILP accounted for on an equity basis)
- Continuous access to capital key to sustainable growth and shareholder value
  - Maintain strong investment grade credit ratings
  - Access to competitive cost of capital to fund growth
  - Significant differentiator from many U.S. IPPs
  - Stable dividend and growing

(1) All figures as of December 31, 2009

# Strong cash flow generation

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| $M | (on a de-consolidated basis) |
|---|---|
| $240[1] | FFO excluding non-controlling interests in CPILP |
| ~($100) | Dividends |
| ~($30 - $40) | Average maintenance capex (excluding CPILP) |
| ~($10 - $20) | Average other capex (emission credits) |
| ~$80 - $100 | Free cash flow |

**Generating significant discretionary cash flow net of dividend and maintenance capex – despite trough market conditions and in advance of future substantive cash flow from projects in construction**

(1) 2009 Annualized figure

# Financial ratio targets

- Dividend
  - Consistent with peers in the 60-70% payout ratio over the long term
- Debt-to-total capitalization ratio
  - 40-50%
- Funds from operations to total debt ratio
  - Minimum 20%
- Contracted versus merchant operating margin contribution
  - Minimum 50% contracted

# Alberta power prices

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- Alberta spot power prices of ~$46/MWh in Q4/09 declined 6.5% from Q3/09
- Higher spot pricing in Q3/09 due to a number of significant base load plant outages and derates that constrained supply and caused higher spot prices
- $57/MWh captured power price[1] for Alberta commercial position in Q4/09
  - $11/MWh higher than the average spot price
  - $3/MWh higher than captured power price in Q3/09

| | Three months ended | |
|---|---|---|
| **Spot Prices** | **Dec 31/09** | **Sept 30/09** |
| Alberta power ($/MWh) | $46.27 | $49.49 |
| Eastern region power ($/MWh) | $30.31 | $21.94 |
| Western region power (Mid-C) ($/MWh) | $43.66 | $35.67 |
| Alberta natural gas (AECO) ($/Gj)[2] | $4.26 | $2.81 |
| **Capital Power's Alberta portfolio captured power price** ($/MWh)[1] | $57 | $54 |

(1) Captured power price represents the price realized on the Company's commercial contracted sales and portfolio optimization activities.
(2) AECO means a historical virtual trading hub, located in Alberta, which is now known as the Nova Inventory Transfer System operated by TransCanada Pipelines Limited.

# Hedging Alberta spot power price exposure

## Alberta commercial portfolio

- Actively manage our position; despite being flat in 2010, there will be some quarterly fluctuations in results depending on the success of our positioning in the quarter

| 2010 | 2011 |
|---|---|
| substantially sold forward @ low-$60/MWh | ~70% hedged @ low-$60/MWh |

## Sensitivity analysis to +/- $1/MWh change in Alberta power prices:

**2010** ➔ +/- $0.5M to operating margin[(1)]

**2011** ➔ +/- $2.5M to operating margin[(1)]

(1) Sensitivity as of December 31, 2009. Operating margin impact excluding unrealized fair value adjustments.

# Hedging update

- Took early view prices would be soft in 2010 and locked in all of our base load length
- Continue to have material heat rate upside from our natural gas facilities (~300 MW from Clover Bar and Joffre)
- To date, our call on 2010 has been prudent
- Increased hedging on base load length in 2011 to ~70%
  - Many of the recent 2011 hedges priced at $45 - $50/MWh but overall average remains slightly over $60/MWh
- Typically going into a year, will be 70% -100% hedged on base load length
- Opted to begin locking in early our 2011 position due to:
  - Good liquidity for this period over the last several months
  - Continue to have soft view of 2010 pricing
  - Current spot prices typically have disproportionate influence on forward pricing

# Hedging update (cont'd)

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- May see some level of increased hedging for 2011, but expect to not only carry some open base load into 2011, but also 300 MW of variable length providing lots of capacity to participate in upside
- Clover Bar provides significant ability to manage our portfolio
  - Plant can power up to full load in 10 minutes, providing flexibility to respond to sudden changes in price
  - Provides upside on power price increases and protects downside on plant outages
- While Clover Bar's capacity factor expected to be ~10% in 2010, real value in 2010 will be in position management
- Commodity risk policy provides flexibility to manage our position prudently, but does require increasing amounts of hedging as terms get nearer

# Outstanding platform for growth

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**Development**

- Pursue selected target markets
- Numerous development opportunities at various stages
- Near term opportunities for contracted cash flows

**Acquisitions**

- Very disciplined and patient approach
- Focus on large natural gas facilities

**Existing Asset Opportunities**

- 1,066 MW[1] of merchant capacity in Alberta
- 820 MW under Genesee PPAs, opportunity in 2020
- Facility expansions and enhancements

(1) Capital Power's pro-rata ownership interest in generating capacity from six Alberta commercial facilities and Sundance PPA

# Growth development opportunities

| Project | Size (MW) | Estimated Cost ($M) | Fuel | Location |
|---|---|---|---|---|
| Keephills 3[1] | 247.5 | $955 | Coal | AB |
| Quality Wind | 142 | $455 | Wind | BC |
| Port Dover & Nanticoke | 100 - 110 | $340 | Wind | ON |
| Kingsbridge II | 270 | $800 | Wind | ON |
| Pioneer (carbon capture & storage) | - | TBD | Chilled ammonia | AB |
| BC Wind | 500 | $1,600 | Wind | BC |
| BC Biomass | 50 - 70 | $250 | Biomass | BC |
| Cambridge | 450 - 500 | TBD | Natural gas | ON |

**Announced MW additions of 248 MW in Q2/11 and 142 MW in Q1/13**

(1) Equal partnership with TransAlta Corporation. Megawatts and estimated cost represents Capital Power's portion.

# Keephills 3 construction project

- 495 MW coal-fired plant, supercritical boiler technology (same as Genesee 3)
- Partnership with TransAlta
- Total project cost of ~$1.9B (CPX 50% portion = $955M)
- Project currently at peak hired labor (~1,600 workers)
- Overall project 84% completed; power island construction 71% completed (as of end of Feb/10)
- Steam flushing has started on boiler piping in preparation for boiler hydro (major milestone in Apr/10)
- Plant expected to commence operations in Q2/11
- Project continues to meet internal rates of return requirements

# Quality Wind project

- Quality Wind project selected by BC Hydro for the award of an Energy Purchase Agreement (EPA)
- 142 MW wind power project
- 79 turbines on a site 10 km northeast of Tumbler Ridge, B.C.
- Energy generated would be sold under a 25-year EPA with BC Hydro
- Commercial operation expected to commence no later than spring 2013
- Subject to regulatory approvals including:
  - Provincial environmental assessment process
  - Approval of the EPA by the B.C. Utilities Commission

# Quality Wind project (cont'd)

Capital Power Corporation

- Meets our minimum 9% hurdle rate (unlevered, after-tax IRR) for contracted facilities
- 5-year wind study used in evaluating project; 35% expected capacity factor
- Low construction risk
- Majority of construction costs are turbine-related, which have been conditionally secured
- Expected project cost of $455 million - initial financing through credit lines; look to permanently finance at end of construction
- Excellent fit with Capital Power's strategy
  - Long term contract supports strategy of maintaining balance between contracted and merchant generation

**Expect Quality Wind to be immediately accretive to earnings once completed**

# 2010 Corporate priorities



- Operational targets
  - Plant availability of ≥ 94%
  - Sustaining capex of $60M (includes $20M for emissions credits)
- Construction / development objectives
  - CPC's share of final costs for Keephills 3 project at ≤ $955M with completion by Q2/11
  - Commit at least $500M to capital opportunities that meet or exceed our target rate of return
- Financial
  - 2010 normalized EPS expected to be roughly in line with 2009 (annualized) EPS excluding mark-to-market gains/losses and Battle River PPA gain
  - Refinance maturing debt of $245M
- Investor Relations
  - Robust investor relations program with commitment to enhanced disclosure transparency

**Goal: Deliver total shareholder return greater than the average of peer group**

# Investment summary

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- Positive long-term fundamentals for the Alberta power market
  - Demand expected to increase in 2011 from oil sands investment activity
  - Retirement of capacity on Alberta electricity grid positive for creation of new generation capacity
  - Alberta power prices expected to be amongst first to recover in North America based on supply/demand balance
  - Capital Power most highly levered to Alberta power prices
- CPX well positioned as economy recovers
  - Current low natural gas price environment expected to improve
  - Minimal exposure to Alberta power prices in 2010 as significant amount of uncontracted production is hedged
  - Merchant position, bolstered by new Clover Bar peaking facility, provides upside when power prices eventually rise
  - Strong balance sheet with modest leverage and excellent liquidity to capitalize on opportunities
- Clover Bar / Keephills 3 will materially contribute to cash flow in 2010/11
- Investors rewarded with an attractive yield with significant upside

Capital Power Corporation

# Appendix

- Q4/09 results
- Board of Directors
- Non-GAAP financial measures

# Q4/09 - Corporate updates

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- **Operating performance in line.** Q4/09 and H2/09 operating performance in-line with management's expectations
  - 92% average plant availability in Q4/09, including scheduled outage at Genesee 1
- **Development on track.** Construction activity continues to meet milestones, and development and acquisition work is on track
  - Clover Bar Unit 3 completed ahead of schedule in Q4; CBEC project cost $21 million (7%) lower than previous estimate
  - Keephills 3 is 84% completed at end of Feb/10 and tracking to current estimate
- **Q4 financial results lower than Q3.** Q4/09 normalized EPS of $0.18, compared to $0.42 in Q3/09
  - Scheduled outage at Genesee 1 resulted in $10M increase in maintenance expense and $6M decrease in revenues
  - Impairment loss of $4M on a venture capital investment
  - $6 million in non-recurring costs related to information technology, employee stock option plan, and transition costs for reorganization

# Q4/09 Operating performance

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| Q4, 2009 | Plant Availability | Generation (Gwh) |
|---|---|---|
| **Alberta commercial plants** | | |
| Genesee 3 | 99% | 484 |
| Joffre | 94% | 73 |
| Clover Bar Energy Centre(1) | 98% | 9 |
| Taylor Coulee Chute | 66% | 2 |
| Clover Bar Landfill Gas | 94% | 10 |
| Weather Dancer | 0% | - |
| | 97% | 578 |
| **Alberta contracted plants** | | |
| Genesee 1 | 74% | 618 |
| Genesee 2 | 97% | 817 |
| | 85% | 1,435 |
| **Ontario and BC contracted plants** | | |
| Kingsbridge 1 | 100% | 32 |
| Miller Creek | 97% | 14 |
| Brown Lake | 99% | 15 |
| | 99% | 61 |
| **Capital Power Income L.P. plants** | 92% | 1,407 |
| **Average / Total** | **92%** | **3,481** |

(1) Clover Bar Energy Centre includes Unit 2 and 3 as of their commercial operation dates of Sep 1/09 and Dec 16/09, respectively.

# Financial highlights – Q4/09

| ($M, except earnings per share) | Q4/09 | Q3/09 | Change |
|---|---|---|---|
| Revenues | $497 | $511 | ↓ 2.7% |
| Gross margin (excluding fair value changes)(1) | $182 | $189 | ↓ 3.7% |
| Operating margin(1) | $154 | $169 | ↓ 8.9% |
| Net income | $7 | $14 | ↓ 50% |
| Earnings per share (normalized)(1) | $0.18 | $0.42 | ↓ 57% |
| Funds from operations | $71 | $93 | ↓ 24% |
| Funds from operations excluding non-controlling interests in CPILP(1) | $49 | $70 | ↓ 30% |

(1) See "Non-GAAP financial measures" on pages 29-31.

# Financial outlook

## 2010 vs. 2009

- Sale of remaining 15% interest of Battle River PPA in Jan/10
- Higher operating margin (excluding fair value adjustments) from full year of operation of Clover Bar units 2 and 3
- Higher captured power price for Alberta commercial portfolio as a significant portion of portfolio sold forward in low-$60/MWh
- Scheduled maintenance outages for Genesee 2 and 3 (total operating expenses of $18M to $22M) versus one scheduled outage in 2009
- Lower operating margin at Genesee 3 from scheduled outage
- No significant transition costs in 2010 for reorganization

**Significant portion of merchant position in 2010 sold forward providing stable cash flow profile for the year**

# Experienced board of directors

| | |
|---|---|
| **Donald Lowry**<br>*Chairman, EPCOR Nominee* | ▪ President and CEO of EPCOR and Chairman of EPLP<br>▪ Director of Canadian Oil Sands Trust<br>▪ Former President and COO of TELUS |
| **Hugh Bolton**<br>*EPCOR Nominee* | ▪ Non-executive chair of the Board of Directors of EPCOR<br>▪ Chairman of Matrikon; Director of Canadian National Railway, Teck Resources, WestJet and TDBFG |
| **Robert Philips**<br>*EPCOR Nominee* | ▪ Former President & CEO BCR Group<br>▪ Practiced corporate law for 15 years |
| **Allister McPherson**<br>*EPCOR Nominee* | ▪ Former Deputy Treasurer, Province of Alberta<br>▪ Former EVP Canadian Western Bank |
| **Brian Vaasjo** | ▪ Capital Power President and CEO<br>▪ Former COO of EPCOR |
| **Albrecht Bellstedt** | ▪ Chairman of Churchill Corp.; Lead Director of Forzani Group<br>▪ Former general counsel of TransCanada Corporation |
| **William Bennett** | ▪ Director of TD Bank Financial Group ("TDBFG")<br>▪ Former president and CEO of Draper & Kramer |
| **Brian Bentz** | ▪ Director of MacDonald, Dettwiller and Associates Ltd.<br>▪ Former President, Oilsands and Mining, AMEC, plc |
| **Richard Cruickshank** | ▪ Partner at Fraser Milner Casgrain, focusing on tax advisory<br>▪ Former president of Edmonton Bar Association |
| **Philip Lachambre** | ▪ Director of Flint Energy Services<br>▪ Former EVP and CFO of Syncrude Canada |
| **Brian MacNeill** | ▪ Chairman of Petro Canada; Director of West Fraser and Telus<br>▪ Former CEO of Enbridge Inc. |
| **Janice Rennie** | ▪ Director of Greystone Capital Management, Teck Resources, Matrikon, Methanex and West Fraser<br>▪ Former SVP HR and Organizational Effectiveness for EPCOR |

# Non-GAAP financial measures

Capital Power Corporation

The Company uses (i) gross margin, (ii) operating margin, (iii) funds from operations, (iv) funds from operations excluding non-controlling interests in CPILP and (v) normalized earnings per share as financial performance measures. These terms are not defined financial measures according to Canadian GAAP and do not have standardized meanings prescribed by GAAP, and therefore may not be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with Canadian GAAP. Rather, these measures are provided to complement Canadian GAAP measures in the analysis of the Company's results of operations from management's perspective.

**Gross margin and operating margin**

Capital Power uses gross margin and operating margin to measure the operating performance of plants and groups of plants from period to period. A reconciliation of gross margin and operating margin to net income is as follows:

| (unaudited, $millions) | Six months ended | |
|---|---|---|
| | Dec 31, 2009 | Dec 31, 2008 |
| Revenues | $ 1,008 | $ 1,302 |
| Energy purchases and fuel | 574 | 1,050 |
| **Gross margin** | **434** | **252** |
| Operations, maintenance, and direct administration | 111 | 124 |
| **Operating margin** | **323** | **128** |
| Deduct (add): | | |
| Indirect administration | 64 | 68 |
| Depreciation, amortization and asset retirement accretion | 92 | 91 |
| Foreign exchange losses | 4 | 8 |
| Impairments | - | 42 |
| Net financing expenses | 34 | 60 |
| Income taxes (reduction) | 10 | (54) |
| Non-controlling interests | 98 | (120) |
| Net income | $ 21 | $ 33 |

# Non-GAAP financial measures (cont'd)

Capital Power Corporation

Prior to the third quarter of 2009, the Company used adjusted earnings before foreign exchange gains and losses, interest, income tax, depreciation and amortization and impairments (adjusted EBITDA) to measure plant operating performance. Commencing with the third quarter of 2009, the Company adopted operating margin rather than adjusted EBITDA to measure plant performance. Operating margin is more representative of plant performance as it excludes corporate administration and business development expenses (indirect administration). The presentation of the pro forma consolidated information for the six months ended December 31, 2008 conforms to the presentation adopted for the six months ended December 31, 2009.

**Funds from operations and funds from operations excluding non-controlling interests in CPILP**

Capital Power uses funds from operations to measure the Company's ability to generate funds from current operations. Funds from operations are cash provided by operating activities excluding changes in working capital. Changes in working capital are impacted by the timing of cash receipts and payments and are not comparable from period to period. Therefore, the Company uses funds from operations as its primary operating cash flow measure. The Company measures its interest in cash flows by excluding the non-controlling interest in CPILP's cash flows. A reconciliation of (i) funds from operations and (ii) funds from operations excluding non-controlling interests in CPILP, to cash provided by operating activities is as follows:

| (unaudited, $millions) | Three months ended | | Six months ended |
|---|---|---|---|
| | Dec 31, 2009 | Sept 30, 2009 | Dec 31, 2009 |
| **Funds from operations excluding non-controlling interests in CPILP** | **$ 49** | **$ 70** | **$ 119** |
| Funds from operations due to non-controlling interests in CPILP | 22 | 23 | 45 |
| Funds from operations | 71 | 93 | 164 |
| Change in non-cash operating working capital | 50 | (40) | 10 |
| **Cash provided by operating activities** | **$ 121** | **$ 53** | **$ 174** |

# Non-GAAP financial measures (cont’d)

Capital Power Corporation

**Normalized net income and normalized earnings per share**

The Company uses normalized earnings per share to measure performance by period on a comparable basis. Normalized earnings per share is based on net income according to Canadian GAAP adjusted for items that are not reflective of performance in the period such as fair value changes, impairments, unusual tax adjustments and gains or losses on disposal of assets. A reconciliation of normalized net income to net income, and normalized earnings per share to earnings per share is as follows:

| (unaudited, $millions except earnings per share) | Three months ended | | Six months ended |
|---|---|---|---|
| | Dec 31, 2009 | Sept 30, 2009 | Dec 31, 2009 |
| **Earnings per share** | **$ 0.33** | **$ 0.64** | **$ 0.97** |
| **Net income** | **7** | **14** | **21** |
| Less adjustments | | | |
| Unrealized changes in fair value of CPLP’s derivative instruments and natural gas held for trading | (5) | (3) | (7) |
| Unrealized changes in fair value of CPILP’s derivative instruments | (1) | (1) | (2) |
| Venture capital investment write-down | 1 | - | 1 |
| Income tax adjustments | 2 | (1) | 1 |
| | (3) | (5) | (8) |
| **Normalized net income** | **4** | **9** | **13** |
| **Normalized earnings per share** | **$ 0.18** | **$ 0.42** | **$ 0.60** |

# Contact information

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