CAPITAL POWER

BMO Capital Markets

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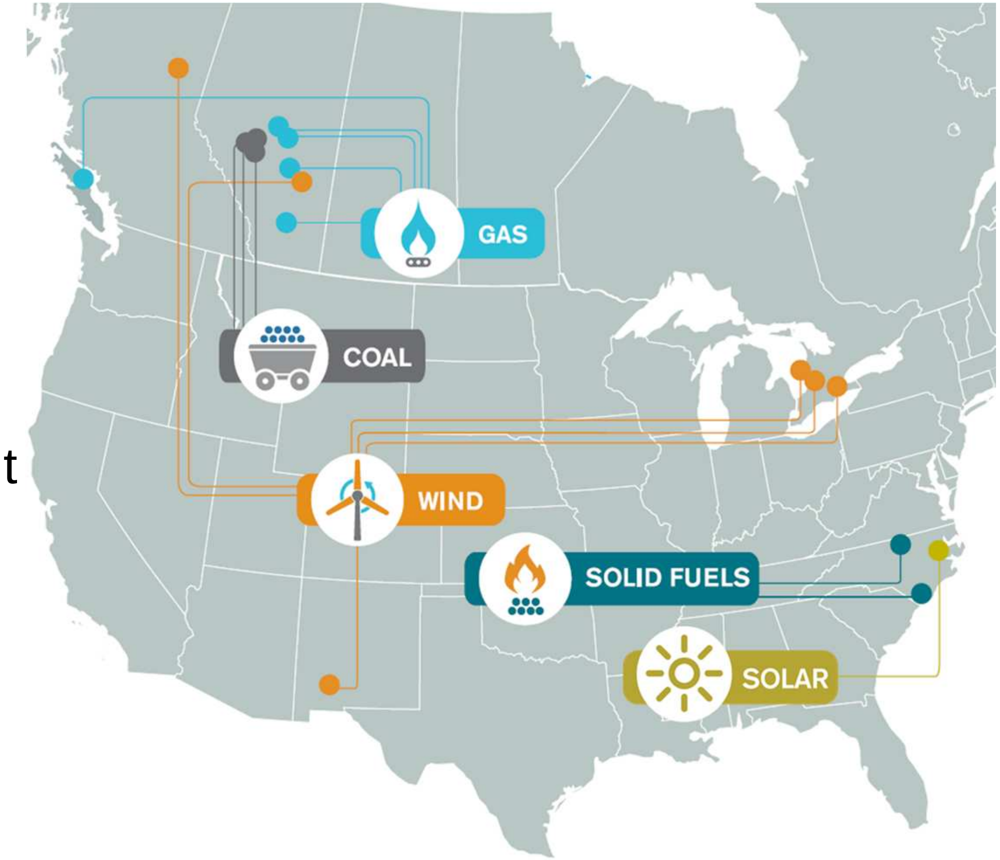
Capital Power overview

- Growth-oriented North American IPP with ownership interest in 18 facilities in Canada and the US totaling more than 3,200 MW[(1)]
- Young and modern fleet of assets
- Proven operating, development & construction expertise
- Strong contracted cash flow base supports annual dividend growth[(2)]
- TSX (CPX); market cap of \$1.7B[(3)]; average daily trading of 520K[(3)] shares



1) Based on MW owned capacity as of Dec 31/15; excludes Sundance PPA (371 MW).
2) Subject to Board approval.
3) Market capitalization as of Dec 31/15. Based on average daily trading volume on all stock exchanges in 2015.

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Alberta Climate Leadership Plan

Carbon Competitiveness Regulation (CCR)

- Current Specified Gas Emitters Regulation (SGER) replaced with CCR in 2018
- Electricity generators will pay $30/tonne starting in 2018 for greenhouse gas emissions above electricity sector performance standard
- Impact on Genesee 3 / Keephills 3 will be offset by higher pool prices and by utilizing our inventory of low-cost carbon offset credits through 2020

Increase in power prices will partially offset higher carbon costs

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Alberta Climate Leadership Plan

Accelerated phase-out of coal facilities to be replaced with renewables and merchant natural gas

- Phase out coal-fired power by 2030 and replace at least 50-75% of retired coal generation with renewable power
- Panel recommended central procurement of renewables, by offering Renewable Energy Credits (RECs) to renewables developers through a competitive process
- Wind expected to be the more dominant fuel type in near-term
- Based on current expectations, process likely to start in 2016 with first in-service date at the end of 2019

Well-positioned to develop and build renewables and natural gas in Alberta

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Alberta Climate Leadership Plan

Maintenance of Alberta market design

- New renewable generation will be timed to replace two-thirds of retiring coal-fired generation
- Ensures existing assets are not adversely impacted by oversupply
- Ensures new gas-fired generation continues to be built based on pricing signals from the energy only market
- Allows existing market design to continue to function as it has over the past 15 years

Alberta's deregulated market maintained providing regulatory certainty for existing generating assets

Alberta Climate Leadership Plan

Compensation for accelerated phase-out of coal

- Alberta Government committed to avoid “unnecessarily stranding capital” and “treat companies fairly”
- A component of compensation for early retirement could be the ratio of reduced asset life to the current remaining life multiplied by Net Book Value (NBV)
- NBV of our coal assets is ~$2 billion at end of 2015
- Remaining life of our coal units are 139 years. A “2030 retirement date” reduces remaining life by 79 years (57% reduction)
- Funds raised by CCR is to estimated to be $3 billion per year

We believe Capital Power will be fairly compensated

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Carbon competitiveness regulation

- Required to comply with Specified Gas Emitters Regulation (SGER) through to the end of 2017. Levy under Carbon Competitiveness Regulation (CCR) effective starting in 2018.

	2017	2018	2019	2020
Compliance regulation	SGER	CCR		
Compliance requirement	20%	55% to 65% (Down to best gas standard)		
Market compliance cost ($/tonne)	$30	$30	$30+inflation+2% (based on Panel's recommendation)	

- Impact on Genesee 3 / Keephills 3 will be offset by higher pool prices and inventory of low-cost carbon offset credits through 2020
- CPX bears the Genesee 1 & 2 compliance costs post-2020 after PPA expiry

Use of existing offset credits and higher pool prices will more than offset higher compliance costs through 2020

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Estimated incremental impacts of CCR[1]

- Contracted revenue under Genesee 1 & 2 PPA is expected to be $37/MWh in 2020
- Expected revenue will be $60 to $70/MWh when the output is sold into the AB merchant market, which will now be partially eroded by the higher carbon tax

EBITDA impact ($M)	2018	2019	2020	2021
Total coal EBITDA impact due to CCR	$30	($25)	($65)	($120)
EBITDA increase from natural gas & wind facilities	$50	$30	$30	$20
Total portfolio EBITDA impact	$80	$5	($35)	($100)

The expected uplift from the expiry of the G1/G2 PPA offsets the impact of the new carbon tax in 2021

1) Carbon Competitiveness Regulation does not include the impact of expected compensation for early coal retirement.

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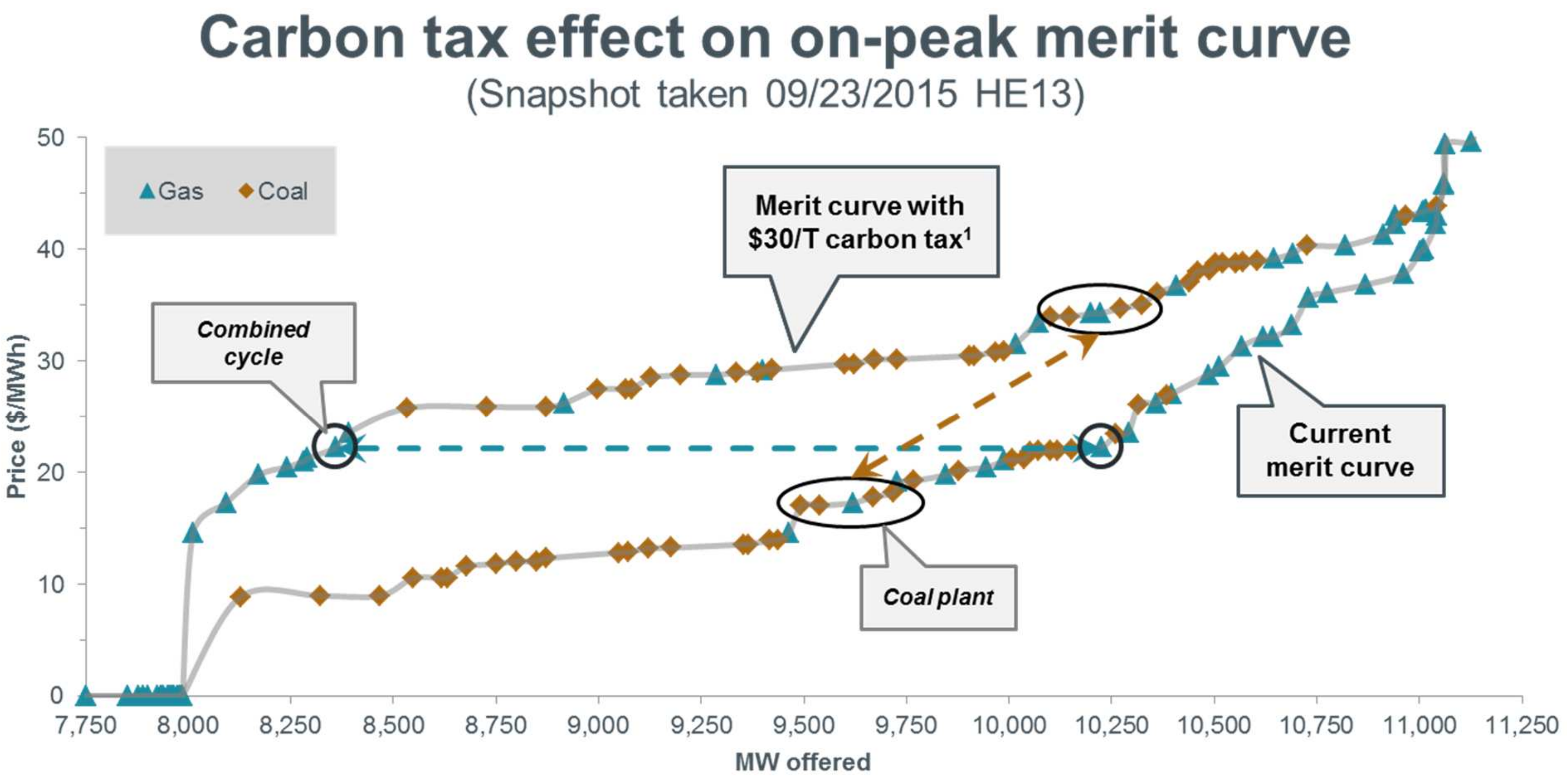
Carbon tax: impact on pool price

- Some variable cost increase will be passed through power prices



1) Assumes allocation based on Cleanest Gas Standard of 0.4T/MWh, and the following intensities (T/MWh): coal = 1.05, Simple cycle & cogen = 0.55, Combined cycle = 0.45

Alberta Climate Leadership Plan

Expected incremental impacts

- **2018 to 2020 (~ +$20M average EBITDA[(1)] per year)**
  - \- Coal compliance costs partly recovered through higher power prices
  - \+ Utilize existing inventory of carbon credits
  - \+ Higher power prices benefits natural gas and wind facilities
  - \+ Reduction in compliance costs for Shepard
- **2021 to 2029 (~ -$100M average EBITDA per year)**
  - \- Coal compliance costs partly recovered through modestly higher power prices
  - \+ Modestly higher power prices benefits natural gas and wind facilities
  - \+ Reduction in compliance costs for Shepard
  - \+ Participate in new generation
  - \+ Potential for compensation
- **2030 to 2061 (?)**
  - \+ Expect to receive fair compensation for accelerated coal retirements

1) EBITDA is a Non-GAAP financial measure, see page 45.

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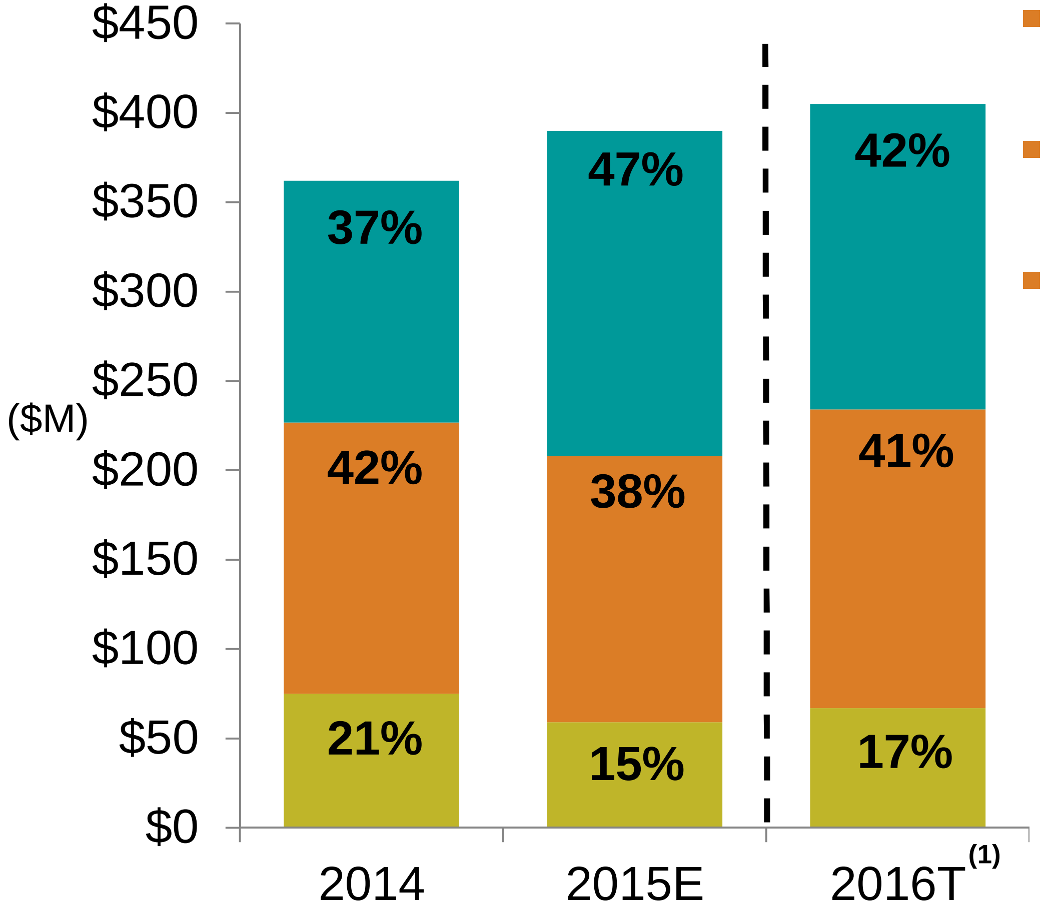
Continued strong cash flow generation

Funds from operations (FFO)(1)

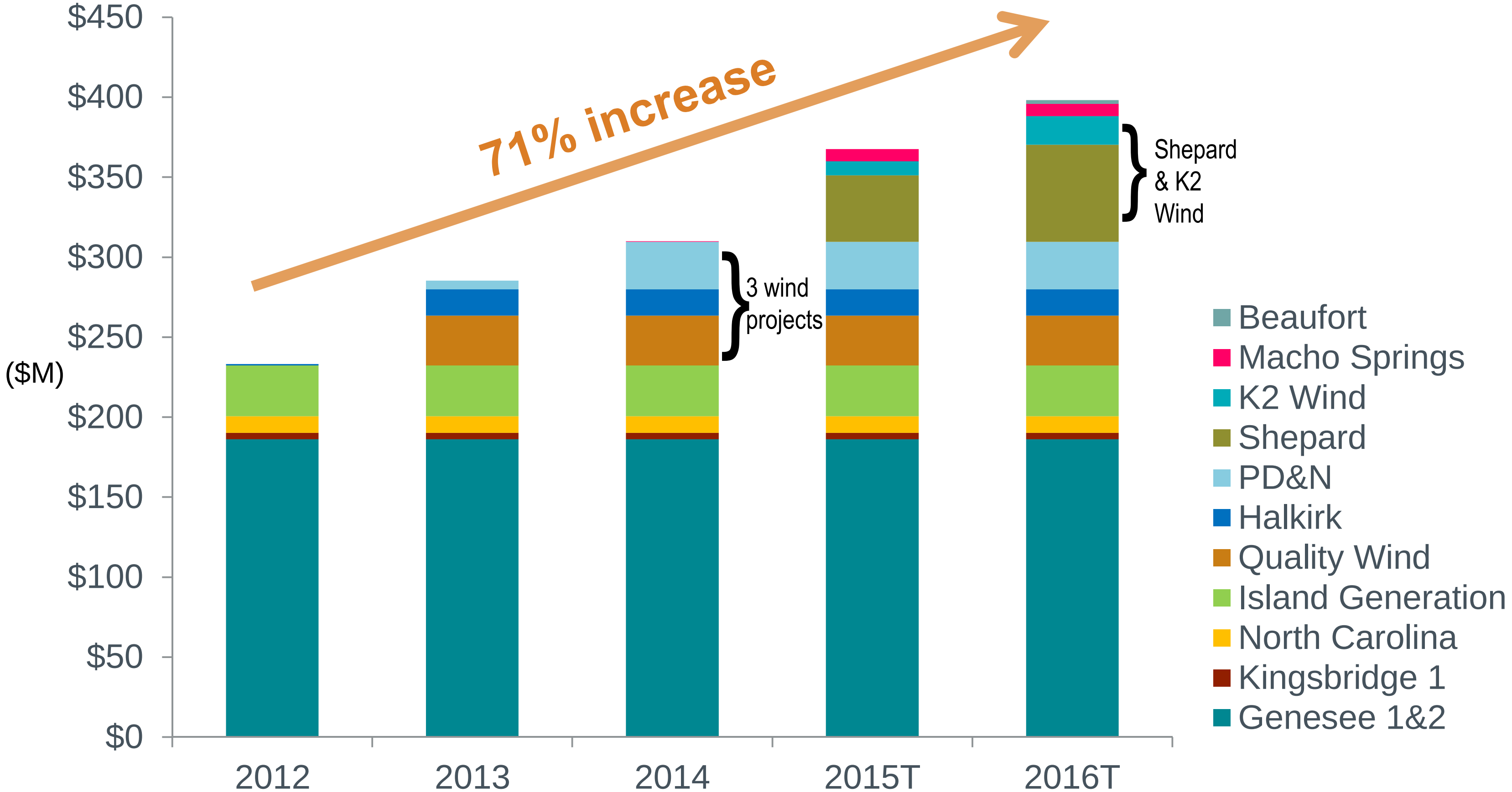


- Cash flow expected to increase ~4% in 2016 to $405M
- ~42% of 2016 FFO is discretionary cash flow(2)
- At the mid-point of 2016 guidance range, generating ~$175M in DCF before growth capex to reinvest in renewables and natural gas opportunities

1) 2016 FFO target represents the mid-point of $380M - $430M guidance range. FFO is a non-GAAP financial measure. See page 45.
2) Discretionary cash flow (DCF) is a non-GAAP financial measure. DCF = FFO - sustaining capex - total common and preferred share dividends.

Improving contracted cash flow[1,2,3]

Substantial expansion in contracted operating margin from 2012 to 2016

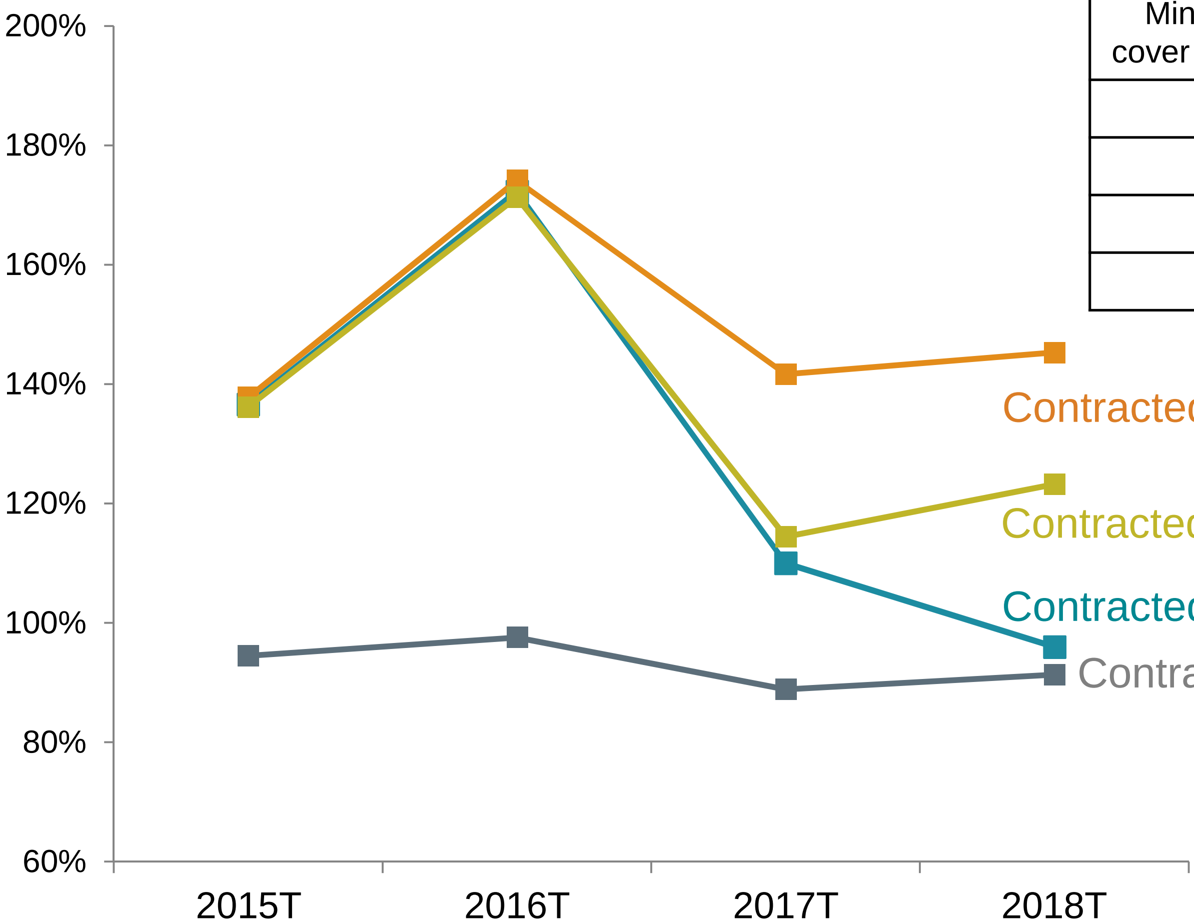


Substantial expansion in contracted operating margin from 2012-16

1) Margins have been averaged over the periods except in the year of commissioning.
2) Only includes contracted portions of Halkirk and Shepard plants.
3) Cash distributions from K2 Wind and EBITDA for all other plants.

Strong financial coverage

Operating margin[1] to financial obligations[2] and dividends[3]



Minimum AB power prices required to cover financial obligations and dividends[3]	
2015F	$0/MWh
2016F	$0/MWh
2017F	Low $30s
2018F	Low $40s

1) Merchant margin is calculated using $40/MWh and $70/MWh and is based on hedged position as at November 30, 2015.
2) Based on existing plants plus committed development projects. Financial obligations include interest payments (including interest during construction), sustaining contracted capital expenditures and general & administration expenses.
3) Dividends include common and preferred dividends. Assumes consistent common dividend growth in 2016-18.
4) Forwards as of November 30, 2015.

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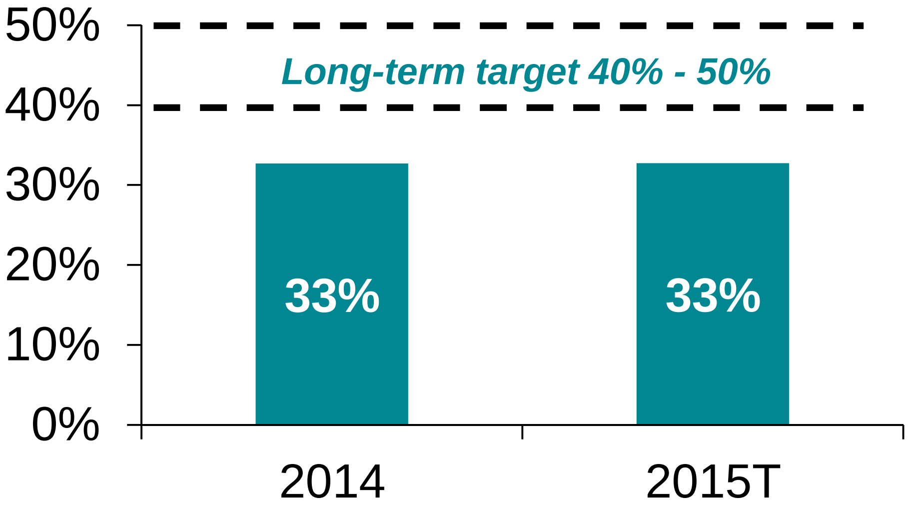
Financial strength

Strong balance sheet and investment grade credit rating

- Investment grade credit ratings recently reaffirmed by S&P and DBRS
- Debt-to-capital ratio remains below long-term target of 40% - 50%

Agency	Ratings	Outlook
S&P	BBB- / P-3	Stable
DBRS	BBB / Pfd-3 (low)	Stable

Debt to total capitalization

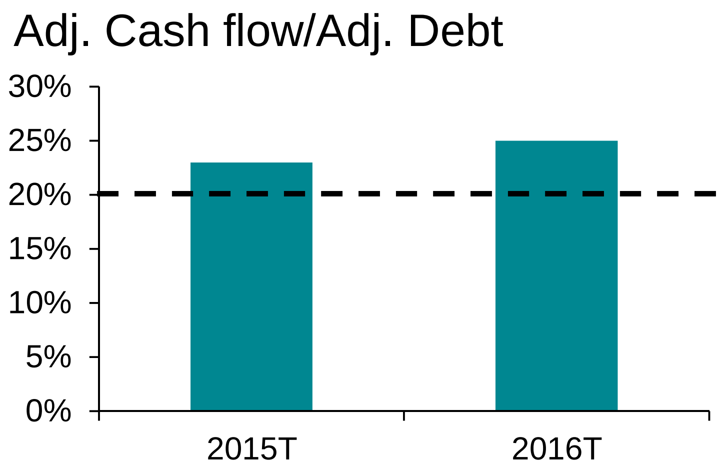


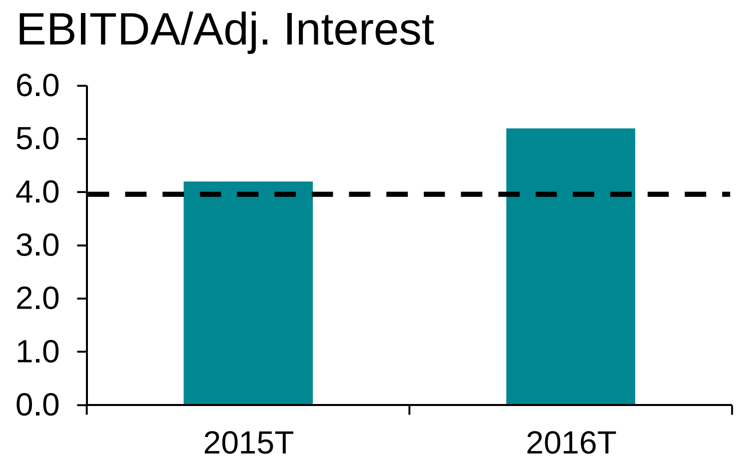
Corporate Liquidity[1]

1) December 31, 2015 forward-looking estimate.

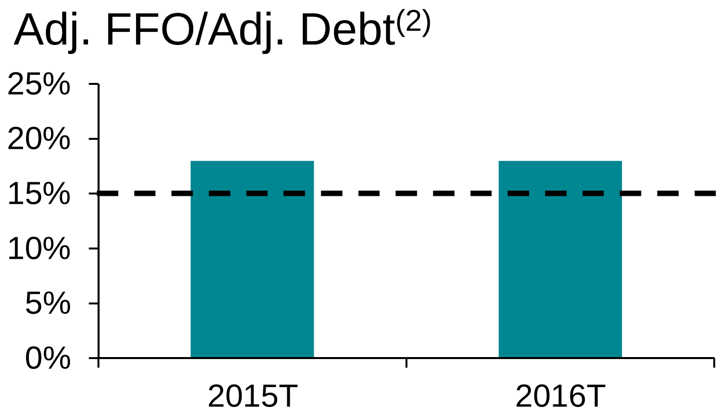
Credit metrics(1)

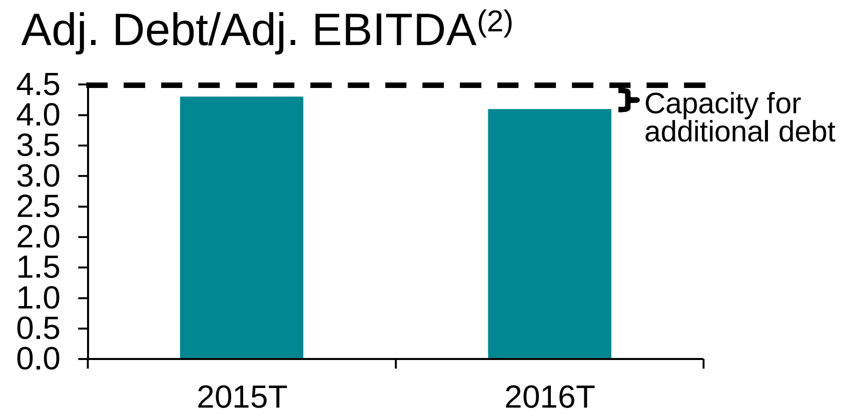
Above DBRS financial criteria for current rating





Within S&P financial criteria for investment grade rating





1) Metrics applicable to Capital Power L.P.
2) Based on S&P's weighted average ratings methodology.

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