

CAPITAL POWER

Q2/16 Analyst Conference Call

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Forward-looking information

Cautionary statement

Certain information in this presentation and in responses 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 that 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 are disclosed on slide 16 of this presentation and in the Company's second quarter 2016 Management's Discussion and Analysis (MD&A) prepared as of July 22, 2016 which is available under the Company's profile on SEDAR at sedar.com and on the Company's website at capitalpower.com.

Non-GAAP financial measures

The Company uses (i) earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense from joint venture, and gains or losses on disposals (adjusted EBITDA), (ii) 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 these Non-GAAP financial measures are contained in the Company's Management's Discussion and Analysis prepared as of July 22, 2016 for the second quarter 2016, which is available under the Company's profile on SEDAR at SEDAR.com and on the Company's website at capitalpower.com.

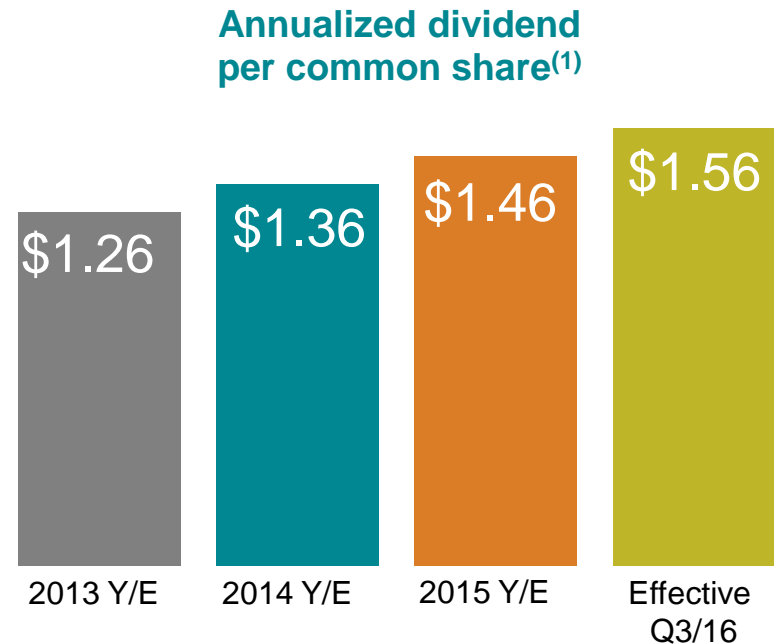
Q2/16 Highlights

- Q2/16 financial performance exceeded expectations
 - Normalized EPS of \$0.30
 - Funds from operations of \$106M
- Continue to be engaged with the Alberta government to ensure fair compensation is received for accelerated closure of coal-fired units by 2030 under the Climate Leadership Plan (CLP)
 - Discussions with coal facilitator are ongoing
 - Expect Alberta government to provide more details on the implementation of CLP in Q3 and Q4 of 2016

Dividend increase

Third consecutive 10 cents per share annual increase to dividend

- Effective with Q3/16, quarterly dividend increased 6.8% to \$0.39 per share
- 24% increase in annualized dividends since 2013



Projected cash flows support annual dividend growth guidance⁽²⁾ of 7%

(1) 2013-2015 annualized dividend based on year-end quarterly dividend amount.

(2) Annual dividend growth guidance of 7% through 2018 discussed at the Dec 3/15 Investor Day.

Q2/16 Operating performance

Plant availability		Q2/16	Q2/15
Alberta commercial plants	Genesee 3	100%	100%
	Keephills 3	100%	97%
	Clover Bar	91%	95%
	Joffre	55%	87%
	Shepard	82%	73%
	Halkirk	98%	98%
Alberta contracted plants	Genesee 1	95%	72%
	Genesee 2	72%	100%
Ontario and BC contracted plants	Island Generation	100%	100%
	K2 Wind	99%	98%
	Kingsbridge 1	97%	95%
	Port Dover & Nanticoke	100%	97%
	Quality Wind	98%	97%
U.S. contracted plants	Roxboro	100%	87%
	Southport	92%	88%
	Beaufort Solar	91%	N/A
	Macho Springs	98%	99%
Average		90%	90%

- 90% average availability in Q2/16, unchanged yoy
- Completed major scheduled outage at Genesee 2
- Reduced availability at Joffre from planned/unplanned outages
- Improved availability at Shepard of 82% compared to 73% in Q2/15

Q2/16 Financial review

- Generated \$106M of FFO, up 51% compared to \$70M in Q2/15
- Normalized EPS of \$0.30 versus \$0.10 in Q2/15
- Despite a 74% decline in average Alberta power prices from \$57/MWh to \$15/MWh in Q2 year-over-year, trading desk captured a 307% higher realized average power price versus spot price

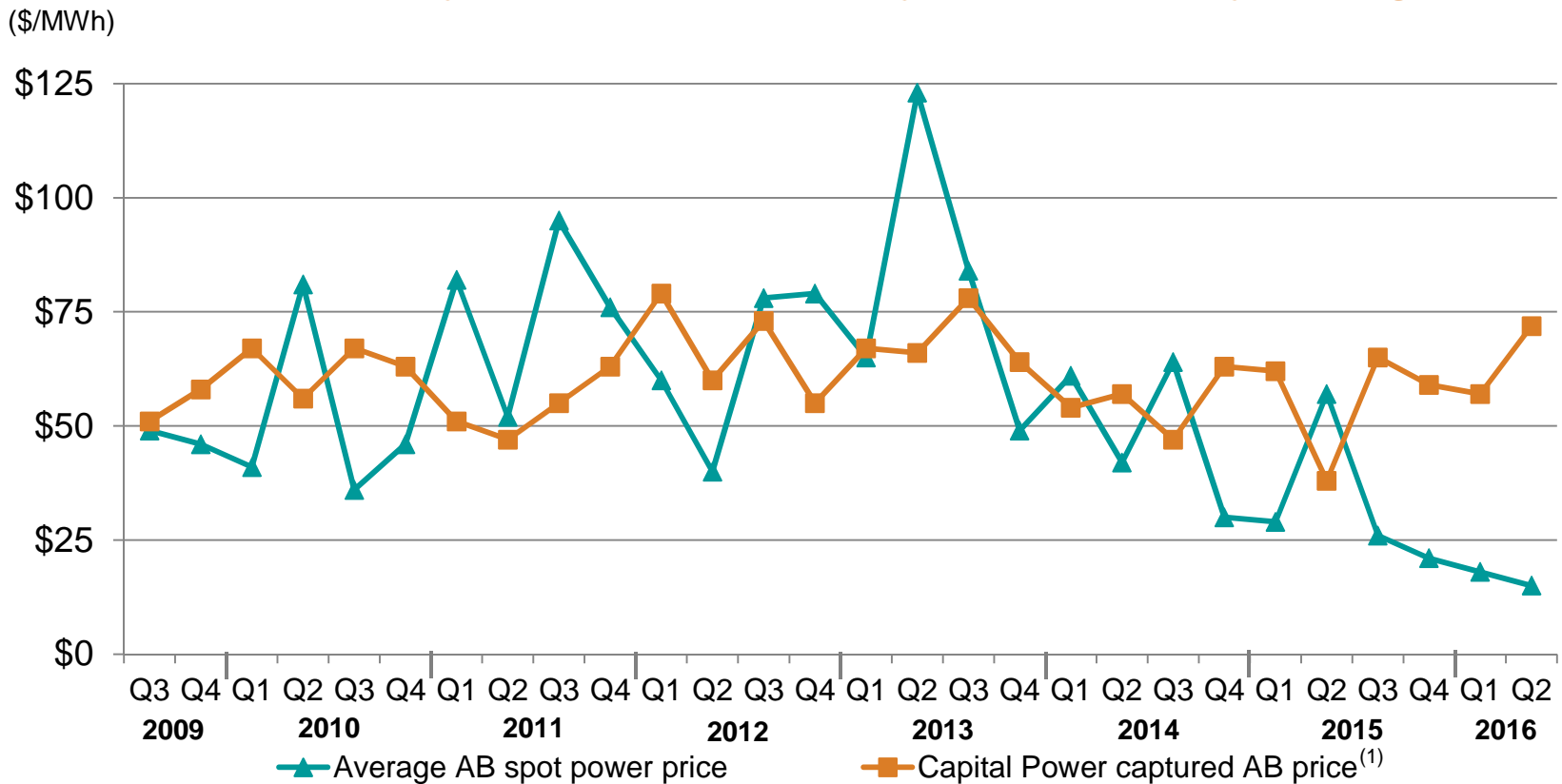
Portfolio optimization	Q2/16	Q2/15
AB spot power price average (/MWh)	\$15	\$57
Realized power price ⁽¹⁾ (/MWh)	\$61	\$46
% realized above spot power price	307%	-19%

(1) Realized power price is the average price realized as a result of the Company's commercial contracted sales and portfolio optimization activities in Alberta.

Alberta power market trading

- Continue to see significant value from portfolio optimization activities

Average realized power prices⁽¹⁾ have exceeded spot power prices by 10% since company's inception 7 years ago



1) Based on the Alberta baseload plants and the Sundance PPA plus the uncontracted portion of Shepard Energy Centre baseload. Effective March 24, 2016, it is based on the Alberta baseload plants and the uncontracted portion of Shepard Energy Centre baseload due to Sundance PPA Termination.

Financial performance – Q2/16

\$M, except per share amounts	Q2/16	Q2/15	Change
Revenues	\$229	\$83	176%
Adjusted EBITDA (before mark-to-market) ⁽¹⁾	\$123	\$94	31%
Basic earnings (loss) per share	\$0.19	\$(0.39)	149%
Normalized earnings per share	\$0.30	\$0.10	200%
Funds from operations	\$106	\$70	51%

Higher Revenues and Adjusted EBITDA driven by strong portfolio optimization results

(1) Before unrealized changes in fair value of commodity derivatives and emission credits of \$(15)M and \$(47M) for Q2/16 and Q2/15, respectively.

Financial performance – Q2/16 YTD

\$M, except per share amounts	Q2/16 YTD	Q2/15 YTD	Change
Revenues	\$570	\$441	29%
Adjusted EBITDA (before mark-to-market) ⁽¹⁾	\$251	\$210	20%
Basic earnings (loss) per share	\$0.07	\$(0.06)	217%
Normalized earnings per share	\$0.63	\$0.40	58%
Funds from operations	\$215	\$178	21%

Financial results in first half of 2016 showed yoy improvement across all measures

(1) Before unrealized changes in fair value of commodity derivatives and emission credits of \$(23)M and \$(16)M for Q2/16 YTD and Q2/15 YTD, respectively.

Financial outlook

Alberta commercial hedging profile

- Termination of our Buyer role under Sundance C PPA has significantly increased our baseload hedging profile from 2015 year-end
- Alberta Commercial baseload positions:

	2017		2018		2019	
<i>As of date</i>	Mar 31/16	Jun 30/16	Mar 31/16	Jun 30/16	Mar 31/16	Jun 30/16
<i>% sold forward</i>	100%	100%	50%	54%	34%	44%
<i>Avg. contracted prices⁽¹⁾ (\$/MWh)</i>	Mid-\$40	Mid-\$40	Low-\$50	Low-\$50	Low-\$50	Low-\$50
<i>Avg. forward prices (\$/MWh)</i>	\$36	\$38	\$46	\$47	\$51	\$52

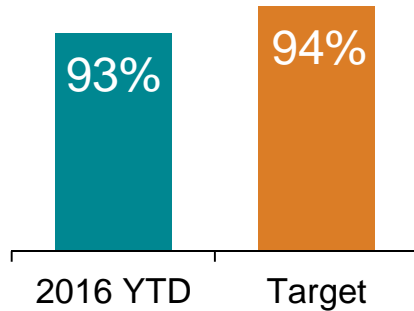
Baseload merchant exposure fully hedged in 2016-17

1) The forecasted average contracted prices may differ significantly from the future average realized prices as the hedged and unhedged positions have a mix of varying priced blocks of power.

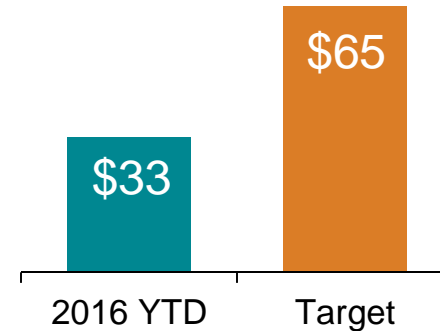
2016 YTD performance vs. annual targets

Operational and financial targets

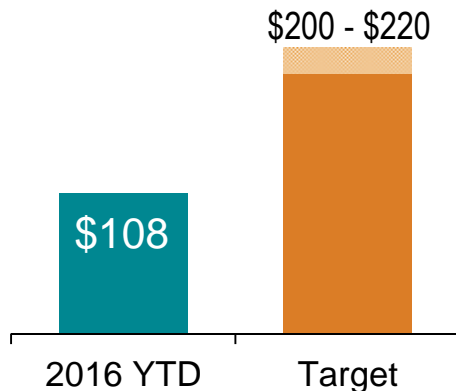
Plant availability



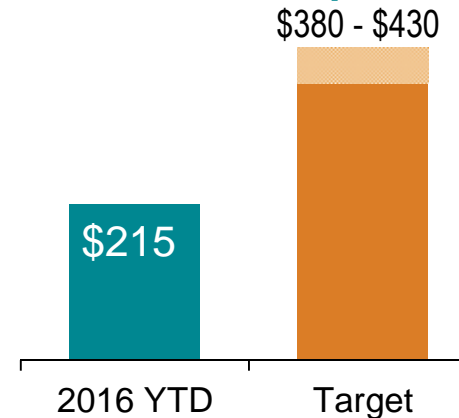
Sustaining capex (\$M)



Plant operating & maintenance expenses (\$M)



Funds from operations (\$M)



On-track to meet 2016 targets

2016 Disciplined growth targets

Genesee 4&5 (Alberta)

Target

Proceeding with construction based on:

- Clarity with respect to impact of decisions from the Alberta Government's *Climate Leadership Plan*
- Price signals from energy only market



Q2/16 Status

- Awaiting further clarification on implementation of CLP and impacts on current Alberta assets
- Construction execution has been restructured to delay full notice to proceed decision to Q4/16, resulting in modestly higher costs and risks
- Revised construction plan would achieve substantial completion of Genesee 4 in early 2020
- Monitoring price signals to determine appropriate timing for new supply

2016 Disciplined growth targets

New developments

Target

- Execute a contract for the output of a new development



Q2/16 Status

- ✓ **Bloom Wind** (178 MW project in Kansas)
 - 10-year fixed price contract covering 100% of the output
 - Cost of \$358M (CDN\$)
 - Construction begins in Q3/16 with COD targeted in Q3/17
- Actively bidding into RFPs for other U.S. projects

{ QUESTIONS?

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 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 includes expectations regarding:

- future revenues, expenses, earnings and 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,
- plant availability and planned outages,
- capital expenditures for plant maintenance and other,
- the impact of environmental regulations on the Company, its businesses, accounting policies, and emissions compliance costs,
- the impact of the Alberta Climate Leadership Plan (CLP) on the Company's future growth projects, including the Genesee 4 and 5 project, and
- compensation to be received by the Company from the Government of Alberta in respect of the proposed early retirement of coal facilities.

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:

- 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, and
- other matters discussed under the Performance Overview and Outlook sections.

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 and tax legislation,
- power plant 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, and
- changes in general economic and competitive conditions.

See Risks and Risk Management in the Company's December 31, 2015 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 date made. 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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