Capital Power Corporation
10423 – 101 Street NW
Suite 1200
Edmonton, AB T5H 0E9

RESPONSIBLE ENERGY FOR TOMORROW

For immediate release | May 4, 2020

Capital Power reports solid first quarter 2020 results and reiterates its 2020 financial guidance

EDMONTON, Alberta – May 4, 2020 – Capital Power Corporation (TSX: CPX) today released financial results for the quarter ended March 31, 2020.

Highlights

- Implemented business continuity and risk mitigation plans in response to the COVID-19 pandemic to ensure the continued safety and health of our employees and communities while delivering reliable power
- Completed the 150-megawatt Cardinal Point Wind project on-schedule and on budget in the facility's U.S. dollar functional currency
- Successfully executed numerous planned outages
- Acquired 101-megawatt Buckthorn Wind in Texas
- Subsequent to the end of the first quarter, signed an agreement setting the terms for 10-year Long-Term Service Agreement (LTSA) extensions for the maintenance of nine Vestas-equipped wind facilities, as well as a turbine supply agreement for Whitla Wind 2
- Generated net cash flows from operating activities of $103 million and adjusted funds from operations of $118 million in the first quarter of 2020
- Purchased and cancelled 0.5 million common shares under the Normal Course Issuer Bid

Net cash flows from operating activities were $103 million in the first quarter of 2020 compared to $196 million in the first quarter of 2019. Adjusted funds from operations (AFFO) were $118 million in the first quarter of 2020 compared to $117 million in the first quarter of 2019. AFFO per share was $1.12 in the first quarter of 2020 compared to $1.15 in the first quarter of 2019.

Net income attributable to shareholders in the first quarter of 2020 was $2 million and basic loss per share was $0.11 per share, compared with net income attributable to shareholders of $61 million and basic earnings per share of $0.49 in the comparable period of 2019. Normalized earnings attributable to common shareholders in the first quarter of 2020, after adjusting for non-recurring items and fair value adjustments, were $28 million or $0.27 per share, compared with $30 million or $0.29 per share in the first quarter of 2019.

"First and foremost, to those serving on the front lines of this pandemic: our healthcare professionals, first responders, infrastructure experts, and other essential workers who are keeping us healthy and safe, we send you our gratitude and appreciation each and every day," said Brian Vaasjo, President and CEO of Capital Power. "And to all of our operators, critical staff and those working from home – thank you for your commitment to health and safety, and your dedication to supporting our electricity grids with responsible power. Your hard work and perseverance are helping our communities and critical services continue to operate."

"The COVID-19 pandemic has highlighted that electricity is essential to keeping our communities and critical services operating," said Mr. Vaasjo. "As an owner and operator of generating facilities, we are committed to prioritizing the health and safety of our staff and reducing the risks to our operations, while continuing to provide this service."

"Our first quarter financial results were generally in line with management's expectations," continued Mr. Vaasjo. "While the long-term impacts from COVID-19 and lower crude oil prices are unknown, we've seen a minimal impact on our cash flow generation given the high availability and strong operating performance of our facilities combined with a highly contracted and diversified portfolio of generation assets. During the quarter, we also successfully executed numerous planned maintenance and enhancement outages."

In 2020, approximately 50% of Capital Power's adjusted EBITDA is expected to be generated outside of Alberta under long-term contractual arrangements with investment grade counterparties. The remaining 50% of adjusted EBITDA is generated in Alberta where approximately 60% of adjusted EBITDA is under contracts with largely investment grade counterparties. The balance of the output from our Alberta facilities is sold into the Alberta merchant market.

"The COVID-19 pandemic is driving reduced demand for electricity including here in Alberta, which has put downward pressure on electricity prices for the balance of 2020. Our merchant exposure in 2020 is over 90% hedged which will contribute to stable cash flows for the remainder of the year," said Mr. Vaasjo. "Based on our forecast, we are on track to be near the midpoint of our 2020 AFFO target range and on track with our dividend growth guidance while continuing to monitor the impacts from the COVID-19 pandemic."

"In April, we continued to mitigate operational and construction risk by signing an agreement with Vestas for 10-year extensions on a series of LTSAs that cover a wider scope of services for all of our Vestas-equipped wind facilities while reducing costs by an estimated 26% compared to current service and maintenance agreements. We also signed a turbine supply agreement for the 97 megawatts of capacity of Whitla Wind 2 with commercial operations expected in 2021," added Mr. Vaasjo.

"With our strong balance sheet and $900 million of available capacity on our $1.0 billion of committed credit facilities that mature in 2024, we continue to have the financial strength to weather this unprecedented time," said Bryan DeNeve, Senior Vice-President Finance and CFO of Capital Power. "With the majority of our planned outages now completed, we will be generating positive net cash flows for the remainder of the year and currently do not anticipate the need to access the capital markets other than to potentially refinance the $250 million debt maturing in November. The stability of our cash flow is underpinned by having the majority contracted with largely investment grade counterparties, with an average contract term remaining of 10 years."

Operational and Financial Highlights [1] (unaudited)	**Three months ended March 31**	
(millions of dollars except per share and operational amounts)	**2020**	**2019**
Electricity generation (Gigawatt hours)	5,562	5,782
Generation facility availability	91%	96%
Revenues and other income	$ 533	$ 397
Adjusted EBITDA [2]	$ 234	$ 202
Net income [3]	$ -	$ 60
Net income attributable to shareholders of the Company	$ 2	$ 61
Basic (loss) earnings per share	$ (0.11)	$ 0.49
Diluted (loss) earnings per share	$ (0.11)	$ 0.49
Normalized earnings attributable to common shareholders [2]	$ 28	$ 30
Normalized earnings per share [2]	$ 0.27	$ 0.29
Net cash flows from operating activities	$ 103	$ 196
Adjusted funds from operations [2]	$ 118	$ 117
Adjusted funds from operations per share [2]	$ 1.12	$ 1.15
Purchase of property, plant and equipment and other assets	$ 99	$ 51
Dividends per common share, declared	$ 0.4800	$ 0.4475

[1] The operational and financial highlights in this press release should be read in conjunction with Management's Discussion and Analysis and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020.

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

[3] Includes depreciation and amortization for the three months ended March 31, 2020 and 2019 of $133 million (including the $13 million write-off of capital costs related to the discontinuation of the Genesee 4 and 5 project) and

$98 million respectively. Forecasted depreciation and amortization for the remainder of 2020 is $118 million, $117 million and $118 million for the second through fourth quarters, respectively.

Significant Events

Cardinal Point Wind begins commercial operations

On March 16, 2020, Cardinal Point Wind, a 150 megawatt (MW) facility in the McDonough and Warren Counties, Illinois, began commercial operations. Subsequently, the Company received approximately $221 million (US$157 million) in tax equity financing on March 26, 2020, net of issue costs of $3 million (US$2 million) associated with the financing, from two U.S. financial institutions in exchange for Class A interests of a subsidiary of the Company. The construction of the facility was completed on-schedule and within its projected total cost of US$236 million to US$246 million.

Capital Power will operate Cardinal Point Wind under a 12-year fixed price contract with an investment grade U.S. financial institution covering 85% of the facility's output. The expected adjusted EBITDA and AFFO in the first full year of operations is $56 million (US$40 million) and $6 million (US$4 million), respectively.

Discontinuation of the Genesee 4 and 5 project

During the first quarter of 2020, the Company and its partner on the Genesee 4 and 5 project determined that they would no longer be pursuing the project. Discussions are ongoing between the Company and its partner around the logistics of exiting the series of agreements previously entered into. As a result of this decision, the Company has determined that $13 million of capital expenditures incurred by the Company were purely related to the development of Genesee 4 and 5. The Company has therefore recorded a write-off of these capital costs during the first quarter of 2020 within depreciation and amortization.

Subsequent Events

Signed agreements for the extension of wind facility LTSAs and Whitla Wind 2 turbine supply

In late April 2020, the Company signed agreements with Vestas setting the terms for 10-year LTSA extensions for the maintenance of nine of the Company's wind facilities and the supply of turbines for the 97 MW of capacity of Whitla Wind 2 with commercial operations expected in 2021.

The agreement for the 10-year extension on the series of LTSAs with Vestas covers a wider scope of services for all of our Vestas-equipped wind facilities while reducing costs by an estimated 26% compared to current service and maintenance agreements. Once individual facility LTSAs have been finalized later in the year and each of the new LTSAs become effective, the Company expects to realize ongoing annual savings on the Company's wind facilities covered under the agreement, which would increase adjusted EBITDA and AFFO by approximately $8 million and $6 million per year, respectively. The new LTSAs are expected to take effect between 2021 and 2023.

Acquisition of Buckthorn Wind

On April 1, 2020, the Company acquired a 100% ownership interest in Buckthorn Wind, a 101 MW wind facility, from co-sellers John Laing Investments and Clearway Renew LLC, a subsidiary of Clearway Energy Group LLC. The purchase price consisted of (i) $84 million (US$60 million) in total cash consideration, including working capital and other closing adjustments, (ii) the assumption of tax equity debt of $96 million (US$68 million) and (iii) contingent consideration valued at nil. Contingent consideration, to a maximum of US$8 million, would become payable in the future if the economic performance of Buckthorn Wind exceeds an agreed upon threshold. The Company does not expect Buckthorn Wind to exceed this threshold and considers the likelihood of contingent consideration payment to be low, resulting in no value being ascribed to the contingent consideration in the purchase price allocation.

Buckthorn Wind is located in Erath County, approximately 60 miles south of Dallas, Texas and began commercial operations in January 2018. It operates in the liquid Electric Reliability Council of Texas (ERCOT) North region between most of the wind generation in ERCOT-West and the Dallas load center. The ERCOT North region has strong fundamentals with a high likelihood of baseload generation retirements and is one of the fastest growing regions in the United States.

Buckthorn Wind has a 15-year weighted average contract life remaining with two offtake arrangements including one with JPMorgan Chase Bank involving a 20-year contract for differences (CfD) for 55% of the generation output, and a 13-year financial hedge for the remaining 45% of the output. The long-term contracts strengthen the Company's contracted cash flow profile while expanding our renewables portfolio.

Buckthorn Wind has a tax equity investor (TEI) where the TEI receives the majority of the cash flows prior to the date on which the TEI reaches the agreed upon target rate of return (the flip date). The flip date is expected to occur in the late 2020s. Prior to the flip date, the Company expects average annual adjusted EBITDA and AFFO to be approximately $18 million (US$14 million) and $1 million (US$1 million), respectively. After the flip date during the CfD, the average annual adjusted EBITDA and AFFO are expected to be approximately $9 million (US$8 million) and $6 million (US$5 million), respectively.

Analyst conference call and webcast

Capital Power will be hosting a conference call and live webcast with analysts on May 4, 2020 at 9:00 am (MT) to discuss the first quarter financial results. The conference call dial-in numbers are:

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

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

Non-GAAP Financial Measures

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

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

Adjusted EBITDA

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

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

(unaudited, $ millions)	Three months ended							
	Mar 2020	**Dec 2019**	**Sep 2019**	**Jun 2019**	**Mar 2019**	**Dec 2018**	**Sep 2018**	**Jun 2018**
Revenues and other income [2]	533	683	517	366	397	340	395	369
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(323)	(309)	(231)	(134)	(167)	(233)	(261)	(152)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	18	(28)	(8)	(48)	(34)	53	35	(22)
Adjusted EBITDA from joint ventures [1]	6	6	6	7	6	11	10	12
Adjusted EBITDA	**234**	**352**	**284**	**191**	**202**	**171**	**179**	**207**
Depreciation and amortization [2]	(133)	(118)	(135)	(122)	(98)	(85)	(83)	(83)
Unrealized changes in fair value of commodity derivatives and emission credits	(18)	28	8	48	34	(53)	(35)	22
Impairment	-	-	(401)	-	-	-	-	-
Gains on acquisition and disposal transactions	-	24	-	-	-	159	-	-
Foreign exchange (loss) gain	(9)	-	(1)	-	(4)	6	(2)	3
Net finance expense	(44)	(41)	(42)	(37)	(36)	(33)	(28)	(29)
Finance expense and depreciation expense from joint ventures [1]	(13)	(1)	(7)	(7)	(8)	(10)	(7)	(8)
Income tax (expense) recovery [2]	(17)	(63)	66	33	(30)	(19)	(7)	(46)
Net income (loss)	**-**	**181**	**(228)**	**106**	**60**	**136**	**17**	**66**
Net income (loss) attributable to:								
Non-controlling interests	(2)	(1)	(2)	(2)	(1)	(2)	(1)	(2)
Shareholders of the Company [2]	2	182	(226)	108	61	138	18	68
Net income (loss)	**-**	**181**	**(228)**	**106**	**60**	**136**	**17**	**66**

1 Total income from joint ventures as per the Company's consolidated statements of income (loss). Prior quarters' values include Capital Power's share of K2 Wind up until the December 31, 2018 disposal date.

2 Fiscal 2018 quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16.

Adjusted funds from operations and adjusted funds from operations per share

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.

Adjusted funds from operations represents net cash flows from operating activities adjusted to include net finance expense and current income tax expense and exclude changes in operating working capital and distributions received from the Company's joint venture interests. Net finance expense and current income tax expense 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 distributions are calculated after the effect of joint venture debt payments, which are not considered operating activities. 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 excludes 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 interest and cash from coal compensation that will be received annually.

Adjusted funds from operations per share is determined by applying adjusted funds from operations to the weighted average number of common shares used in the calculation of basic, diluted and normalized earnings per share.

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

(unaudited, $ millions)	Three months ended March 31	
	2020	**2019**
Net cash flows from operating activities per condensed interim consolidated statements of cash flows	**103**	**196**
Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows:		
Interest paid	28	21
Realized (gain) loss on settlement of interest rate derivatives	(1)	6
Change in fair value of derivatives reflected as cash settlement	10	(7)
Distributions received from joint venture	(2)	(3)
Miscellaneous financing charges paid [1]	2	1
Income taxes paid	26	2
Change in non-cash operating working capital	18	(57)
	81	(37)
Net finance expense [2]	(34)	(28)
Current income tax (expense) recovery [3]	(6)	2
Sustaining capital expenditures [4]	(16)	(9)
Preferred share dividends paid	(13)	(11)
Remove tax equity interests' respective shares of adjusted funds from operations	(2)	(1)
Adjusted funds from operations from joint venture	5	5
Adjusted funds from operations	**118**	**117**
Weighted average number of common shares outstanding (millions)	105.4	101.8
Adjusted funds from operations per share ($)	**1.12**	**1.15**

1 Included in other cash items on the condensed interim consolidated statements of cash flows to reconcile net income to net cash flows from operating activities.

2 Excludes unrealized changes on interest rate derivative contracts, amortization, accretion charges and non-cash implicit interest on tax equity investment structures.

3 Excludes current income tax related to the Genesee 3 and Keephills 3 swap transaction and the disposal of the Company's interest in the K2 Wind joint venture as these amounts are considered investing activities.

4 Includes sustaining capital expenditures net of partner contributions of $1 million and $2 million for the three months ended March 31, 2020 and 2019, respectively.

Normalized earnings attributable to common shareholders and normalized earnings per share

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

(unaudited, $ millions except per share amounts and number of common shares)	Three months ended							
	Mar 31 2020	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**
Basic (loss) earnings per share ($) [2]	**(0.11)**	**1.61**	**(2.25)**	**0.93**	**0.49**	**1.24**	**0.08**	**0.55**
Net income (loss) attributable to shareholders of the Company per condensed interim consolidated statements of income (loss) [2]	**2**	**182**	**(226)**	**108**	**61**	**138**	**18**	**68**
Preferred share dividends including Part VI.1 tax	(14)	(12)	(14)	(12)	(11)	(11)	(10)	(11)
(Loss) earnings attributable to common shareholders [2]	(12)	170	(240)	96	50	127	8	57
Unrealized changes in fair value of derivatives [1]	30	(28)	(3)	(30)	(20)	35	26	(19)
Loss on discontinuation of Genesee 4 and 5 project (see Significant Events)	10	-	-	-	-	-	-	-
Net (gain) loss on swap transaction	-	(115)	307	-	-	-	-	-
Alberta tax rate change	-	-	-	(51)	-	-	-	-
Gain on disposal of joint venture	-	-	-	-	-	(134)	-	-
Non-cash tax equity adjustment	-	-	-	-	-	-	-	(15)
Asset held for sale accounting treatment of K2 Wind	-	-	-	-	-	3	-	-
Income tax adjustment	-	-	-	-	-	-	-	(2)
Provision for Line Loss Rule Proceeding	-	4	-	-	-	-	-	-
Normalized earnings attributable to common shareholders [2]	**28**	**31**	**64**	**15**	**30**	**31**	**34**	**21**
Weighted average number of common shares outstanding (millions)	105.4	105.3	106.5	103.6	101.8	102.3	102.4	103.1
Normalized earnings per share ($) [2]	**0.27**	**0.29**	**0.60**	**0.14**	**0.29**	**0.30**	**0.33**	**0.20**

1 Includes impacts of the interest rate non-hedge held within a joint venture and recorded within (loss) income from joint venture on the Company's condensed interim consolidated statements of income (loss).

2 Fiscal 2018 quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16.

Forward-looking Information

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

Material forward-looking information in this press release includes disclosures regarding (i) status of the Company's 2020 AFFO and dividend growth guidance, (ii) expectations around financing requirements, (iii) expectations around the geographic split and contracted proportion of adjusted EBITDA for 2020, (iv) forecasted depreciation for the remainder of 2020, (v) expectations pertaining to the financial impacts of Cardinal Point Wind in its first full year of operations, including the impacts to adjusted EBITDA and adjusted funds from operations, (vi) expectations around the Vestas agreements including cost reductions, impacts on adjusted EBITDA and AFFO and timing of finalizing facility LTSAs as well as the years they will become effective (vii) expected timing of commencement of commercial operations of Whitla Wind 2, (viii) expectations around the likelihood of meeting the threshold and paying out contingent consideration related to Buckthorn Wind, (ix) expectations pertaining to the financial impacts of the acquisition of Buckthorn Wind, including the impacts to adjusted EBITDA and adjusted funds from operations, and (x) the expected timing of when the Buckthorn Wind tax equity investor reaches the agreed upon target rate of return.

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: (i) electricity, other energy and carbon prices, (ii) performance, (iii) business prospects (including potential re-contracting opportunities) and opportunities including expected growth and capital projects, (iv) status of and impact of policy, legislation and regulations, (v) effective tax rates, (vi) foreign exchange rates, (vii) anticipated performance of Buckthorn Wind, and (viii) anticipated performance of Cardinal Point Wind.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) changes in electricity prices in markets in which the Company operates, (ii) changes in energy commodity market prices and use of derivatives, (iii) regulatory and political environments including changes to environmental, financial reporting, market structure and tax legislation, (iv) generation facility availability, wind capacity factor and performance including maintenance expenditures, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, (xi) ability to realize the anticipated benefits of the Buckthorn Wind acquisition, (xii) limitations inherent in the Company's review of acquired assets, and (xiii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's Management's Discussion and Analysis for both the three months ended March 31, 2020, prepared as of May 1, 2020 and for the year ended December 31, 2019, prepared as of February 21, 2020, 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.

About Capital Power

Capital Power (TSX: CPX) is a growth-oriented North American power producer headquartered in Edmonton, Alberta. The company develops, acquires, owns, and operates power generation facilities using a variety of energy sources. Including the acquisition of the Buckthorn Wind facility which closed in April 2020, Capital Power owns over 6,400 megawatts (MW) of power generation capacity at 28 facilities across North America. Approximately 100 MW of owned generation capacity is in advanced development in Alberta.

For more information, please contact:

Media Relations:
Katherine Perron
(780) 392-5335
kperron@capitalpower.com

Investor Relations:
Randy Mah
(780) 392-5305 or (866) 896-4636 (toll-free)
investor@capitalpower.com

CAPITAL POWER CORPORATION

Management's Discussion and Analysis

This management's discussion and analysis (MD&A), prepared as of May 1, 2020, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Capital Power Corporation and its subsidiaries for the three months ended March 31, 2020, the audited consolidated financial statements and MD&A of Capital Power Corporation for the year ended December 31, 2019, the annual information form of Capital Power Corporation dated February 24, 2020, and the cautionary statements regarding forward-looking information which begin on page 10. In this MD&A, any reference to the Company or Capital Power, except where otherwise noted or the context otherwise indicates, means Capital Power Corporation together with its subsidiaries.

In this MD&A, financial information for the three months ended March 31, 2020 and the three months ended March 31, 2019 is based on the unaudited condensed interim consolidated financial statements of the Company for such periods which were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors approved this MD&A as of May 1, 2020.

Contents

FORWARD-LOOKING INFORMATION

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

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

- future revenues, expenses, earnings, adjusted EBITDA 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 phase 2 of the Whitla Wind project),
- facility availability and planned outages,
- capital expenditures for facility maintenance and other (sustaining capital, future growth projects, Genesee dual-fuel capability project),
- the financial impacts of the acquisition of Buckthorn Wind (see Subsequent Events), including the impacts to adjusted EBITDA and adjusted funds from operations,
- the likelihood of meeting the threshold and paying out contingent consideration related to Buckthorn Wind,
- the dates on which the Buckthorn Wind tax equity investor reaches the agreed upon target rate of return,
- the final cost and financial impacts of Cardinal Point Wind (see Significant Events) in its first full year of operations, including the impacts to adjusted EBITDA and adjusted funds from operations,
- impacts of the Vestas Long-Term Service Agreement (LTSA) extension agreement including cost reductions, impacts on adjusted EBITDA and AFFO and timing of finalizing facility LTSAs as well as the years they will become effective,
- the impact of market designs on the Company's core markets,
- the Line Loss Rule Proceeding including timing of retrospective loss factors being finalized, participation in applicable regulatory processes, and potential impacts to the Company, and
- the impact of the COVID-19 pandemic and the decline in oil prices.

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 and carbon prices,
- performance,
- business prospects (including potential re-contracting of facilities) and opportunities including expected growth and capital projects,
- status of and impact of policy, legislation and regulations,
- effective tax rates,
- foreign exchange rates,
- anticipated performance of Buckthorn Wind,
- anticipated performance of Cardinal Point Wind, and
- other matters discussed under the Performance Overview, Outlook and Risks and Risk Management 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,
- generation facility availability, wind capacity factor and performance including maintenance expenditures,
- 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 Buckthorn Wind acquisition,
- limitations inherent in the Company's review of acquired assets,
- changes in general economic and competitive conditions, and
- risks and uncertainties discussed under the Risks and Risk Management section.

See Risks and Risk Management in the Company's December 31, 2019 annual MD&A and Risks and Risk Management, for further discussion of these and other risks.

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

OVERVIEW OF BUSINESS AND CORPORATE STRUCTURE

Capital Power is a growth-oriented North American power producer headquartered in Edmonton, Alberta. The Company develops, acquires, owns, and operates power generation facilities using a variety of energy sources. Including the acquisition of the Buckthorn Wind facility (see Subsequent Events) which closed in April 2020, Capital Power owns over 6,400 megawatts (MW) of power generation capacity at 28 facilities across North America. Approximately 100 MW of owned generation capacity is in advanced development in Alberta.

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

CORPORATE STRATEGY

The Company's corporate strategy remains unchanged from that disclosed in its 2019 annual MD&A.

PERFORMANCE OVERVIEW

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

Operational excellence

Performance measure	2020 target	Actual results for the three months ended March 31, 2020
Facility availability average	93% or greater	91%
Sustaining capital expenditures	$90 to $100 million	$16 million [1]

[1] Includes sustaining capital expenditures net of joint venture contributions of $1 million.

The Company's facility availability averaged 91% which reflected planned outages at Clover Bar Energy Centre, Joffre, Roxboro, Southport, Arlington Valley and Decatur Energy. Unplanned outages also occurred at Genesee, Clover Bar Energy Centre, Joffre, Goreway and Southport.

Sustaining capital expenditures for the three months ended March 31, 2020 were lower than target for the year to date primarily due to various budgeted sustaining capital projects which will be incurred later in the year and into 2021. Full year sustaining capital expenditures are expected to be below target mainly due to a deferral of spend to 2021 on various capital projects.

Disciplined growth

Performance measure	2020 target	Status as at March 31, 2020
Cardinal Point Wind	Completion of Cardinal Point Wind on budget and on time for commercial operations in March 2020.	Construction completed on time in March 2020. Total project costs are expected to be near the low end of the target range in the facility's U.S. dollar functional currency (see Liquidity and Capital Resources).
Whitla Wind 2	Advance development of the Whitla Wind 2 project to be on track with budget and the 2021 completion date.	Construction expected to be complete and on budget in the first quarter of 2021.

Performance measure	2020 target	Status as at March 31, 2020
Other growth	$500 million of committed capital.	The Company continues to explore growth opportunities and expects to be able to achieve this target during the year. See Subsequent Events for progress on this target subsequent to the first quarter.

Financial stability and strength

Performance measure	2020 target	Actual results to March 31, 2020
Adjusted funds from operations [1]	$500 million to $550 million	$118 million
Adjusted EBITDA [1]	$935 million to $985 million	$234 million

1 Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP Financial Measures.

OUTLOOK

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

At its Investor Day held in December 2019, the Company provided financial guidance for 2020 adjusted funds from operations in the range of $500 million to $550 million and 2020 adjusted EBITDA in the range of $935 million to $985 million (see Non-GAAP Financial Measures). Based on the actual results for the first quarter of 2020 and the Company's forecast for the future three quarters, the Company expects adjusted funds from operations for 2020 to be near the mid-point of the guidance range.

Priorities for the Company in 2020 include supporting our sustainability targets through the development of the Genesee Carbon Conversion Centre and the strategic development of natural gas and renewable assets. This includes the advancement of the dual-fuel capability project for the three Genesee units, re-contracting efforts on the Company's facilities and ongoing development of the Company's wind projects. Buckthorn Wind was acquired on April 1 (see Subsequent Events) and has contributed to the Company's progress towards its targeted committed capital of $500 million for growth in 2020. Efficiently integrating Buckthorn Wind will be a priority during the remainder of 2020. Cardinal Point Wind commenced commercial operations during the first quarter of 2020 (see Significant Events) and phase 2 of the Whitla Wind project (Whitla Wind 2) is in advanced development.

In 2020, Capital Power's availability target of 93% reflects major scheduled maintenance outages for Genesee 2, Arlington Valley, Decatur Energy and Southport compared to those scheduled for Genesee 1, Clover Bar Energy Centre, Joffre, Shepard and Decatur Energy in 2019. The scheduled maintenance outage for Genesee 2 has been rescheduled to occur in 2021 driven by COVID-19 risk mitigation.

The Alberta portfolio position, contracted prices and forward Alberta pool prices for 2021, 2022 and 2023 (all as at March 31, 2020) were:

Alberta commercial portfolio positions and power prices	Full year 2021	Full year 2022	Full year 2023
Percentage of baseload generation sold forward [1]	7%	15%	9%
Contracted price [2]	Low-$60	Low-$50	Low-$50
Forward Alberta pool prices	$54	$53	$52

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

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

The 2020 targets and forecasts are based on numerous assumptions including power and natural gas price forecasts. However, they do not include the effects of potential future acquisitions or development activities, or potential market and operational impacts relating to unplanned facility outages including outages at facilities of other market participants, and the related impacts on market power prices.

At its Investor Day held in December 2019, the Company confirmed its 7% annual dividend growth guidance for 2020 and 2021 and announced a 5% dividend growth guidance for 2022. Each annual increase is subject to changing circumstances and approval by the Board of Directors of Capital Power at the time of the increase.

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

NON-GAAP FINANCIAL MEASURES

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

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

Adjusted EBITDA

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

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

(unaudited, $ millions)	**Three months ended**							
	Mar 2020	**Dec 2019**	**Sep 2019**	**Jun 2019**	**Mar 2019**	**Dec 2018**	**Sep 2018**	**Jun 2018**
Revenues and other income [2]	533	683	517	366	397	340	395	369
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(323)	(309)	(231)	(134)	(167)	(233)	(261)	(152)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	18	(28)	(8)	(48)	(34)	53	35	(22)
Adjusted EBITDA from joint ventures [1]	6	6	6	7	6	11	10	12
Adjusted EBITDA	**234**	**352**	**284**	**191**	**202**	**171**	**179**	**207**
Depreciation and amortization [2]	(133)	(118)	(135)	(122)	(98)	(85)	(83)	(83)
Unrealized changes in fair value of commodity derivatives and emission credits	(18)	28	8	48	34	(53)	(35)	22
Impairment	-	-	(401)	-	-	-	-	-
Gains on acquisition and disposal transactions	-	24	-	-	-	159	-	-
Foreign exchange (loss) gain	(9)	-	(1)	-	(4)	6	(2)	3
Net finance expense	(44)	(41)	(42)	(37)	(36)	(33)	(28)	(29)
Finance expense and depreciation expense from joint ventures [1]	(13)	(1)	(7)	(7)	(8)	(10)	(7)	(8)
Income tax (expense) recovery [2]	(17)	(63)	66	33	(30)	(19)	(7)	(46)
Net income (loss)	**-**	**181**	**(228)**	**106**	**60**	**136**	**17**	**66**
Net income (loss) attributable to:								
Non-controlling interests	(2)	(1)	(2)	(2)	(1)	(2)	(1)	(2)
Shareholders of the Company [2]	2	182	(226)	108	61	138	18	68
Net income (loss)	**-**	**181**	**(228)**	**106**	**60**	**136**	**17**	**66**

1 Total income from joint ventures as per the Company's consolidated statements of income (loss). Prior quarters' values include Capital Power's share of K2 Wind up until the December 31, 2018 disposal date.

2 Fiscal 2018 quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16.

Adjusted funds from operations and adjusted funds from operations per share

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.

Adjusted funds from operations represents net cash flows from operating activities adjusted to include net finance expense and current income tax expense and exclude changes in operating working capital and distributions received from the Company's joint venture interests. Net finance expense and current income tax expense 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 distributions are calculated after the effect of joint venture debt payments, which are not considered operating activities. 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 excludes 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 interest and cash from coal compensation that will be received annually.

Adjusted funds from operations per share is determined by applying adjusted funds from operations to the weighted average number of common shares used in the calculation of basic, diluted and normalized earnings per share.

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

(unaudited, $ millions)	Three months ended March 31	
	2020	**2019**
Net cash flows from operating activities per condensed interim consolidated statements of cash flows	**103**	**196**
Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows:		
Interest paid	28	21
Realized (gain) loss on settlement of interest rate derivatives	(1)	6
Change in fair value of derivatives reflected as cash settlement	10	(7)
Distributions received from joint venture	(2)	(3)
Miscellaneous financing charges paid [1]	2	1
Income taxes paid	26	2
Change in non-cash operating working capital	18	(57)
	81	(37)
Net finance expense [2]	(34)	(28)
Current income tax (expense) recovery [3]	(6)	2
Sustaining capital expenditures [4]	(16)	(9)
Preferred share dividends paid	(13)	(11)
Remove tax equity interests' respective shares of adjusted funds from operations	(2)	(1)
Adjusted funds from operations from joint venture	5	5
Adjusted funds from operations	**118**	**117**
Weighted average number of common shares outstanding (millions)	105.4	101.8
Adjusted funds from operations per share ($)	**1.12**	**1.15**

1 Included in other cash items on the condensed interim consolidated statements of cash flows to reconcile net income to net cash flows from operating activities.

2 Excludes unrealized changes on interest rate derivative contracts, amortization, accretion charges and non-cash implicit interest on tax equity investment structures.

3 Excludes current income tax related to the Genesee 3 and Keephills 3 swap transaction and the disposal of the Company's interest in the K2 Wind joint venture as these amounts are considered investing activities.

4 Includes sustaining capital expenditures net of partner contributions of $1 million and $2 million for the three months ended March 31, 2020 and 2019, respectively.

Normalized earnings attributable to common shareholders and normalized earnings per share

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

(unaudited, $ millions except per share amounts and number of common shares)	Three months ended							
	Mar 31 2020	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**
Basic (loss) earnings per share ($) [2]	**(0.11)**	**1.61**	**(2.25)**	**0.93**	**0.49**	**1.24**	**0.08**	**0.55**
Net income (loss) attributable to shareholders of the Company per condensed interim consolidated statements of income (loss) [2]	**2**	**182**	**(226)**	**108**	**61**	**138**	**18**	**68**
Preferred share dividends including Part VI.1 tax	(14)	(12)	(14)	(12)	(11)	(11)	(10)	(11)
(Loss) earnings attributable to common shareholders [2]	(12)	170	(240)	96	50	127	8	57
Unrealized changes in fair value of derivatives [1]	30	(28)	(3)	(30)	(20)	35	26	(19)
Loss on discontinuation of Genesee 4 and 5 project (see Significant Events)	10	-	-	-	-	-	-	-
Net (gain) loss on swap transaction	-	(115)	307	-	-	-	-	-
Alberta tax rate change	-	-	-	(51)	-	-	-	-
Gain on disposal of joint venture	-	-	-	-	-	(134)	-	-
Non-cash tax equity adjustment	-	-	-	-	-	-	-	(15)
Asset held for sale accounting treatment of K2 Wind	-	-	-	-	-	3	-	-
Income tax adjustment	-	-	-	-	-	-	-	(2)
Provision for Line Loss Rule Proceeding	-	4	-	-	-	-	-	-
Normalized earnings attributable to common shareholders [2]	**28**	**31**	**64**	**15**	**30**	**31**	**34**	**21**
Weighted average number of common shares outstanding (millions)	105.4	105.3	106.5	103.6	101.8	102.3	102.4	103.1
Normalized earnings per share ($) [2]	**0.27**	**0.29**	**0.60**	**0.14**	**0.29**	**0.30**	**0.33**	**0.20**

1 Includes impacts of the interest rate non-hedge held within a joint venture and recorded within (loss) income from joint venture on the Company's condensed interim consolidated statements of income (loss).

2 Fiscal 2018 quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16.

FINANCIAL HIGHLIGHTS

(unaudited, $ millions, except per share amounts)	Three months ended March 31	
	2020	2019
Revenues and other income	533	397
Adjusted EBITDA [1]	234	202
Net income	-	60
Net income attributable to shareholders of the Company	2	61
Normalized earnings attributable to common shareholders [1]	28	30
Basic (loss) earnings per share ($)	(0.11)	0.49
Diluted (loss) earnings per share ($) [2]	(0.11)	0.49
Normalized earnings per share ($) [1]	0.27	0.29
Net cash flows from operating activities	103	196
Adjusted funds from operations [1]	118	117
Adjusted funds from operations per share ($) [1]	1.12	1.15
Purchase of property, plant and equipment and other assets	99	51
Dividends per common share, declared ($)	0.4800	0.4475
Dividends per Series 1 preferred share, declared ($)	0.1913	0.1913
Dividends per Series 3 preferred share, declared ($)	0.3408	0.3408
Dividends per Series 5 preferred share, declared ($)	0.3274	0.3274
Dividends per Series 7 preferred share, declared ($)	0.3750	0.3750
Dividends per Series 9 preferred share, declared ($)	0.3594	0.3594
Dividends per Series 11 preferred share, declared ($)	0.3594	-

	As at	
	March 31, 2020	December 31, 2019
Loans and borrowings including current portion	3,420	3,413
Total assets	8,819	8,630

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

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

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

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

See Liquidity and Capital Resources for discussion of the key drivers of the changes in net cash flows from operating activities. Adjusted funds from operations for the three months ended March 31, 2020 were slightly higher than the corresponding period in 2019 primarily due to adjusted funds from operations from Goreway acquired in the second quarter of 2019 and the commissioning of Whitla Wind 1 in the fourth quarter of 2019. These increases were partially offset by lower adjusted EBITDA outside of the Goreway and Whitla Wind 1 increases, higher sustaining capital expenditures, higher current income tax expense, higher net finance expense and higher preferred share dividends in the first quarter of 2020. Current income tax expense increases impacting adjusted funds from operations were driven by current tax expenses on Goreway earnings for the three months ended March 31, 2020, as well as higher current tax recoveries in 2019 with Whitla Wind 1 commencing commercial operations in 2019.

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

SIGNIFICANT EVENTS

Cardinal Point Wind begins commercial operations

On March 16, 2020, Cardinal Point Wind, a 150 MW facility in the McDonough and Warren Counties, Illinois, began commercial operations. Subsequently, the Company received approximately $221 million (US$157 million) in tax equity financing on March 26, 2020, net of issue costs of $3 million (US$2 million) associated with the financing, from two U.S. financial institutions in exchange for Class A interests of a subsidiary of the Company. The construction of the facility was completed on-schedule and within its projected total cost of US$236 million to US$246 million (see Liquidity and Capital Resources).

Capital Power will operate Cardinal Point Wind under a 12-year fixed price contract with an investment grade U.S. financial institution covering 85% of the facility’s output. The expected adjusted EBITDA and AFFO in the first full year of operations is $56 million (US$40 million) and $6 million (US$4 million), respectively.

Discontinuation of the Genesee 4 and 5 project

During the first quarter of 2020, the Company and its partner on the Genesee 4 and 5 project determined that they would no longer be pursuing the project. Discussions are ongoing between the Company and its partner around the logistics of exiting the series of agreements previously entered into. As a result of this decision, the Company has determined that $13 million of capital expenditures incurred by the Company were purely related to the development of Genesee 4 and 5. The Company has therefore recorded a write-off of these capital costs during the first quarter of 2020 within depreciation and amortization.

SUBSEQUENT EVENTS

Signed agreements for the extension of wind facility Long-Term Service Agreements and Whitla Wind 2 turbine supply

In late April 2020, the Company signed agreements with Vestas setting the terms for 10-year LTSA extensions for the maintenance of nine of the Company’s wind facilities and the supply of turbines for the 97 MW of capacity of Whitla Wind 2 with commercial operations expected in 2021.

The agreement for the 10-year extension on the series of LTSAs with Vestas covers a wider scope of services for all of our Vestas-equipped wind facilities while reducing costs by an estimated 26% compared to current service and maintenance agreements. Once individual facility LTSAs have been finalized later in the year and each of the new LTSAs become effective, the Company expects to realize ongoing annual savings on the Company's wind facilities covered under the agreement, which would increase adjusted EBITDA and AFFO by approximately $8 million and $6 million per year, respectively. The new LTSAs are expected to take effect between 2021 and 2023.

Acquisition of Buckthorn Wind

On April 1, 2020, the Company acquired a 100% ownership interest in Buckthorn Wind, a 101 MW wind facility, from co-sellers John Laing Investments and Clearway Renew LLC, a subsidiary of Clearway Energy Group LLC. The purchase price consisted of (i) $84 million (US$60 million) in total cash consideration, including working capital and other closing adjustments, (ii) the assumption of tax equity debt of $96 million (US$68 million) and (iii) contingent consideration valued at nil. Contingent consideration, to a maximum of US$8 million, would become payable in the future if the economic performance of Buckthorn Wind exceeds an agreed upon threshold. The Company does not expect Buckthorn Wind to exceed this threshold and considers the likelihood of contingent consideration payment to be low, resulting in no value being ascribed to the contingent consideration in the purchase price allocation.

Buckthorn Wind is located in Erath County, approximately 60 miles south of Dallas, Texas and began commercial operations in January 2018. It operates in the liquid Electric Reliability Council of Texas (ERCOT) North region between most of the wind generation in ERCOT-West and the Dallas load center. The ERCOT North region has strong fundamentals with a high likelihood of baseload generation retirements and is one of the fastest growing regions in the United States.

Buckthorn Wind has a 15-year weighted average contract life remaining with two offtake arrangements including one with JPMorgan Chase Bank involving a 20-year contract for differences (CfD) for 55% of the generation output, and a 13-year financial hedge for the remaining 45% of the output. The long-term contracts strengthen the Company’s contracted cash flow profile while expanding our renewables portfolio.

Buckthorn Wind has a tax equity investor (TEI) where the TEI receives the majority of the cash flows prior to the date on which the TEI reaches the agreed upon target rate of return (the flip date). The flip date is expected to occur in the late 2020s. Prior to the flip date, the Company expects average annual adjusted EBITDA and AFFO to be approximately $18 million (US$14 million) and $1 million (US$1 million), respectively. After the flip date during the CfD, the average annual adjusted EBITDA and AFFO are expected to be approximately $9 million (US$8 million) and $6 million (US$5 million), respectively.

CONSOLIDATED NET INCOME AND RESULTS OF OPERATIONS

The primary factors contributing to the change in consolidated net income for the three months ended March 31, 2020 compared with 2019 are presented below followed by further discussion of these items.

(unaudited, $ millions)		
Consolidated net income for the three months ended March 31, 2019		**60**
(Decrease) increase in adjusted EBITDA:		
Alberta commercial facilities and portfolio optimization	(3)	
Alberta contracted facilities	6	
Ontario and British Columbia contracted facilities	36	
U.S. contracted facilities	(7)	
Corporate	-	32
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits		(52)
Increase in depreciation and amortization expense		(35)
Increase in foreign exchange loss		(5)
Increase in finance expense and depreciation expense from joint venture		(5)
Increase in net finance expense		(8)
Decrease in income before tax		(73)
Decrease in income tax expense		13
Decrease in net income		**(60)**
Consolidated net income for the three months ended March 31, 2020		**-**

Results by facility category and other

	Three months ended March 31							
	2020	2019	2020	2019	2020	2019	2020	2019
	Electricity generation (GWh) [1]		**Facility availability** (%) [2]		**Revenues and other income** (unaudited, $ millions)		**Adjusted EBITDA** (unaudited, $ millions) [3]	
Total electricity generation, average facility availability and facility revenues	5,562	5,782	91	96	443	383		
Alberta commercial facilities [4]								
Genesee 3 [5]	913	500	92	100	63	34		
Keephills 3 [5]	N/A	470	N/A	99	N/A	28		
Clover Bar Energy Centre 1, 2 and 3	196	296	97	97	22	24		
Joffre	186	232	93	100	19	23		
Shepard Energy Centre	867	807	100	97	45	44		
Halkirk	148	120	98	98	14	14		
Clover Bar Landfill Gas	1	-	53	-	-	-		
Alberta commercial facilities	2,311	2,425	96	98	163	167		
Portfolio optimization	N/A	N/A	N/A	N/A	44	13		
	2,311	2,425	96	98	207	180	81	84
Alberta contracted facilities [4]								
Genesee 1	792	837	96	100	36	36		
Genesee 2	773	848	97	100	33	38		
Whitla Wind 1 [6]	238	N/A	97	N/A	10	N/A		
	1,803	1,685	97	100	79	74	59	53
Ontario and British Columbia contracted facilities								
Island Generation	7	168	100	100	10	10		
York Energy [7]	4	4	100	100	N/A	N/A		
East Windsor	1	2	99	99	8	8		
Goreway [8]	143	N/A	88	N/A	49	N/A		
Kingsbridge 1	32	36	99	98	3	3		
Port Dover and Nanticoke	90	99	99	99	13	15		
Quality Wind	122	74	96	96	16	11		
EnPower	10	5	86	55	1	-		
	409	388	93	98	100	47	80	44
U.S. contracted facilities								
Roxboro, North Carolina	81	62	90	88	10	8		
Southport, North Carolina	105	99	85	91	16	15		
Decatur Energy, Alabama	124	408	87	98	21	23		
Arlington Valley, Arizona	377	394	66	81	26	22		
Beaufort Solar, North Carolina	6	6	100	100	-	1		
Bloom Wind, Kansas	183	175	99	99	11	12		
Macho Springs, New Mexico	35	39	99	98	4	4		
New Frontier Wind, North Dakota	110	101	98	96	8	10		
Cardinal Point Wind, Illinois [9]	18	N/A	89	N/A	5	N/A		
	1,039	1,284	83	92	101	95	31	38
Corporate [10]					11	15	(17)	(17)
Unrealized changes in fair value of commodity derivatives and emission credits					35	(14)		
Consolidated revenues and other income and adjusted EBITDA					**533**	**397**	**234**	**202**

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

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

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

[4] Based on the nature of future cash flows, the Alberta assets are combined as one cash generating unit for impairment testing purposes. Since the cash flows of Genesee 1 and 2 will remain contracted through 2020, management will continue to present facility results based on the Alberta Commercial and Alberta Contracted groupings through 2020.

[5] On October 1, 2019, the Company divested its 50% share of Keephills 3 and, in exchange, acquired TransAlta Corporation's 50% share of Genesee 3.

[6] Phase 1 of Whitla Wind was commissioned on December 1, 2019.

[7] York Energy is accounted for under the equity method. Capital Power's share of the facility's net income is included in income from joint ventures on the Company's condensed interim consolidated statements of income. Capital Power's share of the facility's adjusted EBITDA is included in adjusted EBITDA above. The equivalent of Capital Power's share of the facility's revenue was $8 million and $8 million for three months ended March 31, 2020 and 2019, respectively. The facility's revenues are not included in the above results.

[8] Goreway was acquired on June 4, 2019.

[9] Cardinal Point Wind was commissioned on March 16, 2020 (see Significant Events).

[10] Corporate revenues were offset by interplant category eliminations.

Energy prices and hedged positions

		Three months ended March 31		Year ended
Alberta	**Unit**	**2020**	**2019**	**December 31, 2019**
Hedged position [1]	Percentage sold forward at beginning of period (%)	73	82	78
Spot power price average	$ per megawatt hour (MWh)	67	69	55
Realized power price [2]	$ per MWh	62	58	57
Natural gas price (AECO) [3]	$ per gigajoule (Gj)	1.99	2.62	1.87

[1] Hedged position is for the Alberta baseload facilities as well as a portion of Joffre and the uncontracted portion of Shepard.

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

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

Alberta commercial facilities and portfolio optimization

The Alberta spot price averaged $67 per MWh for the three months ended March 31, 2020, which was consistent with the corresponding period in 2019. Both quarters included one month of higher pricing as a result of cold temperatures and baseload facility outages, while the remaining months settled at moderate pricing with stable baseload supply.

For the three months ended March 31, 2020, generation and availability were lower than the comparable period in 2019 primarily due to an unplanned outage at Genesee 3 and planned and unplanned outages at Joffre in 2020, compared with no outages in the first three months of 2019. Clover Bar Energy Centre experienced more frequent outages in the first three months of 2020 compared with 2019. These unfavourable variances were partially offset by no outages at Shepard in 2020 compared with an unplanned outage in the first three months of 2019.

Revenues and other income for the three months ended March 31, 2020 were higher than the comparable period in 2019 driven by higher revenues from portfolio optimization activities.

Adjusted EBITDA for the three months ended March 31, 2020 was lower than the comparable period in 2019 due largely to lower generation offset partially by higher realized power prices in the first three months of 2020 compared with 2019.

Alberta contracted facilities

Generation, revenues and other income and adjusted EBITDA for the three months ended March 31, 2020 were higher compared with the corresponding period in 2019 primarily due to the commencement of commercial operations at Whitla Wind 1 in the fourth quarter of 2019 partially offset by decreases in these metrics from Genesee 1 and 2. Genesee 1 and 2 generation, availability, revenues and other income and adjusted EBITDA were lower in the three months ended March 31, 2020 compared with 2019 primarily due to unplanned outage hours at both units in 2020, compared with no outages in the first three months of 2019.

Ontario and British Columbia contracted facilities

Generation for the three months ended March 31, 2020 was higher compared to the corresponding period in 2019 primarily due to the acquisition of Goreway in the second quarter of 2019 and higher generation at Quality Wind, partially offset by lower dispatch at Island Generation.

Availability for 2020 was lower than in 2019 primarily due to multiple unplanned outages at Goreway in 2020.

Revenues and other income and adjusted EBITDA were higher in the first three months of 2020 compared with 2019 primarily due to the acquisition of Goreway in the second quarter of 2019 and higher generation at Quality Wind. Revenues and other income do not include York Energy, which is accounted for under the equity method.

U.S. contracted facilities

Generation and availability decreased in the three months ended March 31, 2020 compared with the corresponding period in 2019 primarily due to lower dispatching at Decatur Energy and higher planned outage hours at Decatur Energy and Arlington Valley in 2020, compared with the first three months of 2019. The unfavourable generation variance was partially offset by the commencement of commercial operations at Cardinal Point Wind (see Significant Events) in March 2020.

Revenues and other income in the first three months of 2020 were higher than 2019, largely due to the commencement of commercial operations of Cardinal Point Wind.

Adjusted EBITDA decreased in the three months ended March 31, 2020 compared with 2019 primarily attributable to lower Arlington Valley heat rate call option margins in 2020 compared with the first three months of 2019, lower Decatur Energy adjusted EBITDA due to higher outage costs and lower dispatch and higher outage costs at Southport and Roxboro, partially offset by the commencement of commercial operations at Cardinal Point Wind.

Corporate

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

Net corporate revenues and other income were lower in 2020 compared with the first three months of 2019 due to reduced recognition of coal compensation revenue for the three months ended March 31, 2020 as a result of the swap of interests in Genesee 3 and Keephills 3 during the fourth quarter of 2019. Net corporate expenditures for the three months ended March 31, 2020 were consistent with the comparable period of 2019.

Unrealized changes in fair value of commodity derivatives and emission credits

(unaudited, $ millions)	Three months ended March 31			
	2020	**2019**	**2020**	**2019**
Unrealized changes in fair value of commodity derivatives and emission credits	**Revenues and other income**		**Income before tax**	
Unrealized gains (losses) on Alberta energy derivatives	37	(25)	(6)	8
Unrealized gains on U.S. energy derivatives	5	10	5	10
Unrealized gains (losses) on natural gas derivatives	1	(1)	(1)	18
Unrealized (losses) gains on emission derivatives	(8)	2	(8)	2
Unrealized losses on emission credits held for trading	-	-	(8)	(4)
	35	**(14)**	**(18)**	**34**

The Company's revenues and other income and adjusted EBITDA relating to its Alberta commercial facilities and portfolio optimization and U.S. wind facilities include realized changes in the fair value of commodity derivatives and emission credits. Unrealized changes in the fair value of commodity derivatives and emission credits are excluded from revenues and other income relating to the Alberta commercial facilities and portfolio optimization and U.S. wind facilities and are also excluded from the Company's adjusted EBITDA metric.

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

During the three months ended March 31, 2020, the Alberta energy portfolio recognized unrealized losses of $6 million primarily due to the reversal of prior period unrealized gains on positions that settled during the period and the impact of decreasing forward prices on the value of forward purchase contracts. For the comparable period in 2019, the Alberta energy portfolio recognized an unrealized gain of $8 million largely as a result of increasing Alberta power prices on forward purchase contracts.

During the three months ended March 31, 2020, the U.S. energy portfolio recognized unrealized gains of $5 million due to the impact of decreasing forward power prices on forward sale contracts. During the comparable period in 2019, the U.S. energy portfolio recognized unrealized gains of $10 million primarily due to the impact of decreasing forward prices on the value of forward sale contracts.

During the three months ended March 31, 2020, unrealized losses on natural gas derivatives were immaterial. For the comparable period in 2019, the Company recognized unrealized gains of $18 million on natural gas derivatives, mainly due to the reversal of prior year unrealized net losses on forward purchase contracts that settled during the quarter, as well as unrealized gains on forward purchase contracts valued against increasing forward prices.

During the three months ended March 31, 2020, unrealized losses of $8 million on emission derivatives were recognized as a result of decreasing forward prices on forward purchase contracts. Over the comparable period in 2019, unrealized gains of $2 million on emission derivatives were recognized primarily due to the reversal of prior year unrealized losses on positions that settled during the quarter.

During the three months ended March 31, 2020, unrealized losses of $8 million on emission credits held for trading were recognized due to the reversal of prior period unrealized gains on credits sold during the quarter as well as decreasing market prices on existing inventory. During the comparable period in 2019, unrealized losses of $4 million on emission credits held for trading were recognized, primarily due to the reversal of prior periods unrealized gains on emission credits sold during the quarter.

Consolidated other expenses and non-controlling interests

(unaudited, $ millions)	Three months ended March 31	
	2020	**2019**
Interest on borrowings less capitalized interest	(38)	(31)
Realized losses on settlement of interest rate derivatives	-	(1)
Other net finance expense – interest on coal compensation from the Province of Alberta, sundry interest, guarantee and other fees	2	2
	(36)	(30)
Unrealized losses representing changes in the fair value of interest rate derivatives	(2)	-
Other net finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to coal compensation from the Province of Alberta	(6)	(6)
Total net finance expense	(44)	(36)
Depreciation and amortization	(133)	(98)
Foreign exchange loss	(9)	(4)
Finance expense and depreciation expense from joint venture	(13)	(8)
Income tax expense	(17)	(30)
Net loss attributable to non-controlling interests	2	1

Net finance expense

Higher net finance expense for the three months ended March 31, 2020 compared with the same period in the prior year largely reflects financing related to the acquisition of Goreway in the second quarter of 2019 and the issuance of medium-term notes in the fourth quarter of 2019.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2020 increased compared with the same period in the prior year primarily due to the acquisition of Goreway in the second quarter of 2019, Whitla Wind 1 commencing commercial operations in the last quarter of 2019 and losses on the discontinuation of the Genesee 4 and 5 project (see Significant Events) included in depreciation and amortization on the condensed interim consolidated statements of income.

Foreign exchange loss

As at March 31, 2020, the Company had outstanding foreign currency non-hedge sale contracts totalling US$92 million. For the three months ended March 31, 2020, the exchange rate of the Canadian dollar relative to the U.S. dollar weakened resulting in an unrealized loss on the foreign currency sale contracts.

As at March 31, 2019, the Company had outstanding foreign currency non-hedge purchase contracts totalling US$117 million. For the three months ended March 31, 2019, the exchange rate of the Canadian dollar relative to the U.S. dollar strengthened resulting in an unrealized loss.

Finance expense and depreciation expense from joint venture

Finance expense and depreciation expense from joint venture includes Capital Power's share of finance expense and depreciation expense of York Energy, which is accounted for under the equity method. Finance expense and depreciation expense from joint venture increased by $5 million for the three months ended March 31, 2020 compared with the same period in 2019 due to higher losses on the interest rate non-hedge held within the York Energy joint venture.

Income tax expense

Income tax expense decreased $13 million for the three months ended March 31, 2020 compared with the corresponding period in 2019 primarily due to overall lower consolidated income before tax which was offset by an increase in unrecognized tax benefits and non-deductible amounts primarily attributed to unrealized foreign exchange movements.

Non-controlling interests

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

COMPREHENSIVE INCOME

(unaudited, $ millions)	Three months ended March 31	
	2020	**2019**
Net income	-	60
Other comprehensive income (loss):		
Actuarial gain related to the Company's defined benefit pension plan	3	-
Net unrealized losses on derivative instruments designated as cash flow hedges	(16)	(33)
Net realized losses on derivative instruments designated as cash flow hedges reclassified to net income	11	14
Unrealized foreign exchange gain (loss) on the translation of foreign operations	84	(15)
Comprehensive income	**82**	**26**

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

FINANCIAL POSITION

The significant changes in the consolidated statements of financial position from December 31, 2019 to March 31, 2020 were as follows:

(unaudited, $ millions)	**As at March 31, 2020**	**As at December 31, 2019**	**Increase (decrease)**	**Primary reason for increase (decrease)**
Trade and other receivables	354	334	20	Higher receivables are driven by the timing of collection.
Right-of-use assets	131	95	36	Increase primarily due to the commencement of commercial operations at Cardinal Point Wind (see Significant Events).
Intangible assets	780	760	20	Increase primarily due to emission credits additions, transfers of emission credits from inventory and foreign exchange impacts, partly offset by amortization and emission credits used for compliance.
Property, plant and equipment	6,230	6,089	141	Increase due to capital additions, including Cardinal Point Wind and Whitla Wind 2, and foreign exchange impacts, partly offset by depreciation.
Net derivative financial instruments liabilities	73	64	9	Impact of decreasing forward interest rates on existing interest rate swaps, decreasing forward prices on forward emission asset purchase contracts and foreign exchange swaps transacted during the quarter, partly offset by the impact of decreasing forward power prices on forward sales and increasing forward natural gas prices on forward purchase contracts.

(unaudited, $ millions)	As at March 31, 2020	As at December 31, 2019	Increase (decrease)	Primary reason for increase (decrease)
Provisions (including current portion)	486	457	29	Increase mainly due to additional decommissioning liabilities incurred for development projects and revisions to existing decommissioning provisions driven by reductions in interest rates, partly offset by the payment of accrued employee benefits.
Lease liabilities (including current portion)	148	111	37	Increase primarily due to the recording of land leases on commencement of commercial operations at Cardinal Point Wind (see Significant Events) partially offset by lease payments.
Net deferred tax liabilities	513	488	25	Increase primarily due to the utilization of losses generated, recognition of taxable temporary differences that will reverse in the future, and changes in derivative financial instrument balances.

LIQUIDITY AND CAPITAL RESOURCES

(unaudited, $ millions)	Three months ended March 31		
Cash inflows (outflows)	**2020**	**2019**	**Change**
Operating activities	103	196	(93)
Investing activities	(80)	39	(119)
Financing activities	(137)	(322)	185

Operating activities

Cash flows from operating activities for the three months ended March 31, 2020 decreased compared with the same period in 2019 due to various increases in cash outflows in 2020 including (i) an increase in income taxes paid, (ii) 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, and (iii) working capital cash outflows in the three months ended March 31, 2020 compared with inflows in the comparable 2019 period, mainly due to timing. These impacts were partially offset by an increase in cash inflows resulting from facility operations including the acquisition of Goreway in the second quarter of 2019 and the commissioning of Whitla Wind 1 in the fourth quarter of 2019, partially offset by the cash flow impacts of the reductions in adjusted EBITDA described in Consolidated Net Income and Results of Operations.

Investing activities

Cash flows used in investing activities for the three months ended March 31, 2020 increased compared with the same period in 2019 primarily due to higher capital expenditures, including higher spend on Cardinal Point Wind and Whitla Wind 1 in 2020 compared to 2019. Partially offsetting these increases were cash inflows from the collection of outstanding receivables from the disposal of K2 Wind in the first quarter of 2019.

Capital expenditures and investments

(unaudited, $ millions)	Pre-2020 actual	Three months ended March 31, 2020 actual	Balance of 2020 estimated [1, 2]	Actual or projected total [2]	Timing
Genesee 4 and 5 [3]	18	-	-	-	Project discontinued (see Significant Events)
Whitla Wind 1 [4]	322	12	-	334	Completed in December 2019
Cardinal Point Wind [5]	256	37	22	315	Completed in March 2020
Whitla Wind 2	-	1	57	165	Targeted completion in the fourth quarter of 2021
Commercial initiatives [6]	81	17	66	228	
Development sites and projects	20	3	-		
Subtotal growth projects		**70**	**145**		
Sustaining – facility maintenance excluding Genesee mine		16			
Sustaining – Genesee mine maintenance and lands		1			
Total capital expenditures [7]		**87**			
Emission credits held for compliance		12			
Investment in C2CNT	3	3			
Capitalized interest		(3)			
Purchase of property, plant and equipment and other assets		**99**			

1 The Company's 2020 estimated capital expenditures include only expenditures for previously announced growth projects and exclude other potential new development projects.

2 Projected capital expenditures to be incurred over the life of the projects for Whitla Wind 1, Cardinal Point Wind, Whitla Wind 2, and commercial initiatives are based on management's estimates. Projected capital expenditures for development sites are not reflected beyond the current period until specific projects reach the advanced development stage.

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

4 The original projected total construction cost for Whitla Wind 1 was expected to be in the range of $315 million to $325 million. Actual project costs exceeded that range driven by foreign exchange impacts on U.S. dollar costs. These amounts were partially economically hedged by forward U.S. currency purchase derivatives which settled in the year ended December 31, 2019 resulting in realized foreign exchange gains of $8 million recorded in net income. The remaining foreign exchange differential is driven by movements in the U.S dollar to Canadian dollar foreign exchange rate between the bid date of Whitla Wind 1 into the initial Alberta Renewable Electricity Program and the date that Whitla Wind 1 was awarded the contract, which were not hedged. Whitla Wind 1 began commercial operations in December 2019. The finalization of construction activities occurred during the first quarter of 2020.

5 The projected total cost for Cardinal Point Wind of US$237 million is near the low end of the expected range of construction costs in the facility's U.S. dollar functional currency of US$236 million to US$246 million. In Canadian dollars, the projected total cost exceeds the expected range of construction costs of $289 million to $301 million driven by foreign exchange rate impacts.

6 Commercial initiatives include the combustion turbine upgrade project for Decatur Energy with capital expenditures incurred to the end of March 31, 2020 of $39 million (US$29 million). This project resulted in an additional 30 MW of generation so far. Commercial initiatives also include expected spending on the Company's Genesee dual-fuel project and the Genesee Performance Standard project as well as various other projects designed to either increase the capacity or efficiency of their respective facilities or to reduce emissions.

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

Financing activities

The cash flows used in financing activities for the three months ended March 31, 2020 reflected the issuance of approximately $221 million (US$157 million) in net tax equity financing related to Cardinal Point Wind (see Significant Events), more than offset by net repayment of loans and borrowings, payment of common and preferred share dividends and repurchase of common shares under the Company's normal course issuer bid.

The Company's credit facilities consisted of:

(unaudited, $ millions)		As at March 31, 2020			As at December 31, 2019		
	Maturity timing	**Total facilities**	**Credit facility utilization**	**Available**	**Total facilities**	**Credit facility utilization**	**Available**
Committed credit facilities	2024	1,000			1,000		
Letters of credit outstanding			20			50	
Bankers' acceptances outstanding			7			-	
Bank loans outstanding [1]			70			319	
		1,000	97	903	1,000	369	631
Bilateral demand credit facilities	N/A	441			430		
Letters of credit outstanding			189			189	
		441	189	252	430	189	241
Demand credit facilities	N/A	25	-	25	25	-	25
		1,466	**286**	**1,180**	**1,455**	**558**	**897**

1 U.S. dollar denominated bank loans outstanding totaling US$50 million (December 31, 2019 – US$246 million).

As at March 31, 2020, the committed credit facility utilization decreased $272 million compared with the utilization as at December 31, 2019, due to decreased U.S. dollar bank loans and letters of credit outstanding partially offset by increased bankers' acceptances outstanding. The available credit facilities provide the Company with adequate funding for ongoing development projects.

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

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

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

Future cash requirements

The following estimates of future cash requirements are subject to variable factors including those discussed in Forward-looking Information. Capital Power's expected cash requirements for 2020 include:

(unaudited, $ millions)	**Three months ended March 31, 2020 actual**	**Balance of 2020 estimated**	**Total 2020 expected cash requirements**
Net repayment of debt payable [1]	15	298	313
Capital expenditures – sustaining	16	65	81
Capital expenditures – ongoing growth projects	53	79	132
Capital expenditures – commercial initiatives	18	66	84
Common share dividends [2]	50	155	205
Preferred share dividends	13	39	52
	165	**702**	**867**

1 Excludes repayment of credit facilities.

2 Includes 7% annual dividend growth, subject to approval by the Board of Directors of Capital Power.

The Company uses a short-form base shelf prospectus to provide it with the ability, market conditions permitting, to obtain new debt and equity capital from external markets when required. Under the short-form base shelf prospectus, Capital Power may raise up to $3 billion by issuing common shares, preferred shares, subscription receipts exchangeable for common shares and/or other securities of the Company and/or debt securities. This prospectus expires in June 2020.

If the Canadian and U.S. financial markets become unstable as they have during the first quarter of 2020, Capital Power's ability to raise new capital, to meet its financial requirements, and to refinance indebtedness under existing credit facilities and debt agreements may be adversely affected. Capital Power has credit exposure relating to various agreements, particularly with respect to its power purchase agreement or arrangement (PPA), energy supply contract, trading and supplier counterparties. While Capital Power continues to monitor its exposure to its significant counterparties, there can be no assurance that all counterparties will be able to meet their commitments. See Risks and Risk Management for additional discussion on recent developments pertaining to these risks.

Off-statement of financial position arrangements

As at March 31, 2020, the Company has $209 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements and to satisfy legislated reclamation requirements. If the Company were to terminate these off-statement of financial position arrangements, the penalties or obligations would not have a material impact on the Company's financial condition, results of operations, liquidity, capital expenditures or resources.

Capital resources

(unaudited, $ millions)	As at	
	March 31, 2020	**December 31, 2019**
Loans and borrowings	3,420	3,413
Lease liabilities [1]	148	111
Less cash and cash equivalents	(137)	(248)
Net debt	3,431	3,276
Share capital	3,434	3,441
Deficit and other reserves	(358)	(377)
Non-controlling interests	35	37
Total equity	3,111	3,101
Total capital	**6,542**	**6,377**

1 Includes the current portion disclosed within deferred revenue and other liabilities.

CONTINGENT LIABILITIES AND PROVISIONS

Contingent liabilities

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

Line Loss Rule Proceeding provision

Capital Power participated in the Line Loss Rule (LLR) Proceeding before the Alberta Utilities Commission (AUC) regarding loss factors that form the basis for certain transmission charges paid by Alberta generators, including Capital Power. The LLR Proceeding addressed the replacement of the non-compliant LLR as well as the possible correction of line loss charges and credits for the years 2006 up to and including 2016.

The Company is participating in legal or regulatory processes rendering the final outcome of the LLR Proceeding still unknown. However, based on current AUC decisions, Capital Power would incur additional charges related to historical periods and, as such, has recorded a provision of $15 million pertaining to the estimated net liability for its currently held Alberta assets. The recorded provision reflects the Company's estimated net liability. It is expected that the invoicing process will result in gross billings to Capital Power of which those amounts not attributable to Capital Power will then be recovered from the appropriate parties. Though the Alberta Electric System Operator had indicated that invoicing for the line loss adjustments would not occur until the second quarter of 2021, it is now seeking an order from the AUC to accelerate and commence the invoicing process in 2020. Until such an order is granted, however, no change in invoice timing is expected. As a result, the estimated net liability is recorded as a non-current provision at March 31, 2020.

RISKS AND RISK MANAGEMENT

Details around the Company's approach to risk management are described in the Company's 2019 Management's Discussion and Analysis. During the first quarter of 2020, the impacts of the COVID-19 pandemic have been felt throughout the world. Additionally, oil prices have declined dramatically. The current situation is dynamic, with uncertainty around the ultimate duration and magnitude of the impact on the economy. The ultimate impact on the Company is dependent on future events that are uncertain at this time; however, the key impacts of these developments on the Company's risk exposures as of the release date of this report and key strategies for mitigating those risks are disclosed below.

Risk area	Impacts of COVID-19 pandemic and reduction in price of oil	Key risk mitigation strategies
Power price risk	Responses to the COVID-19 pandemic throughout North America are driving a reduction in demand for electricity as municipal, provincial and state authorities implement social distancing policies, and stay-at-home and/or "shelter in place" directives. In turn, this has put downward pressure on forward electricity prices for the balance of 2020. There is currently no certainty as to when the pandemic will be brought under control, but public expectations generally indicate that these impacts will be felt over the next two to three quarters at which point progress will begin towards recovery. It is possible that these impacts could extend longer.	Approximately half of Capital Power's net cash flows come from facilities located outside of Alberta. These facilities are under long-term contractual arrangements with investment grade counterparties. As a result, these facilities have little exposure to the downward pressure on electricity prices as a result of lower electricity demand. The Company's thermal facility contracts typically are tolling arrangements in which most of the revenue is in the form of capacity payments that are paid regardless of the degree the plant is run. The Company's wind facilities receive fixed pricing for the power produced. In Ontario, where the lower electricity demand could result in some additional physical curtailment of wind facilities, Capital Power is held whole under the contractual arrangements even in the event of physical curtailment. The balance of the Company's cash flows come from Alberta generation facilities. Approximately 60% of the Company's cash flows from Alberta facilities are under long-term contract with investment grade counterparties, including the tolling arrangement on the Shepard Energy Centre and the Power Purchase Arrangements for Genesee 1 and 2. The balance of the output from the Company's Alberta facilities is sold into the Alberta merchant market, however, the Company continues to manage this exposure by entering into various purchase and sale arrangements for periods of varying duration. As at March 31, 2020, 91% of the Company's Alberta commercial baseload generation was sold forward for the remainder of 2020 which limits Capital Power's exposure to the recent drop in electricity demand. Given that most of the Company's output is hedged in 2020, coupled with maintaining high facility availability, the Company has thus far not experienced significant impacts on its cash flow generation related to recent developments.
Fuel supply and price risk	The recent reduction in oil prices has driven a reduction in oil production which also impacts natural gas production tied to oil drilling. These reductions in natural gas supply have put upward pressure on natural gas prices for the balance of 2020 and beyond.	The Company's portfolio of generation comes from a variety of fuel types which minimizes exposure to any one fuel type. For natural gas, the Company uses long-term supply agreements including natural gas contracts as well as fixed transportation agreements to manage its exposure to increases in natural gas prices. As at March 31, 2020, the Company has economically hedged substantially all of its expected natural gas burn for the remainder of 2020 and as a result does not anticipate significant fuel price risk in 2020.

Risk area	Impacts of COVID-19 pandemic and reduction in price of oil	Key risk mitigation strategies
Operations and maintenance of equipment risk	With the spread of COVID-19, it is possible that staffing levels at our facilities in the future could be limited by the availability of healthy staff at each facility. Ongoing maintenance activities at our facilities may also be limited by the availability of employees and required external service providers under long-term service agreements. The latter, as well as the timely availability of parts and equipment, may also be impacted by cross-border travel and transportation restrictions.	The Company continues to place the utmost importance on health and safety for its employees. The Company has enacted the following additional measures for all locations: • additional cleaning and sanitizing of our sites and critical operations centres; • the implementation of a COVID-19 "Fit for Duty" questionnaire and screening process that all contractors must clear before being allowed on site; • limited group contact by segregating our shift changes and lunches at our thermal facilities; • scaled back to pairs (instead of larger teams) working at our renewable sites; and • restricted access to sites by prohibiting visitors and non-essential personnel. Management teams across the Company are also actively enhancing and acting on contingency and business continuity plans to ensure critical workers have the knowledge, support and resources they need to continue to perform their functions under many different scenarios. In addition, Capital Power is actively engaged with government officials, security and reliability networks, service providers and other peer groups to ensure that the Company's power generation operations and personnel are covered by any essential services designations that have been or are being considered by governments as part of their response to the COVID-19 situation. These designations minimize the likelihood of any disruption to our ability to generate power.
People risk	The ability for the Company to maintain reliable operations of its facilities and meet ongoing obligations is dependent on the ability of our workforce to continue to function normally and remain healthy.	The Company has enacted its Business Continuity Plan. In line with the plan, the Company is connected with, and is following all guidelines from, all relevant authorities governing the areas in which the Company operates. All essential staff required on operating sites are practicing health and safety measures designed to limit the potential for spreading illness as described above. All other employees are working from home and all employees have been asked to practice social distancing. Inclusion of Capital Power's operations and personnel as part of provincial, state and/or national essential service designations, as described above, will also minimize the likelihood of disruption to our ability to generate power.
Finance risk – liquidity risk	The current volatility in financial markets will make accessing capital at this time more costly.	Capital Power's current liquidity remains strong and the Company does not currently have a need to access financing including to immediately refinance medium-term notes maturing later in the year. The Company has over $900 million available under its committed credit facilities and expects AFFO to be in excess of current capital commitments through October 2020, which allows the Company to cover the fall medium-term note maturity without accessing capital markets. As a result, the Company does not anticipate significant impacts to liquidity driven by recent market developments.

Risk area	Impacts of COVID-19 pandemic and reduction in price of oil	Key risk mitigation strategies
Finance risk – counterparty credit risk	As a result of the economic impacts of both COVID-19 and the reduction in the price of oil, the risk that certain of the Company's counterparties will be unable to satisfy their contractual obligations has increased. Increased exposures include trade and other receivables on certain commercial and industrial customers as well as derivative financial instruments assets related to emissions portfolio trading.	The Company continues to actively monitor its exposure to counterparty credit risk and has recorded an allowance of less than $1 million during the first quarter of 2020 for expected credit losses on trade and other receivables. Additionally, the Company has reflected increases in counterparty credit risk exposure within its fair value measurements of derivative financial instruments. The Company continues to deal largely with creditworthy counterparties and uses credit enhancements such as cash deposits, prepayments, parent company guarantees, bank letters of credit, master netting agreements, margin accounts and credit derivatives to further mitigate counterparty credit risk.
Foreign exchange risk	As a result of the current economic uncertainty created by the pandemic and the reduction in the price of oil, the Canadian dollar has weakened notably as compared to the U.S. dollar in the latter part of the first quarter. These unfavourable fluctuations affect the Company's capital and operating costs, revenues and cash flows and can adversely impact the Company's financial performance.	Impacts related to the Company's U.S. facilities have a U.S. functional currency and hence do not drive a foreign exchange exposure. The largest exposure the Company currently has to foreign exchange movements is related to capital costs for the Whitla Wind 2 project. The Company has entered into economic hedges on those capital costs during the first quarter of 2020 to mitigate that exposure.
Other unexpected events risk	The uncertainty driven by COVID-19 and the reductions in the price of oil have impacted numerous risks of the Company as outlined above. In addition, the Company has experienced increased price volatility in the environmental commodity markets.	The Company continues to trade within approved limits prescribed by the Company's Board of Directors and monitors such compliance on an ongoing basis. The Company also continues to monitor the impacted markets and will manage the environmental commodity portfolio accordingly to mitigate the exposure created by this price volatility.

ENVIRONMENTAL MATTERS

The Company recorded decommissioning provisions of $414 million as at March 31, 2020 ($356 million as at December 31, 2019) for its generation facilities and the Genesee Coal Mine as it is obliged to remove the facilities at the end of their useful lives and restore the facility and mine sites to their original condition. Decommissioning provisions for the Genesee Coal Mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation. The timing of reclamation activities could vary and the amount of decommissioning provisions could change depending on potential future changes in environmental regulations and the timing of any facility fuel conversions.

The Company has forward contracts to purchase environmental credits totaling $621 million and forward contracts to sell environmental credits totaling $645 million in future years. Included within these forward purchases and sales are net purchase amounts which will be used by the Company to comply with applicable environmental regulations and net sales amounts related to other emissions trading activities.

REGULATORY MATTERS

Alberta

In October 2019, the Government of Alberta replaced the Carbon Competitiveness Incentive Regulation (CCIR) with the Technology Innovation and Emissions Reduction (TIER) program effective January 1, 2020. The TIER program and its impact on electricity producers is very comparable to the CCIR. In December 2019, Environment and Climate Change Canada (ECCC) announced that TIER meets the federal government's stringency benchmark criteria for carbon-pollution pricing systems for 2020 for the emission sources they cover.

In 2019, the federal Greenhouse Gas Pollution Pricing Act (GGPPA) Regulations were amended to implement charges on fossil fuels for Alberta beginning January 1, 2020, in response to the absence of an Alberta economy wide carbon levy. The governments of Alberta, Saskatchewan, Manitoba and Ontario have put forward constitutional challenges of the GGPPA. On February 24, 2020, Alberta's Court of Appeal released its decision that the GGPPA is unconstitutional. Alberta's Court of Appeal came to a different decision than Saskatchewan and Ontario's Appellate Courts. The Supreme Court of Canada was supposed to hear the appeals on March 24 and 25, 2020; however, that hearing has been delayed.

Ontario

Ontario's Independent Electric System Operator (IESO) unexpectedly announced in July 2019 that it was cancelling further work on a broad capacity market framework. In reviewing its long-term planning outlook, the IESO advised that it expects sufficient capacity to exist in the market for the next ten-year period particularly if resources are re-acquired when their existing contracts expire. The process to recontract assets, including those owned by the Company, is expected to commence in 2020 and is likely to include a combination of bilateral contract extensions and competitive processes.

Concurrently, the Ontario government issued a directive on November 6, 2019, requiring the IESO to retain a third party and undertake a targeted review of existing large gas and wind generation contracts to identify opportunities to lower overall electricity costs. An IESO report on key findings and recommendations resulting from the review was provided to the Ontario government in late February 2020. As part of this process, the IESO will also seek the perspectives of contract counterparties such as Capital Power on potential cost-savings opportunities. As at this time, it is unknown how the results of the targeted review will affect the Company.

The federal GGPPA imposes a carbon pricing system on Ontario and other provinces that do not have an equivalent system in place to meet targeted greenhouse gas (GHG) reduction levels. York Energy, East Windsor and Goreway are subject to the federal carbon price of $30/tonne in 2020; however, the PPAs for these facilities have provisions that trigger a contractual amendment, the effect of which will enable recovery of any imposed federal carbon compliance costs. Accordingly, the Company does not believe the implementation of a federal carbon pricing system or any potential provincial GHG system will have a material adverse effect on its financial condition and results of operations.

USE OF JUDGMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. There have been no significant changes to the Company's use of judgments and estimates as described in the Company's December 31, 2019 MD&A.

FINANCIAL INSTRUMENTS

The classification, carrying amounts and fair values of financial instruments held at March 31, 2020 and December 31, 2019 were as follows:

(unaudited, $ millions)		March 31, 2020		December 31, 2019	
	Fair value hierarchy level [1]	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:					
Amortized cost					
Cash and cash equivalents	N/A	137	137	248	248
Trade and other receivables [2]	N/A	300	300	281	281
Government grant receivable [3]	Level 2	480	457	476	435
Fair value through income or loss					
Derivative financial instruments assets – current and non-current	See below	301	301	234	234
Fair value through other comprehensive income					
Derivative financial instruments assets – current and non-current	See below	7	7	-	-
Financial liabilities:					
Other financial liabilities					
Trade and other payables	N/A	312	312	301	301
Loans and borrowings [3]	Level 2	3,420	3,389	3,413	3,505
Fair value through income or loss					
Derivative financial instruments liabilities – current and non-current	See below	250	250	192	192
Fair value through other comprehensive income					
Derivative financial instruments liabilities – current and non-current	See below	131	131	106	106

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

2 Excludes current portion of government grant receivable.

3 Includes current portion.

Risk management and hedging activities

There have been no material changes in the three months ended March 31, 2020 to the Company's risk management and hedging activities as described in the Company's December 31, 2019 MD&A.

The derivative financial instruments assets and liabilities held at March 31, 2020 compared with December 31, 2019 and used for risk management purposes were measured at fair value and consisted of the following:

(unaudited, $ millions)		As at March 31, 2020					
	Fair value hierarchy level	Commodity cash flow hedges	Commodity non-hedges	Interest rate cash flow hedges	Foreign exchange cash flow hedges	Foreign exchange non-hedges	Total
Derivative financial instruments assets	Level 2	7	252	-	-	-	259
	Level 3	-	49	-	-	-	49
		7	301	-	-	-	308
Derivative financial instruments liabilities	Level 2	(12)	(242)	(116)	(3)	(8)	(381)
	Level 3	-	-	-	-	-	-
		(12)	(242)	(116)	(3)	(8)	(381)
Net derivative financial instruments (liabilities) assets		**(5)**	**59**	**(116)**	**(3)**	**(8)**	**(73)**

(unaudited, $ millions)		As at December 31, 2019				
	Fair value hierarchy level	Commodity cash flow hedges	Commodity non-hedges	Interest rate cash flow hedges	Interest rate non-hedges	Total
Derivative financial instruments assets	Level 2	-	191	-	2	193
	Level 3	-	41	-	-	41
		-	232	-	2	234
Derivative financial instruments liabilities	Level 2	(23)	(192)	(83)	-	(298)
	Level 3	-	-	-	-	-
		(23)	(192)	(83)	-	(298)
Net derivative financial instruments (liabilities) assets		**(23)**	**40**	**(83)**	**2**	**(64)**

Commodity, interest rate and foreign exchange derivatives designated as accounting hedges

Unrealized gains and losses for fair value changes on commodity, interest rate and foreign exchange derivatives that qualify for hedge accounting are recorded in other comprehensive income and, when realized, are reclassified to net income as revenues, energy purchases and fuel, finance expense or foreign exchange gains and losses as appropriate. When interest rate derivatives are used to hedge the interest rate on a future debt issuance, realized gains or losses are deferred within accumulated other comprehensive income and recognized within finance expense over the life of the debt, consistent with the interest expense on the hedged debt.

Commodity, interest rate and foreign exchange derivatives not designated as accounting hedges

The change in fair values of commodity derivatives not designated as hedges is primarily due to changes in forward Alberta power and natural gas prices and their impact on the Alberta portfolio as well as the change in pricing on U.S. trading relating to the swap arrangements on the Company's U.S. wind generation. Unrealized and realized gains and losses for fair value changes on commodity derivatives that do not qualify for hedge accounting are recorded in net income as revenues or energy purchases and fuel.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no significant changes in the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the three months ended March 31, 2020 that have materially affected or are reasonably likely to materially affect the Company's disclosures of required information and internal control over financial reporting.

SUMMARY OF QUARTERLY RESULTS

(GWh)	Three months ended							
Electricity generation	**Mar 31 2020**	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**
Total generation	5,562	6,437	6,808	5,500	5,782	5,406	5,213	4,584
Alberta commercial facilities								
Genesee 3	913	1,015	492	502	500	372	495	468
Keephills 3	N/A	N/A	450	433	470	483	494	434
Clover Bar Energy Centre 1, 2 and 3	196	135	348	264	296	264	217	204
Joffre	186	187	150	205	232	212	154	115
Shepard Energy Centre	867	660	782	679	807	769	789	585
Halkirk	148	129	86	107	120	130	85	103
Clover Bar Landfill Gas	1	-	-	-	-	-	-	-
	2,311	2,126	2,308	2,190	2,425	2,230	2,234	1,909
Alberta contracted facilities								
Genesee 1	792	848	803	556	837	877	829	751
Genesee 2	773	826	795	698	848	850	799	647
Whitla Wind 1	238	77	N/A	N/A	N/A	N/A	N/A	N/A
	1,803	1,751	1,598	1,254	1,685	1,727	1,628	1,398
Ontario and British Columbia contracted facilities								
Island Generation	7	8	379	166	168	-	17	-
York Energy	4	5	3	4	4	2	3	3
East Windsor	1	4	2	3	2	1	4	2
Goreway	143	157	304	76	N/A	N/A	N/A	N/A
K2 Wind	N/A	N/A	N/A	N/A	N/A	70	35	41
Kingsbridge 1	32	34	15	20	36	33	14	20
Port Dover and Nanticoke	90	84	46	65	99	78	43	70
Quality Wind	122	130	73	77	74	112	74	98
EnPower	10	10	3	5	5	3	10	11
	409	432	825	416	388	299	200	245
U.S. contracted facilities								
Roxboro, North Carolina	81	86	88	88	62	74	87	90
Southport, North Carolina	105	127	112	121	99	106	104	118
Decatur Energy, Alabama	124	656	709	372	408	674	784	576
Arlington Valley, Arizona	377	912	878	750	394	87	N/A	N/A
Beaufort Solar, North Carolina	6	6	8	9	6	5	8	8
Bloom Wind, Kansas	183	197	176	169	175	164	152	197
Macho Springs, New Mexico	35	29	21	43	39	31	16	43
New Frontier Wind, North Dakota	110	115	85	88	101	9	N/A	N/A
Cardinal Point Wind, Illinois	18	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	1,039	2,128	2,077	1,640	1,284	1,150	1,151	1,032

(%)	Three months ended							
Facility availability	**Mar 31 2020**	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**
Total average facility availability	91	94	96	92	96	94	98	93
Alberta commercial facilities								
Genesee 3	92	100	96	100	100	74	98	98
Keephills 3	N/A	N/A	93	92	99	100	100	100
Clover Bar Energy Centre 1, 2 and 3	97	86	96	91	97	85	88	90
Joffre	93	89	82	100	100	100	97	90
Shepard Energy Centre	100	79	100	86	97	100	100	68
Halkirk	98	99	95	98	98	98	95	98
Clover Bar Landfill Gas	53	-	-	-	-	-	7	78
	96	90	95	93	98	93	96	87
Alberta contracted facilities								
Genesee 1	96	100	96	72	100	100	99	100
Genesee 2	97	100	100	95	100	98	100	93
Whitla Wind 1	97	97	N/A	N/A	N/A	N/A	N/A	N/A
	97	100	98	83	100	99	99	97
Ontario and British Columbia contracted facilities								
Island Generation	100	92	99	100	100	100	100	100
York Energy	100	94	99	100	100	100	100	94
East Windsor	99	97	99	99	99	99	99	99
Goreway	88	88	87	99	N/A	N/A	N/A	N/A
K2 Wind	N/A	N/A	N/A	N/A	N/A	99	98	100
Kingsbridge 1	99	99	98	97	98	99	98	98
Port Dover and Nanticoke	99	97	94	100	99	98	94	99
Quality Wind	96	98	96	98	96	95	94	97
EnPower	86	91	72	97	55	97	100	86
	93	91	92	99	98	99	98	98
U.S. contracted facilities								
Roxboro, North Carolina	90	88	99	100	88	97	100	99
Southport, North Carolina	85	96	84	90	91	83	100	95
Decatur Energy, Alabama	87	93	100	81	98	85	100	94
Arlington Valley, Arizona	66	99	100	100	81	94	N/A	N/A
Beaufort Solar, North Carolina	100	98	100	100	100	97	100	98
Bloom Wind, Kansas	99	99	98	98	99	100	97	96
Macho Springs, New Mexico	99	98	97	99	98	99	97	98
New Frontier, North Dakota	98	94	97	95	96	98	N/A	N/A
Cardinal Point Wind, Illinois	89	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	83	96	99	91	92	89	99	95

Financial results

(unaudited, $ millions)	Three months ended							
	Mar 31 2020	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**
Revenues and other income								
Alberta commercial facilities and portfolio optimization	207	214	181	150	180	150	148	116
Alberta contracted facilities	79	73	68	46	74	71	70	66
Ontario and British Columbia contracted facilities [3]	100	102	88	56	47	52	37	41
U.S. contracted facilities	101	103	149	102	95	63	74	102
Corporate [1]	11	141	15	17	15	13	15	15
Unrealized changes in fair value of commodity derivatives and emission credits	35	50	16	(5)	(14)	(9)	51	29
	533	**683**	**517**	**366**	**397**	**340**	**395**	**369**
Adjusted EBITDA								
Alberta commercial facilities and portfolio optimization	81	80	72	71	84	62	60	51
Alberta contracted facilities	59	57	49	32	53	53	54	51
Ontario and British Columbia contracted facilities [2, 3]	80	77	63	48	44	52	37	45
U.S. contracted facilities	31	40	115	54	38	25	44	72
Corporate	(17)	98	(15)	(14)	(17)	(21)	(16)	(12)
	234	**352**	**284**	**191**	**202**	**171**	**179**	**207**

1 Revenues are offset by interplant category revenue eliminations

2 The reported Ontario and British Columbia contracted facilities' adjusted EBITDA includes the adjusted EBITDA from the York Energy joint venture. Prior quarter values include Capital Power's share of K2 Wind which was disposed of effective December 31, 2018.

3 Fiscal 2018 quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16.

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

Financial highlights

(unaudited, $ millions except per share amounts)	Three months ended							
	Mar 31 2020	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**
Revenues and other income [4]	533	683	517	366	397	340	395	369
Adjusted EBITDA [1, 2, 4]	234	352	284	191	202	171	179	207
Net income (loss) [4]	-	181	(228)	106	60	136	17	66
Net income (loss) attributable to shareholders of the Company [4]	2	182	(226)	108	61	138	18	68
Basic (loss) earnings per share ($) [4]	(0.11)	1.61	(2.25)	0.93	0.49	1.24	0.08	0.55
Diluted (loss) earnings per share ($)[3, 4]	(0.11)	1.60	(2.25)	0.92	0.49	1.24	0.08	0.55
Normalized earnings per share ($) [1, 4]	0.27	0.29	0.60	0.14	0.29	0.30	0.33	0.20
Net cash flows from operating activities	103	201	209	114	196	133	65	109
Adjusted funds from operations [1]	118	128	225	85	117	80	156	76
Adjusted funds from operations per share ($) [1]	1.12	1.22	2.11	0.82	1.15	0.78	1.52	0.74
Purchase of property, plant and equipment and other assets	99	112	193	279	51	114	135	66

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

2 The reported Ontario and British Columbia contracted facilities' adjusted EBTIDA includes the adjusted EBITDA from the York Energy joint venture. Prior quarter values include Capital Power's share of K2 Wind which was disposed of effective December 31, 2018.

3 Diluted (loss) earnings per share was calculated after giving effect to outstanding share purchase options.

4 Fiscal 2018 quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16.

	Three months ended							
Spot price averages	**Mar 31 2020**	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**
Alberta power ($ per MWh)	67	47	47	57	69	56	55	56
Alberta natural gas (AECO) ($ per Gj)	1.99	2.32	0.99	1.17	2.62	1.59	1.15	1.10
Capital Power's Alberta portfolio average realized power price ($ per MWh)	62	57	59	55	58	52	54	51

Factors impacting results for the previous quarters

For the quarter ended December 31, 2019, the Company recorded net income attributable to shareholders of $182 million compared to net income attributable to shareholders $138 million for the quarter ended December 31, 2018. Gains in the fourth quarter of 2019 related to the Genesee 3 and Keephills 3 swap transaction were largely offset by the gain on disposal of the Company's minority owned interest in K2 Wind during the fourth quarter of 2018. Increases in net income in the fourth quarter of 2019 were driven partly by unrealized gains on commodity derivatives and emission credits being $81 million higher than in the comparable 2018 period, most notably related to the impact of decreasing forward prices on forward sales contracts for the Company's U.S. wind facilities. In addition, adjusted EBITDA was higher as a result of the 2019 addition of Goreway and the acquisition of Arlington Valley and commercial operation of New Frontier Wind in the fourth quarter of 2018 as well as higher Alberta commercial EBITDA on higher captured pricing. Partially offsetting these increases was a corresponding increase in depreciation driven by the noted asset additions. Further offsetting the increases in net income were higher tax expenses in the fourth quarter of 2019 primarily due to recognition of deferred income tax expense on the one-time adjustment to accelerate the recognition of deferred government grant revenue upon close of the Genesee 3 and Keephills 3 swap transaction, partially offset by the reversal of deferred income tax expense on the disposal of Keephills 3.

For the quarter ended September 30, 2019, the Company recorded net loss attributable to shareholders of $226 million compared to net income attributable to shareholders of $18 million for the quarter ended September 30, 2018. The decrease was largely due to pre-tax impairment of $401 million on Keephills 3 upon classification as an asset held for sale. Further contributing to the decrease was higher depreciation and amortization due to New Frontier Wind commencing commercial operation in the last quarter of 2018 and the acquisitions of Arlington Valley and Goreway in the last quarter of 2018 and second quarter of 2019, respectively, partly offset by depreciation for Keephills 3 ceasing following its classification as held for sale in August 2019. Higher net loss attributable to shareholders was partially offset by an increase in adjusted EBITDA, most notably due to the addition of Goreway and Arlington Valley and the commencement of operations at New Frontier Wind, as well as an increase in unrealized gains on commodity derivatives and emission credits, which were $43 million higher in the third quarter of 2019 compared to the third quarter of 2018. In addition, income tax recovery for the third quarter of 2019 was $66 million compared to income tax expense of $7 million for the third quarter of 2018, primarily due to the recognition of a deferred tax recovery on the impairment of Keephills 3.

For the quarter ended June 30, 2019, the Company recorded net income attributable to shareholders of $108 million compared to net income attributable to shareholders of $68 million for the quarter ended June 30, 2018. The increase mainly resulted from an income tax recovery of $33 million in the second quarter of 2019 compared to income tax expense of $46 million in the second quarter of 2018 primarily due to a reduction in the Alberta corporate income tax rate enacted in the second quarter of 2019. Further contributing to the increase were unrealized gains on commodity derivatives and emission credits which were $26 million higher in the second quarter of 2019 compared to the second quarter of 2018. These variances were partially offset by higher depreciation and amortization due to New Frontier Wind commencing commercial operation in the last quarter of 2018 and the acquisitions of Arlington Valley and Goreway in the last quarter of 2018 and second quarter of 2019, respectively. In addition, adjusted EBITDA was lower in the second quarter of 2019 compared to the second quarter of 2018, largely due to the timing and length of planned outages and the impact of the Bloom Wind tax equity agreement renegotiation in the second quarter of 2018, offset partially by higher margins earned on the sale of emission credits in the second quarter of 2019.

For the quarter ended March 31, 2019, the Company recorded net income attributable to shareholders of $61 million compared to net income attributable to shareholders of $41 million for the quarter ended March 31, 2018. The increase compared to the prior quarter mainly resulted from an increase in adjusted EBITDA most notably due to the higher Alberta power pricing averaging $69 per MWh in the first quarter of 2019 compared to $35 per MWh in the first quarter of 2018, offset partially by lower adjusted EBITDA from joint ventures due to the disposal of K2 Wind in December 2018. Other notable impacts included higher unrealized gains on commodity derivatives and emission credits in 2019 which were higher by $35 million, largely offset by higher depreciation and amortization due to the acquisition of Arlington Valley and New Frontier Wind commencing commercial operation in the last quarter of 2018, and increased income tax expense primarily due to higher consolidated income before tax.

For the quarter ended December 31, 2018, the Company recorded net income attributable to shareholders of $138 million compared to net loss attributable to shareholders of $11 million for the quarter ended December 31, 2017. The increase compared to the prior quarter mainly resulted from the $159 million gain on disposal of the Company's minority owned interest in K2 Wind. In addition, tax expenses were lower by $26 million in the fourth quarter of 2018 as compared to 2017 driven by U.S. federal tax rate decreases in the fourth quarter of 2017 and the resulting reduction in deferred tax assets. These impacts were partially offset by higher unrealized losses on commodity derivatives and emission credits in 2018 which were higher by $35 million.

For the quarter ended September 30, 2018, the Company recorded net income attributable to shareholders of $18 million compared to net loss attributable to shareholders of $7 million for the quarter ended September 30, 2017. Higher net income reflects the recognition of non-cash impairment losses in the third quarter of 2017 totalling $83 million (pre-tax) related to the Company's Southport, Roxboro and Decatur Energy facilities. The Company did not record an impairment loss in 2018. Favourable net income attributed to shareholders was partially offset by a foreign exchange loss of $2 million in the third quarter of 2018 compared to a foreign exchange gain of $21 million in the third quarter of 2017 reflecting a gain on the revaluation of U.S. dollar denominated debt not hedged for accounting purposes, and income tax expense of $7 million in the third quarter of 2018 compared to income tax recovery of $9 million in the third quarter of 2017. Adjusted EBITDA was higher in the third quarter of 2018 compared to the third quarter of 2017 primarily due to the impact of higher Alberta power prices in 2018 compared with 2017 on the Alberta contracted assets. Losses related to unrealized changes in the fair value of commodity derivatives and emission credits were higher in the third quarter of 2018 compared to the third quarter of 2017 largely as a result of the 2018 impact of increasing forward prices on forward sales contracts relating to U.S. energy derivatives.

For the quarter ended June 30, 2018, the Company recorded net income attributable to shareholders of $68 million compared to $107 million for the quarter ended June 30, 2017. Lower net income reflected the reversal of a previous write-down of deferred tax assets related to the tax benefit associated with the Company's U.S. income tax loss carryforwards as a result of the acquisition of Decatur Energy and the commissioning of Bloom Wind in the second quarter of 2017. Further contributing to the decrease were higher net finance expenses and depreciation and amortization due to the acquisition of the thermal facilities and Decatur Energy and the receipt of Bloom Wind Project financing in the second quarter of 2017. These variances were partially offset by higher adjusted EBITDA in the second quarter of 2018 compared to the second quarter of 2017 primarily due to the impact of higher Alberta power prices in 2018 compared with 2017 on the Alberta contracted assets, a full quarter of results from the assets acquired in the second quarter of 2017, and higher Bloom Wind revenue due to the renegotiation of the commercial terms within the Bloom Wind tax equity agreement. Non-cash after tax net income related to Bloom Wind increased $15 million driven by tax rate differences while the $44 million increase in adjusted EBITDA was related to timing.

SHARE AND PARTNERSHIP UNIT INFORMATION

Quarterly common share trading information

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

	Three months ended							
	Mar 31 2020	**Dec 31 2019**	**Sep 30 2019**	**Jun 30 2019**	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**
Share price ($/common share)								
High	38.88	35.09	31.43	32.25	32.44	29.79	29.45	26.00
Low	20.23	30.13	29.31	29.60	26.22	25.33	25.12	23.42
Close	27.15	34.39	30.68	30.15	31.30	26.59	28.51	25.23
Volume of shares traded (millions)	31.8	21.3	18.2	19.6	18.0	25.5	14.8	11.1

Outstanding share and partnership unit data

As at April 29, 2020, the Company had 105.064 million common shares, 5 million Cumulative Rate Reset Preference Shares (Series 1), 6 million Cumulative Rate Reset Preference Shares (Series 3), 8 million Cumulative Rate Reset Preference Shares (Series 5), 8 million Cumulative Minimum Rate Reset Preference Shares (Series 7), 6 million Cumulative Minimum Rate Reset Preference Shares (Series 9), 6 million Cumulative Minimum Rate Reset Preference Shares (Series 11) and one special limited voting share outstanding. Assuming full conversion of the outstanding and issuable share purchase options to common shares and ignoring exercise prices, the outstanding and issuable common shares as at April 29, 2020 were 108.486 million. The outstanding special limited voting share is held by EPCOR.

As at April 29, 2020, CPLP had 24.040 million general partnership units outstanding and 89.473 million common limited partnership units outstanding. All of the outstanding general partnership units and the outstanding common limited partnership units are held by the Company.

ADDITIONAL INFORMATION

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

Condensed Interim Consolidated Financial Statements of

CAPITAL POWER CORPORATION

(Unaudited, in millions of Canadian dollars)
Three months ended March 31, 2020 and 2019

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

Condensed Interim Consolidated Financial Statements:

CAPITAL POWER CORPORATION

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

	Three months ended March 31, 2020	2019
Revenues	$ 504	$ 365
Other income	29	32
Energy purchases and fuel	(210)	(67)
Gross margin	323	330
Other raw materials and operating charges	(44)	(33)
Staff costs and employee benefits expense	(43)	(39)
Depreciation and amortization	(133)	(98)
Other administrative expense	(26)	(28)
Foreign exchange loss	(9)	(4)
Operating income	68	128
Net finance expense	(44)	(36)
Loss from joint venture	(7)	(2)
Income before tax	17	90
Income tax expense (note 5)	(17)	(30)
Net income	$ -	$ 60
Attributable to:		
Non-controlling interests	$ (2)	$ (1)
Shareholders of the Company	$ 2	$ 61

(Loss) earnings per share (attributable to common shareholders of the Company):

	2020	2019
Basic (note 6)	$ (0.11)	$ 0.49
Diluted (note 6)	$ (0.11)	$ 0.49

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	Three months ended March 31, 2020	2019
Net income	$ -	$ 60
Other comprehensive income (loss):		
Items that will not be reclassified subsequently to net income:		
Defined benefit plans:		
Actuarial gains[1]	3	-
Items that are or may be reclassified subsequently to net income:		
Cash flow hedges:		
Unrealized losses on derivative instruments[2]	(16)	(33)
Reclassification of losses on derivative instruments to net income for the period[3]	11	14
Net investment in foreign subsidiaries:		
Unrealized gains (losses)[4]	84	(15)
Total items that are or may be reclassified subsequently to net income, net of tax	79	(34)
Total other comprehensive income (loss), net of tax	82	(34)
Total comprehensive income	$ 82	$ 26
Attributable to:		
Non-controlling interests	$ (2)	$ (1)
Shareholders of the Company	$ 84	$ 27

[1] For the three months ended March 31, 2020 and 2019, net of income tax expenses of $1 and nil, respectively.

[2] For the three months ended March 31, 2020 and 2019, net of income tax recoveries of $5 and $12, respectively.

[3] For the three months ended March 31, 2020 and 2019, net of reclassification of income tax recoveries of $3 and $6, respectively.

[4] For the three months ended March 31, 2020 and 2019, net of income tax recovery of $4 and nil, respectively

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Financial Position
Three months ended March 31, 2020 and 2019

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 137	$ 248
Trade and other receivables	354	334
Inventories	219	203
Derivative financial instruments assets (note 7)	140	83
	850	868
Non-current assets:		
Other assets	53	53
Derivative financial instruments assets (note 7)	168	151
Government grant receivable	426	423
Deferred tax assets	23	24
Equity-accounted investment in joint venture	123	132
Right-of-use assets	131	95
Intangible assets	780	760
Property, plant and equipment	6,230	6,089
Goodwill	35	35
Total assets	$ 8,819	$ 8,630
Liabilities and equity		
Current liabilities:		
Trade and other payables	$ 312	$ 301
Derivative financial instruments liabilities (note 7)	166	180
Loans and borrowings (note 8)	357	857
Deferred revenue and other liabilities	61	60
Provisions	21	41
	917	1,439
Non-current liabilities:		
Derivative financial instruments liabilities (note 7)	215	118
Loans and borrowings (note 8)	3,063	2,556
Lease liabilities	140	105
Deferred revenue and other liabilities	372	383
Deferred tax liabilities	536	512
Provisions	465	416
	4,791	4,090
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 9)	3,434	3,441
Deficit	(410)	(347)
Other reserves	52	(30)
Deficit and other reserves	(358)	(377)
	3,076	3,064
Non-controlling interests	35	37
Total equity	3,111	3,101
Total liabilities and equity	$ 8,819	$ 8,630

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	Share capital	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity as at January 1, 2020	$ 3,441	$ (10)	$ (16)	$ (15)	$ 11	$ (347)	$ 3,064	$ 37	$ 3,101
Net income	-	-	-	-	-	2	2	(2)	-
Other comprehensive income (loss):									
Defined benefit plan actuarial gain	-	-	-	4	-	-	4	-	4
Cash flow derivative hedge losses	-	(21)	-	-	-	-	(21)	-	(21)
Reclassification of losses to net income	-	14	-	-	-	-	14	-	14
Unrealized gains on foreign currency translation	-	-	80	-	-	-	80	-	80
Tax on items recognized directly in equity	-	2	4	(1)	-	-	5	-	5
Other comprehensive (loss) income	$ -	$ (5)	$ 84	$ 3	$ -	$ -	$ 82	$ -	$ 82
Total comprehensive (loss) income	-	(5)	84	3	-	2	84	(2)	82
Common share dividends (note 9)	-	-	-	-	-	(51)	(51)	-	(51)
Preferred share dividends (note 9)	-	-	-	-	-	(13)	(13)	-	(13)
Tax on preferred share dividends	-	-	-	-	-	(1)	(1)	-	(1)
Common shares purchased (note 9)	(10)	-	-	-	-	-	(10)	-	(10)
Share options exercised	3	-	-	-	-	-	3	-	3
Equity as at March 31, 2020	$ 3,434	$ (15)	$ 68	$ (12)	$ 11	$ (410)	$ 3,076	$ 35	$ 3,111

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

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	Share capital	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity as at January 1, 2019	$ 3,200	$ 7	$ 23	$ (9)	$ 11	$ (222)	$ 3,010	$ 43	$ 3,053
Impact of IFRS 16 lessee accounting policy change	-	-	-	-	-	(8)	(8)	-	(8)
Tax impact of IFRS 16 lessee accounting policy change	-	-	-	-	-	2	2	-	2
Adjusted equity as at January 1, 2019	$ 3,200	$ 7	$ 23	$ (9)	$ 11	$ (228)	$ 3,004	$ 43	$ 3,047
Net income	-	-	-	-	-	61	61	(1)	60
Other comprehensive (loss) income:									
Cash flow derivative hedge losses	-	(45)	-	-	-	-	(45)	-	(45)
Reclassification of losses to net income	-	20	-	-	-	-	20	-	20
Unrealized loss on foreign currency translation	-	-	(15)	-	-	-	(15)	-	(15)
Tax on items recognized directly in equity	-	6	-	-	-	-	6	-	6
Other comprehensive loss	$ -	$ (19)	$ (15)	$ -	$ -	$ -	$ (34)	$ -	$ (34)
Total comprehensive (loss) income	-	(19)	(15)	-	-	61	27	(1)	26
Common share dividends (note 9)	-	-	-	-	-	(46)	(46)	-	(46)
Preferred share dividends (note 9)	-	-	-	-	-	(11)	(11)	-	(11)
Common shares purchased (note 9)	(10)	-	-	-	-	-	(10)	-	(10)
Share options exercised	16	-	-	-	(1)	-	15	-	15
Equity as at March 31, 2019	$ 3,206	$ (12)	$ 8	$ (9)	$ 10	$ (224)	$ 2,979	$ 42	$ 3,021

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

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

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

	Three months ended March 31, 2020	2019
Cash flows from operating activities:		
Net income	$ -	$ 60
Non cash adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	133	98
Net finance expense	44	36
Fair value changes on commodity derivative instruments and emission credits held for trading	18	(34)
Foreign exchange losses	9	4
Income tax expense	17	30
Loss from joint venture	7	2
Recognition of government grant deferred revenue	(11)	(13)
Tax equity attributes	(17)	(15)
Other items	1	6
Change in fair value of derivative instruments reflected as cash settlement	(10)	7
Distributions received from joint venture	2	3
Interest paid	(28)	(21)
Income taxes paid	(26)	(2)
Other cash items	(18)	(22)
Change in non-cash operating working capital	(18)	57
Net cash flows from operating activities	103	196
Cash flows (used in) from investing activities:		
Purchase of property, plant and equipment and other assets	(99)	(51)
Other cash flows from investing activities	1	3
Change in non-cash investing working capital	18	87
Net cash flows (used in) from investing activities	(80)	39
Cash flows used in financing activities:		
Proceeds from issue of loans and borrowings	228	300
Repayment of loans and borrowings	(276)	(560)
Issue costs on loans and borrowings	(7)	(1)
Repayment of lease liabilities	(2)	(2)
Proceeds from exercise of share options	3	15
Common shares purchased (note 9)	(10)	(10)
Dividends paid (note 9)	(63)	(57)
Capitalized interest paid	(3)	(1)
Income taxes paid on preferred share dividends	(7)	(6)
Net cash flows used in financing activities	(137)	(322)
Foreign exchange gain (loss) on cash held in foreign currency	3	(5)
Net decrease in cash and cash equivalents	(111)	(92)
Cash and cash equivalents at beginning of period	248	182
Cash and cash equivalents at end of period	$ 137	$ 90

See accompanying notes to the condensed interim consolidated financial statements

1. Reporting entity:

Capital Power Corporation (the Company or Capital Power) develops, acquires, owns, and operates power generation facilities and manages its related electricity, natural gas and emissions portfolios by undertaking trading and marketing activities.

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

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

2. Basis of presentation:

These condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2019 annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

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

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 1, 2020.

3. Buckthorn Wind acquisition:

On April 1, 2020, the Company acquired a 100% ownership interest in Buckthorn Wind, a 101 megawatt (MW) wind facility, from co-sellers John Laing Investments and Clearway Renew LLC, a subsidiary of Clearway Energy Group LLC. The purchase price consisted of (i) $84 million (US$60 million) in total cash consideration, including working capital and other closing adjustments, (ii) the assumption of tax equity debt of $96 million (US$68 million) and (iii) contingent consideration valued at nil. Contingent consideration, to a maximum of US$8 million, would become payable in the future if the economic performance of Buckthorn Wind exceeds an agreed upon threshold. The Company does not expect Buckthorn Wind to exceed this threshold and considers the likelihood of contingent consideration payment to be low, resulting in no value being ascribed to the contingent consideration in the purchase price allocation.

Buckthorn Wind has the following revenue swap arrangements:

- Offtake swap: The offtake swap is a 20-year contract with an investment grade counterparty which covers 55% of the facility's output. Under this contract the Company will swap the market revenue and environmental attributes associated with the contract quantity for a fixed price per megawatt hour (MWh). There are 18 years remaining on this contract.
- Commodity swap: The commodity swap is a 13-year contract with an investment grade counterparty, with a fixed notional quantity equal to 45% of the long-term average forecasted annual production. Under this contract, the Company will swap the market revenue associated with the fixed notional quantity for a fixed price per MWh. There are 11 years remaining on this contract.

The Company has concluded that this transaction will be accounted for as a business combination. As of the date of these condensed interim consolidated financial statements, the Company has not completed the initial purchase price allocation. The Company expects that the purchase price will be substantially allocated to the fair value of the property, plant and equipment, the revenue swap arrangements, and the tax equity debt. The estimated amount of goodwill, if any, will be determined upon completion of the assessment of the fair value of other identifiable

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

3. Buckthorn Wind acquisition, continued:

assets and liabilities acquired in this transaction. This acquisition supports the Company's growth strategy with long-term contracts strengthening the Company's contracted cash flow profile while expanding its renewables portfolio.

4. Discontinuation of the Genesee 4 and 5 project:

During the first quarter of 2020, the Company and its partner on the Genesee 4 and 5 project determined that they would no longer be pursuing the project. Discussions are ongoing between the Company and its partner around the logistics of exiting the series of agreements previously entered into. As a result of this decision, the Company has determined that $13 million of capital expenditures incurred by the Company were purely related to the development of Genesee 4 and 5. The Company has therefore recorded a write-off of these capital costs during the first quarter of 2020 within depreciation and amortization.

5. Income tax:

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

	Three months ended March 31, 2020	2019
Net income before tax	$ 17	$ 90
Income tax at the statutory rate of 25%[1] (2019 – 26.5%)	4	24
Increase (decrease) resulting from:		
Non-deductible (taxable) amounts	4	(1)
Amounts attributable to non-controlling interests and tax-equity interests	6	5
Change in unrecognized tax benefits	3	-
Statutory and other rate differences[1]	-	1
Other	-	1
Income tax expense	$ 17	$ 30

[1] On June 28, 2019, as a result of the Alberta Government's Bill 3 - Job Creation Tax Cut Act, the Alberta corporate income tax rate was reduced from 12% to 8% over 4 years. Accordingly, the 2019 statutory tax rate was 26.5%, the 2020 statutory tax rate is 25%, and the statutory tax rate will decrease further to 24% for the 2021 year, and to 23% for the 2022 year.

6. (Loss) earnings per share:

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

	Three months ended March 31, 2020	2019
Income for the period attributable to shareholders	$ 2	$ 61
Preferred share dividends[1]	(14)	(11)
(Loss) earnings available to common shareholders	$ (12)	$ 50
Weighted average number of common shares	105,403,379	101,816,086
Basic (loss) earnings per share	$ (0.11)	$ 0.49
Weighted average number of common shares	105,403,379	101,816,086
Effect of dilutive share purchase options	-	698,074
Diluted weighted average number of common shares	105,403,379	102,514,160
Diluted (loss) earnings per share	$ (0.11)	$ 0.49

[1] Includes preferred share dividends declared and related taxes.

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

7. Derivative financial instruments and hedge accounting:

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

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

	March 31, 2020					
	Energy and emission allowances		Interest rate	Foreign exchange		
	cash flow hedges	non-hedges	cash flow hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:						
Current	$ 5	$ 135	$ -	$ -	$ -	$ 140
Non-current	2	166	-	-	-	168
Derivative instruments liabilities:						
Current	(5)	(126)	(26)	(1)	(8)	(166)
Non-current	(7)	(116)	(90)	(2)	-	(215)
Net fair value	$ (5)	$ 59	$ (116)	$ (3)	$ (8)	$ (73)
Net notional buys (sells) (millions):						
Megawatt hours of electricity	(8)	(15)				
Gigajoules of natural gas purchased[1]		192				
Gigajoules of natural gas basis swaps[1]		198				
Metric tons of emission allowances		1				
Number of renewable energy credits		(2)				
Interest rate swaps			$ 876			
Forward currency buys (sells) (U.S. dollars)				$ 64	$ (92)	
Range of remaining contract terms in years	0.1 to 3.8	0.1 to 12.8	0.7 to 6.8	0.1 to 1.6	0.1 to 0.6	

[1] The Company's natural gas trading strategy employs future purchase derivative instruments as well as basis swaps pertaining to certain of the future purchase derivative instruments, to manage its exposure to commodity price risk.

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

7. Derivative financial instruments and hedge accounting, continued:

	December 31, 2019				
	Energy and emission allowances		Interest rate		
	cash flow hedges	non-hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:					
Current	$ -	$ 81	$ -	$ 2	$ 83
Non-current	-	151	-	-	151
Derivative instruments liabilities:					
Current	(12)	(85)	(83)	-	(180)
Non-current	(11)	(107)	-	-	(118)
Net fair value	$ (23)	$ 40	$ (83)	$ 2	$ (64)
Net notional buys (sells) (millions):					
Megawatt hours of electricity	(7)	(14)			
Gigajoules of natural gas purchased[2]		181			
Gigajoules of natural gas basis swaps[2]		179			
Metric tons of emission allowances		4			
Number of renewable energy credits		(1)			
Interest rate swaps			$ 763	$ 100	
Range of remaining contract terms in years	0.1 to 4.0	0.1 to 13.0	0.8 to 0.9	0.9	

[2] The Company's natural gas trading strategy employs future purchase derivative instruments as well as basis swaps pertaining to certain of the future purchase derivative instruments, to manage its exposure to commodity price risk.

Fair values of derivative instruments are determined using valuation techniques, inputs, and assumptions as described in the Company's 2019 annual consolidated financial statements. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

Unrealized and realized pre-tax gains and losses on derivative instruments recognized in other comprehensive income and net income are:

	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Unrealized gains (losses)	Realized (losses) gains	Unrealized (losses) gains	Realized losses
Energy cash flow hedges	$ 34	$ (14)	$ (18)	$ (20)
Energy and emission allowances non-hedges	(10)	11	38	-
Interest rate cash flow hedges[3]	(38)	-	(7)	(1)
Interest rate non-hedges	(2)	1	-	-
Foreign exchange cash flow hedges	(3)	-	-	-
Foreign exchange non-hedges	(8)	(1)	(3)	-

[3] For the three months ended March 31, 2019, bond forward interest rate cash flow hedges of $250 million were settled for a total loss of $6 million which includes $5 million deferred within accumulated other comprehensive income to be reclassified to net income in future periods within the associated net finance expense pertaining to the hedged note offering.

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

7. Derivative financial instruments and hedge accounting, continued:

Realized and unrealized gains and losses relate only to derivative financial instruments. The following realized and unrealized gains and losses are included in the Company's statements of income for the three months ended March 31, 2020 and 2019:

	Three months ended March 31, 2020	2019
Revenues	$ 11	$ (65)
Energy purchases and fuel	(24)	83
Foreign exchange loss	(9)	(3)
Net finance expense	(1)	(1)

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices, interest rate risk relating to future borrowings and foreign exchange risk relating to future capital investment in U.S. dollars. For the three months ended March 31, 2020, the ineffective portion of hedging derivatives required to be recognized in the statement of income were nil. For the three months ended March 31, 2019, $1 million of losses were realized within net finance expense pertaining to the ineffective portion of hedging derivatives.

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

	March 31, 2020
Within one year	$ 5
Between one and five years	(15)
After five years	(4)
Total	$ (14)

8. Loans and Borrowings:

Tax-equity financing

On March 16, 2020, Capital Power's Cardinal Point Wind project began commercial operations. Subsequently, the Company received approximately $221 million (US$157 million) in tax equity financing on March 26, 2020, net of issue costs of $3 million (US$2 million) associated with the financing, from two U.S. financial institutions in exchange for Class A interests of a subsidiary of the Company.

Tax equity financing represents the initial equity investments made by the project investors, adjusted for earnings, tax benefits and cash distributions realized/paid over time. The maturity dates of these obligations are subject to change and are driven by the dates on which the project investors reach the agreed upon target rate of return.

9. Share capital:

	Dividends declared				Dividends paid			
	2020		2019		2020		2019	
	Per share	Total	Per share	Total	Per share	Total	Per share	Total
Common	$ 0.48	$ 51	$ 0.4475	$ 46	$ 0.48	$ 50	$ 0.4475	$ 46
Preference:								
Series 1	0.1913	1	0.1913	1	0.1913	1	0.1913	1
Series 3	0.3408	2	0.3408	2	0.3408	2	0.3408	2
Series 5	0.3274	3	0.3274	3	0.3274	3	0.3274	3
Series 7	0.3750	3	0.3750	3	0.3750	3	0.3750	3
Series 9	0.3594	2	0.3594	2	0.3594	2	0.3594	2
Series 11	0.3594	2	-	-	0.3594	2	-	-

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

9. Share capital, continued:

During the three months ended March 31, 2020, the Company purchased and canceled 461,832 of its outstanding common shares at an average exercise price of $22.67 per share for a total of $10 million (three months ended March 31, 2019 – 381,912 common shares at an average exercise price of $26.47 per share for a total of $10 million) under its Toronto Stock Exchange approved normal course issuer bid.

10. Financial instruments:

Fair values

Details of the fair values of the Company's derivative instruments are described in note 7.

The Company's other short-term financial instruments are classified and measured at amortized cost, consistent with the methodologies described in the Company's 2019 annual consolidated financial statements. Due to the short-term nature of these financial instruments, the fair values are not materially different from their carrying amounts.

The fair values of the Company's other long-term financial instruments are determined using the same valuation techniques, inputs, and assumptions as described in the Company's 2019 annual consolidated financial statements. The carrying amount and fair value of the Company's other financial instruments, which are all classified and subsequently measured at amortized cost, are summarized as follows:

		March 31, 2020		December 31, 2019	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets[1]					
Government grant receivable	Level 2	480	457	$ 476	$ 435
Financial liabilities[1]					
Loans and borrowings	Level 2	3,420	3,389	3,413	3,505

[1] Includes current portion.

Fair value hierarchy

Fair value represents the Company's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction under no compulsion to act. Fair value measurements recognized in the consolidated statements of financial position are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs and precedence is given to those fair value measurements calculated using observable inputs over those using unobservable inputs. The determination of fair value requires judgment and is based on market information where available and appropriate. The valuation techniques used by the Company in determining the fair value of its financial instruments are the same as those used as at December 31, 2019.

The fair value measurement of a financial instrument is included in only one of the three levels described in the Company's 2019 annual consolidated financial statements, the determination of which is based upon the lowest level input that is significant to the derivation of the fair value. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment which will affect the placement within the fair value hierarchy levels.

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

10. Financial instruments, continued:

Fair value hierarchy, continued

The Company's policy is to recognize transfers between levels as of the date of the event of change in circumstances that caused the transfer. The transfers between levels in the fair value hierarchy for the three months ended March 31, 2020 and the year ended December 31, 2019 are disclosed below within the continuity of Level 3 balances.

The table below presents the Company's financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position, classified using the fair value hierarchy described in the Company's 2019 annual consolidated financial statements.

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ -	$ 259	$ 49	$ 308
Derivative financial instruments liabilities	-	(381)	-	(381)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ -	$ 193	$ 41	$ 234
Derivative financial instruments liabilities	-	(298)	-	(298)

Valuation techniques used in determination of fair values within Level 3

The Company has various commodity contracts with terms that extend beyond a liquid trading period. As forward market prices are not available for the full period of these contracts, their fair values are derived using forecasts based on internal modelling and as a result, are classified within Level 3 of the hierarchy.

The Company has a fixed price contract to swap the market revenue of its Bloom Wind generation for a fixed annual payment for a 10-year term that expires in 2027. Commencing in 2019, forward market prices are available for the remaining period of this contract, however anticipated generation continues to be forecasted based on internal modelling. Accordingly, this financial instrument is classified as Level 3.

In addition, as at March 31, 2020 and December 31, 2019, the Company holds contracts for the sale of renewable energy credits (RECs) for which pricing beyond two years is not readily observable and the contracts are therefore classified in Level 3 of the hierarchy.

The fair values of the Company's commodity derivatives included within Level 3 are determined by applying a mark-to-forecast model. The table below presents ranges for the Company's Level 3 inputs:

	March 31, 2020	December 31, 2019
REC pricing (per certificate) – thermal	N/A	$1.05
REC pricing (per certificate) – solar	$228.44 to $438.95	$210.94 to $405.33
Power pricing (per MWh) – wind	$18.91 to $54.37	$16.88 to $49.14
Monthly generation (MWh) – Bloom Wind	54,426 to 72,000	54,426 to 72,000

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

10. Financial instruments, continued:

Fair value hierarchy, continued

Valuation process applied to Level 3

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

The table below presents the impact to fair value of Level 3 derivative instruments based on reasonably possible alternative assumptions:

	March 31, 2020	December 31, 2019
REC pricing – thermal[2]	$ -	$ -
REC pricing – solar[2]	-	-
Power pricing – wind[2]	13	10
Generation – Bloom Wind[3]	12	11

[2] Reflects the increase or decrease to fair value calculated using a $1 per unit decrease or increase in the input.

[3] Reflects the increase or decrease to fair value calculated using a 10% decrease or increase in the input.

Continuity of Level 3 balances

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

	March 31, 2020	December 31, 2019
As at January 1[4]	$ 41	$ (28)
Unrealized and realized gains included in net income[5]	6	69
Settlements[6]	(1)	-
Transfers[7]	(1)	-
Foreign exchange gains	4	-
As at end of period	$ 49	$ 41
Total unrealized and realized gains for the period included in net income[5]	$ 6	$ 69

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

[5] Recorded in revenues.

[6] Relates to settlement of financial derivative instruments.

[7] Relates to transfers from Level 3 to Level 2 when pricing inputs became readily observable.

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

11. Risk management:

Risk management overview

During the first quarter of 2020, the COVID-19 pandemic has created a dynamic and challenging environment to navigate. Combined with a sharp decline in oil prices, the result has been notable market volatility, including fluctuations in interest rates, foreign currency rates and the Company's share price. The key implications of these developments on the Company's financial risk exposures and key strategies for mitigating those risks are addressed below.

The Company's risk management process, oversight and techniques are the same as those described in the Company's 2019 annual consolidated financial statements.

Market risk

Power price risk

Responses to the COVID-19 pandemic throughout North America are driving a reduction in demand for electricity as municipal, provincial and state authorities implement social distancing policies, and stay-at-home and/or "shelter in place" directives. In turn, this has put downward pressure on forward electricity prices for the balance of 2020. There is currently no certainty as to when the pandemic will be brought under control, but public expectations generally indicate that these impacts will be felt over the next two to three quarters at which point progress will begin towards recovery. It is possible that these impacts could extend longer.

Approximately half of Capital Power's net cash flows come from facilities located outside of Alberta. These facilities are under long-term contractual arrangements with investment grade counterparties. As a result, these facilities have little exposure to the downward pressure on electricity prices as a result of lower electricity demand. The Company's thermal facility contracts typically are tolling arrangements in which most of the revenue is in the form of capacity payments that are paid regardless of the degree the plant is run. The Company's wind facilities receive fixed pricing for the power produced. In Ontario, where the lower electricity demand could result in some additional physical curtailment of wind facilities, Capital Power is held whole under the contractual arrangements even in the event of physical curtailment.

The balance of the Company's cash flows come from Alberta generation facilities. Approximately 60% of the Company's cash flows from Alberta facilities are under long-term contract with investment grade counterparties, including the tolling arrangement on the Shepard Energy Centre and the Power Purchase Arrangements for Genesee 1 and 2. The balance of the output from the Company's Alberta facilities is sold into the Alberta merchant market, however, the Company continues to manage this exposure by entering into various purchase and sale arrangements for periods of varying duration. As at March 31, 2020, 91% of the Company's Alberta commercial baseload generation was sold forward for the remainder of 2020 which limits Capital Power's exposure to the recent drop in electricity demand.

Given that most of the Company's output is hedged in 2020, coupled with maintaining high facility availability, the Company has thus far not experienced significant impacts on its cash flow generation related to recent developments.

Fuel supply and price risk

The recent reduction in oil prices has driven a reduction in oil production which also impacts natural gas production tied to oil drilling. These reductions in natural gas supply have put upward pressure on natural gas prices for the balance of 2020 and beyond.

The Company's portfolio of generation comes from a variety of fuel types which minimizes exposure to any one fuel type. For natural gas, the Company uses long-term supply agreements including natural gas contracts as well as fixed transportation agreements to manage its exposure to increases in natural gas prices. As at March 31, 2020, the Company has economically hedged substantially all of its expected natural gas burn for the remainder of 2020 and as a result does not anticipate significant fuel price risk in 2020.

The fair value of the Company's energy related derivatives as at March 31, 2020, that are required to be measured at fair value with the respective changes in fair value recognized in net income are disclosed in note 7.

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

11. Risk management, continued:

Market risk, continued

Foreign exchange risk

As a result of the current economic uncertainty created by the COVID-19 pandemic and the reduction in the price of oil, the Canadian dollar has weakened notably as compared to the U.S. dollar in the latter part of the first quarter. These unfavourable fluctuations affect the Company's capital and operating costs, revenues and cash flows and can adversely impact the Company's financial performance.

Impacts related to the Company's U.S. facilities have a U.S. functional currency and hence do not drive a foreign exchange exposure. The largest exposure the Company currently has to foreign exchange movements is related to capital costs for the Whitla Wind 2 project. The Company has entered into economic hedges on those capital costs during the first quarter of 2020 to mitigate that exposure. At March 31, 2020, the Company held foreign exchange derivatives as disclosed in note 7.

Credit risk

As a result of the economic impacts of both COVID-19 and the reduction in the price of oil, the risk that certain of the Company's counterparties will be unable to satisfy their contractual obligations has increased. Increased exposures include trade and other receivables on certain commercial and industrial customers as well as derivative financial instruments assets related to emissions portfolio trading.

The Company continues to actively monitor its exposure to counterparty credit risk and as at March 31, 2020, has recorded an allowance of less than $1 million for expected credit losses on trade and other receivables. Additionally, the Company has reflected increases in counterparty credit risk exposure within its fair value measurements of derivative financial instruments.

The Company continues to mitigate credit risk utilizing the risk mitigation practices described in the Company's 2019 annual consolidated financial statements including dealing largely with creditworthy counterparties. To further mitigate counterparty credit risk, the Company utilizes credit enhancements such as cash deposits, prepayments, parent company guarantees, bank letters of credit, master netting agreements, margin accounts and credit derivatives.

Liquidity risk

The current volatility in financial markets will increase the cost of accessing capital at this time. The Company's current liquidity remains strong and the Company does not currently have a need to access financing including to immediately refinance medium-term notes maturing later in the year. As a result, the Company does not anticipate significant impacts to liquidity driven by recent market developments.

12. Segment information:

The Company operates in one reportable business segment involved in the operation of electrical generation facilities within Canada (Alberta, British Columbia and Ontario) and in the U.S. (North Carolina, New Mexico, Kansas, Alabama, Arizona, North Dakota, Illinois and as of April 1, 2020, Texas), as this is how management assesses performance and determines resource allocations. The Company also holds a portfolio of wind and solar development sites in the U.S.

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

	Three months ended March 31, 2020				Three months ended March 31, 2019			
	Canada	U.S.	Inter-area eliminations	Total	Canada	U.S.	Inter-area eliminations	Total
Revenues – external	$ 416	$ 88	$ -	$ 504	$ 258	$ 107	$ -	$ 365
Revenues – inter-area	7	1	(8)	-	14	5	(19)	-
Other income	12	17	-	29	17	15	-	32
Total revenues and other income	$ 435	$ 106	$ (8)	$ 533	$ 289	$ 127	$ (19)	$ 397

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

12. Segment information, continued:

	As at March 31, 2020			As at December 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Property, plant and equipment	$ 4,528	$ 1,702	$ 6,230	$ 4,555	$ 1,534	$ 6,089
Right-of-use assets	60	71	131	61	34	95
Intangible assets	622	158	780	615	145	760
Goodwill	35	-	35	35	-	35
Other assets	53	-	53	53	-	53
	$ 5,298	$ 1,931	$ 7,229	$ 5,319	$ 1,713	$ 7,032

The Company's revenues and other income from contracts with customers are disaggregated by major type of revenues and operational groupings of revenues:

	Three months ended March 31, 2020						
	Alberta Commercial	Alberta Contracted	Ontario and British Columbia Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 197	$ 11	$ 87	$ 54	$ 349	$ 151	$ 500
Emission credit revenues	7	-	-	2	9	(5)	4
Total revenues[1]	$ 204	$ 11	$ 87	$ 56	$ 358	146	$ 504

[1] Included within trade and other receivables, as at March 31, 2020, were amounts related to contracts with customers of $113 million.

	Three months ended March 31, 2019						
	Alberta Commercial	Alberta Contracted	Ontario and British Columbia Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 193	$ 1	$ 37	$ 52	$ 283	$ 68	$ 351
Emission credit revenues	7	-	-	2	9	5	14
Total revenues[2]	$ 200	$ 1	$ 37	$ 54	$ 292	73	$ 365

[2] Included within trade and other receivables, as at March 31, 2019, were amounts related to contracts with customers of $133 million.

13. Subsequent Event:

In late April 2020, the Company signed agreements with Vestas setting the terms for 10-year Long-Term Service Agreement (LTSA) extensions for the maintenance of nine of the Company's wind facilities and the supply of turbines for the 97 MW of capacity of Whitla Wind 2 with commercial operations expected in 2021.

The agreement for the 10-year extension on the series of LTSAs with Vestas covers a wider scope of services for all of the Company's Vestas-equipped wind facilities while reducing costs compared to current service and maintenance agreements.

14. Comparative figures:

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