### **Investor Presentation**

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January 2022



### **Growth-oriented North American power producer**

- Highly-contracted, young and diversified portfolio
- Targeting 10-12% total shareholder return
- Off coal in 2023 and targeting net carbon neutral before 2050

Operation

Gas

#### **Operational facilities**

~6,600 MW

**26 facilities** 

**Projects under development** 

985 MW

6 renewable projects and Genesee 1&2 repowering



### Our strategy and path to net carbon neutral by 2050



Investing in emissions free renewables

Building and acquiring facilities in Canada and the U.S.

Integration of storage technologies



Investing in critical natural gas generation

Acquiring key facilities in Canada and the U.S.

Reduce emissions profile through decarbonization technologies

Repower and move to 100% natural gas capability

### A market leader in the Alberta power market

- Continue to reposition and optimize assets to maintain leadership position
- Largest provider of new generation over the last 20 years
- Leading developer and/or owner of renewables in the province
- Leading efforts to decarbonize thermal generation in the province
- Repowered Genesee 1&2 units will be most efficient NGCC units in Canada
- Genesee Energy Centre will be the heart of Alberta's decarbonized future



## Natural gas – necessary long-term role in power

- Natural gas essential to maintain system reliability and integrate renewables
- Decarbonization will be essential to long term resiliency
- Role of natural gas will transition from serving baseload energy requirements to serving capacity
- Well positioned natural gas sites are excellent future energy storage sites
- Responsible investments in strategic natural gas assets essential to long term decarbonization

U.S. Electricity Generation by Fuel Type Generation (BkWh)





### **Renewable and storage acceleration**



#### Whitla Wind phases 2 and 3 completed in Dec/21



Halkirk Wind phase 2 commencing





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Secured 1,298 MW of U.S. solar sites with battery potential





Strathmore and Enchant Solar projects underway





North Carolina solar projects commencing construction in 2022



Long-term contracting of renewables in Alberta continues to be strong

## **Advancing CCUS initiatives**

# Developing plans to apply CCUS technology at Genesee 1&2

- Pre-FEED almost complete, FEED study in 2022
- Set to reduce emissions by 3 million tonnes annually
- Significant federal and provincial Government support for CCUS applications
- \$1.8 to \$2.0B capex direct excluding owners costs
- On track for investment decision late 2022 or early 2023

#### Alberta carbon hub

- Enabling carbon transportation and storage networks
- Develop an open access carbon hub in the Wabamun area
- Compliments the Genesee Carbon Conversion Centre

#### Enbridge hub project is an excellent fit for Capital Power



# **Growth strategy**

- Growth strategy aligns with our sustainability goals
- Decarbonization is an immense opportunity for gas and renewables technologies
- Strong renewable growth pipeline in Alberta and the U.S.
- Demonstrating success in recontracting natural gas assets

![](_page_8_Figure_0.jpeg)

### **Recontracting of natural gas assets**

#### Securing long term PPAs provide stable cash flows

#### **Decatur (Alabama)**

#### Arlington (Arizona) Island Generation (BC)

Extended enhanced Decatur contract by 10 years to 2032. Extended tolling agreement by 6 years to 2031 with materially higher AFFO over extended term. Recontracting Island Generation in progress. Current PPA expires in Apr/22. Developments in Ontario very positive for recontracting in 2030. Current PPA expires in 2029.

Goreway (ON)

#### Next PPA expiry for 7 contracted natural gas facilities totaling nearly 3,400 MWs not until 2029

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# Alberta power market

- Demand in 2021 shows full recovery from impacts of COVID-19 and low oil prices
- Significant reductions in supply (retirements of Sundance 3, Keephills 1, Sundance 4 in Apr/22; Sundance 5 repowering suspended, and delays on some cogen and renewable projects)
- Demand expected to modestly increase year-over-year
- Robust market with average power price of \$102/MWh in 2021; 2022 forward prices ~\$90/MWh

### Alberta power market

#### Demand has recovered from COVID-19 pandemic and low oil prices

![](_page_11_Figure_2.jpeg)

- Largest 2020 vs. 2019 yoy decline in power demand was 7.2% due to COVID-19 pandemic and low crude oil prices
- Demand in 2021 shows full recovery from pandemic load decrease in 2020
- Weather is a major driving factor in seasonal demand
- New all-time summer and winter record demand set in 2021
- Current load remains strong and is expected to continue to increase modestly yoy

### Alberta power market Need for reliable, flexible natural gas capacity

![](_page_12_Figure_1.jpeg)

Gas

- Today there is still **4,000 MW** of inefficient coal, converted coal, or dual fuel capacity
- Peak winter and summer load hours in 2021 saw ~85% of load being met with coal and gas
- Peak winter and summer load hours saw wind and solar operating at only 12% and 19% of their respective capacities
- System can accommodate higher renewable penetration, but lower capacity factors will still result in the **need for reliable**, **flexible** natural gas capacity

### **Portfolio optimization** AB commercial portfolio positions

(Hedge positions as of Nov 24/21)	2022	2023	2024
Power			
% of power position sold forward <sup>(1)</sup>	64%	41%	26%
Contracted power prices <sup>(2)</sup> (\$/MWh)	High-\$60s	High-\$50s	Mid-\$50s
Forward power prices (\$/MWh) (as of Jan 11/22)	\$88 (Feb-Dec)	\$70	\$61
EBITDA sensitivity to a \$5/MWh change in spot power prices <sup>(3)</sup> (\$M)	\$25	\$36	\$49
Natural gas			
% of gas requirements bought forward <sup>(4)</sup>	90-100%	85-95%	80-90%
Weighted average cost of gas contracts <sup>(2)</sup> (\$/GJ)	\$2.25-\$2.75	\$2.00-\$2.50	\$2.00-\$2.50
Forward gas prices (\$/GJ) (as of Jan 11/22)	\$3.53 (Feb-Dec)	\$3.10	\$2.85

# Strong track record of value creation and managing merchant risk exposure from portfolio optimization

1) Based on the Alberta baseload plants, including Joffre and 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

3) Includes both baseload and non-baseload positions

4) Includes gas burn for all baseload plants, and estimated gas requirements to supply fixed retail contracts

![](_page_13_Picture_7.jpeg)

# **Financial strategy**

- Deploying capital to advance progress towards our sustainability targets including the repowering of Genesee 1&2 and growing renewables portfolio
- Executing on \$1.5B in growth capex without the need for additional common equity
- Resilient cashflows supported by risk mitigation strategies deliver extension of 5% annual dividend growth to 2025
- Maintain investment grade credit rating
- Targeting 10-12% total shareholder return over the long term

### **Overview of financial strategy**

![](_page_15_Figure_1.jpeg)

- Strong liquidity
- Risk mitigation by stabilizing cash flows through hedging activities
- Invest in sustainable projects with stable cash flows

![](_page_15_Figure_5.jpeg)

- Cost-effective funding of growth
- Innovative and diverse capital sources
- Well-laddered debt maturities

![](_page_15_Figure_9.jpeg)

- Access to capital markets through business cycles
- Competitive cost of capital

# Deliver annual dividend growth

- Dividend stability through contracted cash flows
- Dividend growth within long term AFFO payout ratio of 45% to 55%

![](_page_15_Picture_15.jpeg)

### Executing on ~\$1.5 billion of growth capex Proceeding with phase 2 of Halkirk Wind and Genesee battery storage

![](_page_16_Figure_1.jpeg)

#### Halkirk 2 expected to contribute average annual AFFO of ~\$27M in first 5 years

Genesee battery storage of 210 MWs
 Alberta renewables consist of Enchant Solar and Strathmore Solar
 US renewables assets excludes Tax Equity contributions

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## **Repowering Genesee 1&2 delivers long term value**

Lower operating costs, useful asset life extension, long-term cash flow growth

![](_page_17_Figure_2.jpeg)

### **Strong repowering economics**

![](_page_18_Figure_1.jpeg)

### Alberta TIER<sup>(1)</sup> program Significantly reducing carbon emissions

AB electricity sector emissions (MT)<sup>(2)</sup>

![](_page_19_Figure_2.jpeg)

- TIER program driving down carbon emissions in a **meaningful** way
- Alberta government supportive of TIER program
- Carbon prices per tonne will rise annually and post-2030, intensity standards will also tighten
- Genesee 1 and 2 repowering projects are robust and resilient to increasingly stringent carbon pricing frameworks

(2) Capital Power projections

### **Managing Alberta carbon exposure**

![](_page_20_Figure_1.jpeg)

#### Physically reducing emissions supplemented with low-cost offsets protect and enhance asset value

1) Assumes TIER regulation maintained, federal benchmark stringency requirements (under the Greenhouse Gas Pollution Pricing Act) maintained through 2025 at 0.37 tCO2e/MWh 2) Assumes carbon price of \$50/tonne in 2022 and increasing by \$15/tonne each year thereafter to \$170/tonne in 2030

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## **Dividend growth outlook**

Annualized dividend per share <sup>(1,2)</sup>

![](_page_21_Figure_2.jpeg)

#### Forecast to be within AFFO payout ratio target range of 45% to 55% through 2025

1) Subject to market conditions, economic outlook, cash flow forecast, and Board approval at the time 2) 2013 to 2021 annualized dividend based on year-end quarterly common shares dividend declared

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## Sustainability / investment opportunity

- Corporate purpose to power a sustainable future for people and planet
- Advancing a low carbon future with a clear path to net carbon neutral before 2050
- Natural gas generation has a necessary long-term role in power
- Accelerating ESG initiatives

## **Our (R)Evolution**

Today–2024

### 2024–2030 2030–2050

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 Genesee efficiency program - 12% decrease in GHG by 2021

2009–Today

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- Over \$3B invested in/committed to renewables
- C2CNT interest increased to 40%
- Over \$40M invested in carbon capture research
- Completed two CCUS FEED studies (2007/2011)

- Complete repowering
  and off coal
  - Genesee Battery
    Energy Storage System

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- CCUS FEED study
  at Genesee
- Invest in renewables, strategic natural gas
- Pair renewables with storage
- CCU: C2CNT and beyond
  - Explore commercial / physical Direct Air Capture (DAC) solutions

Genesee CCS project

 $H_2$ 

- Expand CCU
- Exploring carbon mitigation technologies on ex-Alberta fleet
- Add DAC to carbon compliance portfolio

- Net carbon neutral via physical solutions on natural gas assets, DAC and "offsets"
- Invest in DAC facility
- Renewables + storage as baseload

Physical decarbonization

2050-2070

![](_page_23_Picture_24.jpeg)

## Sustainability targets and highlights

#### Target: Achieve net carbon neutrality by 2050

Scope 1 Emissions<sup>(1)</sup>

50% reduction at Genesee by 2030

**10**%

reduction in fleet emissions by 2030

**65**%

reduction in emission intensity by 2030

#### **Strategic Investments**

**Construct** all natural gas generation units to be carbon capture and/or hydrogen ready

Repower Genesee 1&2 from coal to natural gas

**CCUS:** Invest in carbon capture, utilization and sequestration

Genesee Carbon Conversion Centre delayed due to lengthy regulatory approval process for carbon nanotubes as new materials

#### **Sustainability Highlights**

#### Leadership & Governance

![](_page_24_Picture_15.jpeg)

Enhanced sustainable sourcing plan (2021)

![](_page_24_Figure_17.jpeg)

Enhanced water management plan (2021)

![](_page_24_Figure_19.jpeg)

At least **30%** women on the Board and Executive Team

![](_page_25_Picture_0.jpeg)

![](_page_25_Picture_1.jpeg)

### Accelerating "S" and "G" initiatives Working together, turning ambition into action

- Diversity, Equity and Inclusion
  - Implemented leadership and workforce diversity
  - Committed to "Equal by 30" and "30 by 30"
  - Inclusive and equitable programs that foster an inclusive workplace culture
- Diverse Board and Executive
  - 44% Women Board members, 43% Woman Executives
  - Jill Gardiner Chair of the Board
  - Board includes one LGBTQIA2S+ and one visible minority member
  - Doyle Beneby one of Savoy's 2021 Most Influential Black Corporate Directors
- Community investment 1% of income before tax
- Reinvigorated Indigenous relations strategy
- Only Canadian energy & utility sector company named one of the World's Most Ethical Companies by Ethisphere

## **Attractive investment opportunity**

Resilient strategy drives growth & accelerates net carbon neutral by 2050

#### **Success in renewables**

- Contracts for renewable projects affirm competitiveness
- Continued wind project execution in Alberta
- Very substantial renewable development opportunity set

## Strong position in the robust Alberta power market

- Repowering capitalizes on strong Alberta market
- Medium term risks greatly reduced

# Strong long term cashflow from contracted assets including natural gas assets

 Strategy of recontracting natural gas assets proving out

#### Investing in optimization and innovation

- Genesee Carbon Conversion Centre
- Carbon capture and storage for Genesee 1 & 2
- Ops 2030 investment to increase EBITDA by \$50 million

# ESG commitments are significant early steps in our journey

![](_page_26_Picture_16.jpeg)

# Appendices

- Alberta portfolio optimization
- Credit rating metrics
- Debt maturity schedule
- 2022 Targets

#### Maximizing the Alberta commodity portfolio Creating incremental value and stability through market expertise Average realized power prices<sup>(1)</sup> have exceeded spot power prices by 15% since the Company's inception ~12 years ago \$125 \$100 \$75 \$50 \$25 \$0 3. 343 and 3. 16 3. 16 3. 16 and 3. 17 3. 17 3. 17 3. 18 3. 18 3. 19 3. 19 3. 19 3. 19 3. 19 3. 19 3. 19 3. 19 ANA CHIP 212 Average AB spot power price ----Capital Power captured AB price

1) Based on the Alberta baseload plants and the acquired Sundance PPA plus the uncontracted portion of Shepard Energy Centre baseload. Effective Mar/16, Sundance PPA is no longer a part of Capital Power's baseload generation due to termination of the Sundance PPA.

## **Financial stability and strength**

Strong balance sheet and commitment to investment grade credit ratings

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

- DBRS and S&P have affirmed investment grade credit ratings and stable outlook
- Strong liquidity from operating cash flow and \$1B of committed sustainability-linked credit facilities to 2026
- 2022 forecast to be another strong year with credit metrics well above current ratings threshold

Cash flow and adjusted EBITDA amounts include off-coal compensation
 Based on S&P's weighted average ratings methodology
 2021T means 2021 target, 2022F means 2022 forecast

#### **S&P** financial metrics

![](_page_29_Figure_8.jpeg)

#### **DBRS** financial metrics

![](_page_29_Figure_10.jpeg)

![](_page_29_Figure_11.jpeg)

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## **Debt maturity profile**<sup>(1)</sup>

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

- Longer term debt reflects increased confidence in our business profile
- Strong liquidity from cash flow from operations, cash-on-hand, and credit facilities

![](_page_30_Figure_4.jpeg)

1) Debt amounts as of November 30, 2021. Schedule excludes non-recourse debt, credit facility debt, and tax-equity financing.

![](_page_31_Picture_0.jpeg)

### 2022 targets

![](_page_31_Figure_2.jpeg)

![](_page_31_Figure_3.jpeg)

![](_page_31_Figure_4.jpeg)

![](_page_31_Figure_5.jpeg)

## **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) AFFO, and (iii) AFFO per share as financial performance measures.

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

Reconciliations of these non-GAAP financial measures are disclosed in the Company's Management's Discussion and Analysis prepared as of October 26, 2021 for the third quarter of 2021, which is available under the Company's profile on SEDAR at SEDAR.com and on the Company's website at capitalpower.com.

## **Forward-looking information**

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

Material forward-looking information includes expectations around: (i) the timing of construction readiness and commencement of commercial operations for the acquired wind development sites, (ii) the timing of permitting, construction and commencement of commercial operations for phase 2 of Halkirk Wind, (iii) the capital cost and AFFO contributions of phase 2 of Halkirk Wind, (iv) the capital cost of the addition of battery storage to the Genesee 1 and 2 repowering project, as well as the total capital cost of the Genesee 1 and 2 repowering project, (v) the impacts of battery storage on the project economics of Genesee 1 and 2 repowering, (vi) in-service timing for the Genesee CCS project and the volume of CO<sub>2</sub> to be captured annually from the repowered Genesee 1 and 2 units, (vii) the current 2021 financial outlook, (viii) 2022 targets including those for capacity-weighted average facility availability, sustaining capital expenditures, adjusted EBITDA, AFFO and committed capital for growth, (ix) dividend growth and AFFO payout ratios and (x) the timing of commencement of commercial operations for Strathmore Solar, Enchant Solar and the North Carolina solar projects as well as the completion dates of the Genesee 1 and 2 repowered units.

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) operating and asset development 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 and (vi) foreign exchange rates.

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) timing and costs of regulatory approvals and construction in relation to development projects, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions.

See Risks and Risk Management in the Company's 2020 Integrated Annual Report 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 date made. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

# Capital O Power

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