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For immediate release | May 1, 2023

Capital Power reports first quarter results and appoints Avik Dey as President and Chief Executive Officer

Financial results trending to the upper end of annual guidance ranges

EDMONTON, Alberta – May 1, 2023 – Capital Power Corporation (TSX: CPX) today released financial results for the quarter ended March 31, 2023.

Financial highlights

- Generated net cash flows from operating activities of $349 million and adjusted funds from operations (AFFO) of $210 million
- Generated net income of $285 million and adjusted EBITDA of $401 million
- Full-year AFFO and adjusted EBITDA trending to the upper end of annual guidance ranges for 2023

Strategic highlights

- Appointment of Avik Dey as President and Chief Executive Officer
- Executed a 6-year contract extension for Goreway with Ontario IESO
- Positive general developments for Genesee CCS project announced in the Federal Budget 2023 notably reaffirmation of the role and mandate for the Canada Growth Fund to support de-risking of large scale decarbonization
- Announced a 23-year clean electricity supply agreement for Halkirk 2 Wind

“Financial results were strong for the first quarter despite unseasonably warm temperatures,” said Brian Vaasjo, President and CEO of Capital Power. “This included warm temperatures in Alberta for most of the quarter that resulted in an average power price of $142 per megawatt hour which was well below our expectations of $208 per megawatt hour. Our financial forecast and outlook for Alberta power prices and fleetwide performance continues to be positive for the remainder of the year. We expect financial results to be trending to the upper end of the adjusted EBITDA and AFFO guidance ranges of $1,455 million to $1,515 million and $805 million to $865 million, respectively.”

“The Ontario IESO capacity procurement confirms our natural gas strategy and is a good investment opportunity for Capital Power,” stated Mr. Vaasjo. “We were awarded a 6-year IESO contract extension associated with our 40 megawatt efficiency upgrade bid for Goreway, which applies to the new combined contracted capacity of 880 megawatts and extends the current contract from 2029 to 2035. We continue discussions with the IESO on a similar contract award for York Energy Centre and look forward to the results on our competitive bids relating to a gas turbine expansion at East Windsor and battery projects at Goreway and York Energy.”

“On behalf of all of Capital Power, I would like to welcome Avik Dey to the Company. Avik will be a tremendous catalyst for the team and as he noted in the April 19th press release, he is looking forward to accelerating the company’s existing strategic plan. I would also like to congratulate Kate Chisholm, Senior Vice President and Chief Strategy and Sustainability Officer on her retirement. Kate has been an integral part of the executive team with outstanding service and valuable contributions since the inception of Capital Power. We wish Kate the very best in retirement,” added Mr. Vaasjo.

“Capital Power has been very fortunate to have Brian as our inaugural President & CEO,” said Board Chair, Jill Gardiner. “On behalf of the Board of Directors and the Company, I want to thank him for his tremendous leadership and bringing Capital Power to the strong position it is in today.”

Operational and Financial Highlights[1]

(unaudited, millions of dollars except per share and operational amounts)	Three months ended March 31	
	2023	2022
Electricity generation (Gigawatt hours)	7,417	6,893
Generation facility availability	94%	95%
Revenues and other income	$ 1,267	$ 501
Adjusted EBITDA [2]	$ 401	$ 348
Net income [3]	$ 285	$ 119
Net income attributable to shareholders of the Company	$ 286	$ 122
Basic earnings per share	$ 2.39	$ 0.96
Diluted earnings per share	$ 2.38	$ 0.96
Net cash flows from operating activities	$ 349	$ 415
Adjusted funds from operations [2]	$ 210	$ 200
Adjusted funds from operations per share [2]	$ 1.80	$ 1.72
Purchase of property, plant and equipment and other assets, net	$ 86	$ 132
Dividends per common share, declared	$ 0.5800	$ 0.5475

1 The operational and financial highlights in this press release should be read in conjunction with the Management's Discussion and Analysis and the unaudited condensed interim financial statements for the three months ended March 31, 2023.

2 Earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emissions credits (adjusted EBITDA) and adjusted funds from operations (AFFO) are used as non-GAAP financial measures by the Company. The Company also uses AFFO per share which is a non-GAAP ratio. These measures and ratios 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 and Ratios.

3 Includes depreciation and amortization for the three months ended March 31, 2023 and 2022 of $141 million and $142 million, respectively. Forecasted depreciation and amortization for the remainder of 2023 is $137 million per quarter.

Significant Events

Approval of normal course issuer bid

During the first quarter of 2023, the Toronto Stock Exchange approved Capital Power's normal course issuer bid to purchase and cancel up to 5.8 million of its outstanding common shares during the one-year period from March 3, 2023 to March 2, 2024.

Executed 23-year clean electricity supply agreement for Halkirk 2 Wind

On February 3, 2023, we announced a 23-year clean electricity supply agreement with Public Services and Procurement Canada. The Agreement will provide approximately 250,000 MWh of clean electricity per year initially through Canada-sourced renewable energy credits until Capital Power's proposed Alberta-based Halkirk 2 Wind project is completed, which is expected to be operational by January 1, 2025 (subject to regulatory approval). The 151 MW Halkirk 2 Wind project will provide renewable energy for the remainder of the term – representing approximately 49% of the facility's output. As part of the transaction, Capital Power committed to securing an equity partnership with local Indigenous communities related to the proposed project.

Subsequent Events

Goreway awarded 6-year contract extension by Ontario IESO

On April 25, 2023, Capital Power and the Ontario Independent Electric System Operator (IESO) executed a 6-year contract extension for Goreway associated with its successful efficiency upgrade bid of approximately 40 megawatts (MW) in IESO's competitive capacity procurement process. The uprate will increase Goreway's current combined contracted capacity from 840 MW to 880 MW. The IESO contract extension applies to the new combined contracted capacity of 880 MW and extends the current Clean Energy Supply Contract from 2029 to 2035. The upgrade is expected to be completed in 2025. Goreway is a natural gas-fired combined cycle facility located in Brampton, Ontario.

Avik Dey appointed of as President and Chief Executive Officer, Brian Vaasjo to Retire

On April 19, 2023, the Company's Board of Directors announced that it unanimously selected Avik Dey to be its next President and Chief Executive Officer and become a member of the Board of Directors, effective May

8, 2023. The appointment follows the planned retirement of Brian Vaasjo who will support Mr. Dey in an advisory role for six months to ensure a seamless transition.

Retirement announced for Kate Chisholm, Senior Vice President and Chief Strategy and Sustainability Officer

On April 13, 2023, the Company announced internally that Kate Chisholm, our Senior Vice President and Chief Strategy and Sustainability Officer has advised of her intention to retire effective July 4, 2023. Kate has been an integral part of the Executive Team with outstanding service and valuable contributions since the inception of Capital Power. Announcement for Kate's replacement will occur in due course.

Analyst conference call and webcast

Capital Power will be hosting a conference call and live webcast with analysts on May 1, 2023 at 9:00 am (MT) to discuss the first quarter financial results. The conference call dial-in number is:

(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 and Ratios

Capital Power 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 our joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits (adjusted EBITDA), and (ii) AFFO as financial performance measures.

Capital Power also uses AFFO per share as a performance measure. This measure is a non-GAAP ratio determined by applying AFFO to the weighted average number of common shares used in the calculation of basic and diluted earnings per share.

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 Capital Power, 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 our 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, gains or losses on disposals and other transactions, and unrealized changes in fair value of commodity derivatives and emission credits 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 2023	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**	**Dec 2021**	**Sep 2021**	**Jun 2021**
Revenues and other income	1,267	929	786	713	501	672	377	387
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(723)	(909)	(543)	(429)	(178)	(506)	(162)	(176)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	(179)	247	136	28	18	123	66	24
Adjusted EBITDA from joint ventures [1]	36	36	4	7	7	5	5	6
Adjusted EBITDA	**401**	**303**	**383**	**319**	**348**	**294**	**286**	**241**
Depreciation and amortization	(141)	(139)	(133)	(139)	(142)	(137)	(133)	(132)
Unrealized changes in fair value of commodity derivatives and emission credits	179	(247)	(136)	(28)	(18)	(123)	(66)	(24)
Impairment (losses) reversals	-	-	-	-	-	(52)	(8)	2
Gains (losses) on acquisition and disposal transactions	-	(33)	(3)	(1)	-	6	31	(3)
Foreign exchange gains (losses)	1	3	(12)	(7)	1	(1)	(7)	(2)
Net finance expense	(48)	(44)	(40)	(35)	(37)	(44)	(43)	(46)
Other items [1,2]	(21)	(17)	(4)	(1)	-	(4)	(4)	(5)
Income tax expense	(86)	75	(24)	(31)	(33)	(8)	(18)	(14)
Net income (loss)	**285**	**(99)**	**31**	**77**	**119**	**(69)**	**38**	**17**
Net income (loss) attributable to:								
Non-controlling interests	(1)	(1)	(3)	(3)	(3)	(4)	(2)	(3)
Shareholders of the Company	286	(98)	34	80	122	(65)	40	20
Net income (loss)	**285**	**(99)**	**31**	**77**	**119**	**(69)**	**38**	**17**

[1] Total income from joint ventures as per our consolidated statements of income (loss).

[2] Includes finance expense, depreciation expense and unrealized changes in fair value of derivative instruments from joint ventures.

Adjusted funds from operations and adjusted funds from operations per share

AFFO and AFFO per share are measures of the Company's ability to generate cash from its operating activities to fund growth capital expenditures, the repayment of debt and the payment of common share dividends.

AFFO represents net cash flows from operating activities adjusted to:

- remove timing impacts of cash receipts and payments that may impact period-to-period comparability which include deductions for net finance expense and current income tax expense, the removal of deductions for interest paid and income taxes paid and removing changes in operating working capital,
- include the Company's share of the AFFO of its joint venture interests and exclude distributions received from the Company's joint venture interests which are calculated after the effect of non-operating activity joint venture debt payments,
- include cash from off-coal compensation that will be received annually,

- remove the tax equity financing project investors' shares of AFFO associated with assets under tax equity financing structures so only the Company's share is reflected in the overall metric,
- deduct sustaining capital expenditures and preferred share dividends,
- exclude 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, and
- exclude other typically non-recurring items affecting cash from operations that are not reflective of the long-term performance of the Company's underlying business.

Commencing with the Company's December 31, 2022 quarter-end, the Company refined its AFFO measure to better reflect the purpose of the measure and include in its adjustment to exclude other typically non-recurring items affecting cash from operations that are not reflective of the long-term performance of the Company's underlying business. No comparative AFFO figures have impacted or restated for this change.

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

(unaudited, $ millions)	Three months ended March 31	
	2023	**2022**
Net cash flows from operating activities per condensed interim consolidated statements of cash flows	**349**	**415**
Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows:		
Interest paid	50	38
Change in fair value of derivatives reflected as cash settlement	(111)	(7)
Distributions received from joint ventures	(9)	-
Miscellaneous financing charges paid [1]	2	2
Income taxes paid	14	12
Change in non-cash operating working capital	3	(180)
	(51)	(135)
Net finance expense [2]	(35)	(31)
Current income tax expense	(51)	(15)
Sustaining capital expenditures [3]	(15)	(25)
Preferred share dividends paid	(7)	(10)
Remove tax equity interests' respective shares of adjusted funds from operations	(2)	(4)
Adjusted funds from operations from joint ventures	22	5
Adjusted funds from operations	**210**	**200**
Weighted average number of common shares outstanding (millions)	116.9	116.2
Adjusted funds from operations per share ($)	**1.80**	**1.72**

[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] Includes sustaining capital expenditures net of partner contributions of $3 million and $1 million for the three months ended March 31, 2023 and 2022, respectively.

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 2023 AFFO and adjusted EBITDA guidance, (ii) budgeted 2023 depreciation, and (iii) the generation capacity and timing of Goreway's efficiency upgrade.

These statements are based on certain assumptions and analyses made by the Company considering 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 of facilities) and opportunities including expected growth and capital projects, (iv) status of and impact of policy, legislation and regulations and (v) effective tax 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, natural gas and carbon prices in markets in which the Company operates and the use of derivatives, (ii) regulatory and political environments including changes to environmental, climate, financial reporting, market structure and tax legislation, (iii) generation facility availability, wind capacity factor and performance including maintenance expenditures, (iv) ability to fund current and future capital and working capital needs, (v) acquisitions and developments including timing and costs of regulatory approvals and construction, (vi) changes in the availability of fuel, (vii) ability to realize the anticipated benefits of acquisitions, (viii) limitations inherent in the Company's review of acquired assets, (ix) changes in general economic and competitive conditions and (x) changes in the performance and cost of technologies and the development of new technologies, new energy efficient products, services and programs. See Risks and Risk Management in the Company's Integrated Annual Report for the year ended December 31, 2022, prepared as of February 28, 2023, 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.

Territorial Acknowledgement

In the spirit of reconciliation, Capital Power respectfully acknowledges that we operate within the ancestral homelands, traditional and treaty territories of the Indigenous Peoples of Turtle Island, or North America.

Capital Power's head office is located within the traditional and contemporary home of many Indigenous Peoples of the Treaty 6 region and Métis Nation of Alberta Region 4. We acknowledge the diverse Indigenous communities that are located in these areas and whose presence continues to enrich the community.

About Capital Power

Capital Power (TSX: CPX) is a growth-oriented North American wholesale power producer with a strategic focus on sustainable energy headquartered in Edmonton, Alberta. We build, own, and operate high-quality, utility-scale generation facilities that include renewables and thermal. We have also made significant investments in carbon capture and utilization to reduce carbon impacts. Capital Power owns approximately 7,500 MW of power generation capacity at 29 facilities across North America. Projects in advanced development include approximately 151 MW of owned renewable generation capacity in Alberta and 512 MW of incremental natural gas combined cycle capacity, from the repowering of Genesee 1 and 2 in Alberta.

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CAPITAL POWER CORPORATION

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A), prepared as of April 28, 2023, 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, 2023, the audited consolidated financial statements and the Introduction, Strategy & Targets and Business Report sections of the Integrated Annual Report of Capital Power Corporation for the year ended December 31, 2022 (the 2022 Integrated Annual Report), the Annual Information Form of Capital Power Corporation dated March 1, 2023, and the cautionary statements regarding Forward-Looking Information which begin on page 8.

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, 2023 and March 31, 2022 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 April 28, 2023.

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FORWARD-LOOKING INFORMATION

Forward-looking information or statements included in this MD&A are provided to inform our 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:

- our 2023 performance targets including for facility availability, sustaining capital expenditures, adjusted funds from operations (AFFO) and adjusted EBITDA;
- our commitment to being off-coal in 2023, repowering of Genesee 1 and 2 with or without the addition of battery storage, advancement of the Genesee Carbon Conversion Centre and commercial application of carbon conversion, capture and storage technologies;
- future revenues, expenses, earnings, adjusted EBITDA and AFFO;
- 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;
- the timing of, funding of, generation capacity of, costs of technologies selected for, environmental benefits or commercial and partnership arrangements regarding existing, planned and potential development projects and acquisitions (including phase 2 of Halkirk Wind, the repowering of Genesee 1 and 2 (including being hydrogen ready, carbon conversion ready, and battery storage), the Genesee carbon capture and storage (CCS) project, and the uprate at Goreway;
- future growth and emerging opportunities in our target markets;
- potential opportunities and partnerships with Indigenous communities;
- facility availability and planned outages;
- capital expenditures for facility maintenance and other (sustaining capital, future growth projects, commercial initiatives);
- market and regulation designs and proposals and the impact thereof on the Company's core markets; and
- the impact of climate change.

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 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;
- the development and performance of technology;
- foreign exchange rates; and
- other matters discussed under the Performance Overview, Outlook and Risks and Risk Management sections.

Whether actual results, performance or achievements will conform to our 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 our expectations. Such material risks and uncertainties are:

- changes in electricity, natural gas and carbon prices in markets in which we operate and the use of derivatives;
- regulatory and political environments including changes to environmental, climate, financial reporting, market structure and tax legislation;
- disruptions, or price volatility within the Company's supply chains;
- 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 the availability of fuel;
- ability to realize the anticipated benefits of acquisitions;
- limitations inherent in the Company's review of acquired assets;
- changes in general economic and competitive conditions, including inflation;

- changes in the performance and cost of technologies and the development of new technologies, new energy efficient products, services and programs; and
- risks and uncertainties discussed under the Risks and Risk Management section.

See Risks and Risk Management in our 2022 Integrated Annual Report, 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. Capital Power 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 our 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 wholesale power producer with a strategic focus on sustainable energy headquartered in Edmonton, Alberta. We build, own, and operate high-quality, utility-scale generation facilities that include renewables and thermal. We have also made significant investments in carbon capture and utilization to reduce carbon impacts. Capital Power owns approximately 7,500 megawatts (MW) of power generation capacity at 29 facilities across North America. Projects in advanced development include approximately 151 MW of owned renewable generation capacity in Alberta and 512 MW of incremental natural gas combined cycle capacity from the repowering of Genesee 1 and 2 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

Capital Power's corporate strategy and accelerated pathway towards net zero by 2045 remains unchanged from that disclosed in our 2022 Integrated Annual Report.

PERFORMANCE OVERVIEW

We measure our operational and financial performance in relation to our corporate strategy and progress towards our sustainability objectives through financial and non-financial targets that are approved by the Board. The measurement categories include corporate measures and measures specific to certain groups within Capital Power. The corporate measures are company-wide and include adjusted EBITDA, adjusted funds from operations and safety. The group-specific measures include facility operating margin and other operations measures, committed capital, construction and sustaining capital expenditures on budget and on schedule, and facility site safety.

Operational excellence

Performance measure

Facility availability average	Sustaining capital expenditures [1] (in millions)
94%	$23
Actual results[2]	Actual results[2]
2023 target of 94% or greater	2023 target of $135 to $145

[1] Includes our share of joint venture sustaining capital expenditures of $8 million net of partner contributions of $3 million.
[2] For the three months ended March 31, 2023.

Our facility availability averaged 94% which reflected planned outages at Arlington Valley, Goreway and Shepard. Unplanned outages also occurred at Joffre, EnPower and Clover Bar Energy Centre.

Full year sustaining capital expenditures are expected to be consistent with the target range.

Disciplined growth

Performance measure	2023 target	Status at March 31, 2023
Repowering of Genesee 1 and 2	Continued progress with anticipated in-service date in 2024.	Construction is underway and the anticipated in-service dates remain consistent with target. Capital Power remains committed to be off coal in 2023.
Halkirk 2 Wind (Alberta)	Continued progress with anticipated commercial operations in the fourth quarter of 2024.	The project is expected to meet return expectations with anticipated commercial operations consistent with target.
Growth target	$600 million of committed capital	We continue to explore growth opportunities and expect to be able to achieve this target during the year.

Financial stability and strength

Adjusted funds from operations [1] (in millions)

$210

Actual results[2]
2023 target of $805 to $865

Adjusted EBITDA [1] (in millions)

$401

Actual results[2]
2023 target of $1,455 to $1,515

[1] Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP Financial Measures and Ratios.
[2] For the three months ended March 31, 2023.

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 our Investor Day held in December 2022, we provided financial guidance for 2023 AFFO in the range of $805 million to $865 million and 2023 adjusted EBITDA in the range of $1,455 million to $1,515 million (see Non-GAAP Financial Measures and Ratios). Based on the Company's actual results for the first quarter of 2023 and forecast for the balance of the year, the Company expects AFFO and adjusted EBITDA for 2023 to be trending to the upper end of the respective annual guidance ranges.

Priorities for the remainder of 2023 include progressing our sustainability targets through:

- Continued progression on the repowering of Genesee 1 and 2 and Halkirk 2 Wind,
- Advancement of the carbon capture and storage (CCS) project and carbon conversion technologies at the Genesee facility,
- Continued advancement on potential opportunities and partnerships with Indigenous communities; and
- Ongoing development and strategic acquisitions of renewable and natural gas assets.

The Canadian Federal Budget 2023 released on March 28, 2023 included a number of proposals and expanded programs and initiatives that support Capital Power's sustainability targets, including the CCS development at Genesee. Refer to the Regulatory and Government Matters section of this document for further details.

In 2023, Capital Power's availability target of 94% or greater reflects major scheduled maintenance outages for Clover Bar Energy Center, York Energy, Decatur Energy and Midland Cogen.

The Alberta portfolio position, contracted prices and forward Alberta pool prices for 2024, 2025 and 2026 (all at March 31, 2023) were:

Alberta commercial portfolio	2024	2025	2026
Power			
Hedged Volume (GWh)	8,000	6,500	4,000
Weighted average hedged prices [1] ($/MWh)	Low-$70s	Low-$70s	Low-$70s
Forward Alberta pool prices ($/MWh)	$94	$78	$74
Natural gas			
Hedged Volume (TJ)	70,000	60,000	35,000
Weighted average hedged prices [1,2] ($/GJ)	< $2.00	< $3.00	< $4.00
Forward Alberta natural gas prices ($/GJ)	$3.40	$4.20	$4.25

[1] 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. When long-term forward portfolio optimization hedges are transacted, they reflect the market's expectations for future period pricing.

[2] Net of gains as part of the Company's gas portfolio optimization activities, including sales of previously purchased length.

The power hedged volumes and weighted average hedged prices include origination contracts with contract terms greater than 12 months. The weighted average hedged price of these longer term duration contracts was in the low-$70s per megawatt hour range. In addition to the remaining open baseload position, gas peaking and renewable assets in the Company's Alberta Commercial portfolio are available to capture upside from higher Alberta power prices.

The 2023 targets and forecasts are based on numerous assumptions including power and natural gas price forecasts. 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 our Investor Day held in December 2022, management confirmed 6% annual dividend growth guidance for 2023. Each annual increase is premised on the assumptions listed under Forward-looking information and subject to 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. It is expected that, outside of new growth opportunities, no additional common share equity will be required in 2023 to fund our current growth projects.

NON-GAAP FINANCIAL MEASURES AND RATIOS

Capital Power 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 our joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits (adjusted EBITDA), and (ii) AFFO as financial performance measures.

Capital Power also uses AFFO per share as a performance measure. This measure is a non-GAAP ratio determined by applying AFFO to the weighted average number of common shares used in the calculation of basic and diluted earnings per share.

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 Capital Power, 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 our 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, gains or losses on disposals and other transactions, and unrealized changes in fair value of commodity derivatives and emission credits 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 2023	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**	**Dec 2021**	**Sep 2021**	**Jun 2021**
Revenues and other income	1,267	929	786	713	501	672	377	387
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(723)	(909)	(543)	(429)	(178)	(506)	(162)	(176)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	(179)	247	136	28	18	123	66	24
Adjusted EBITDA from joint ventures [1]	36	36	4	7	7	5	5	6
Adjusted EBITDA	**401**	**303**	**383**	**319**	**348**	**294**	**286**	**241**
Depreciation and amortization	(141)	(139)	(133)	(139)	(142)	(137)	(133)	(132)
Unrealized changes in fair value of commodity derivatives and emission credits	179	(247)	(136)	(28)	(18)	(123)	(66)	(24)
Foreign exchange gains (losses)	1	3	(12)	(7)	1	(1)	(7)	(2)
Net finance expense	(48)	(44)	(40)	(35)	(37)	(44)	(43)	(46)
Gains (losses) on acquisition and disposal transactions	-	(33)	(3)	(1)	-	6	31	(3)
Impairment (losses) reversals	-	-	-	-	-	(52)	(8)	2
Other items [1,2]	(21)	(17)	(4)	(1)	-	(4)	(4)	(5)
Income tax expense	(86)	75	(24)	(31)	(33)	(8)	(18)	(14)
Net income (loss)	**285**	**(99)**	**31**	**77**	**119**	**(69)**	**38**	**17**
Net income (loss) attributable to:								
Non-controlling interests	(1)	(1)	(3)	(3)	(3)	(4)	(2)	(3)
Shareholders of the Company	286	(98)	34	80	122	(65)	40	20
Net income (loss)	**285**	**(99)**	**31**	**77**	**119**	**(69)**	**38**	**17**

1 Total income from joint ventures as per our consolidated statements of income (loss).

2 Includes finance expense, depreciation expense and unrealized changes in fair value of derivative instruments from joint ventures.

Adjusted funds from operations and adjusted funds from operations per share

AFFO and AFFO per share are measures of our ability to generate cash from our operating activities to fund growth capital expenditures, the repayment of debt and the payment of common share dividends.

AFFO represents net cash flows from operating activities adjusted to:

- remove timing impacts of cash receipts and payments that may impact period-to-period comparability which include deductions for net finance expense and current income tax expense, the removal of deductions for interest paid and income taxes paid and removing changes in operating working capital,
- include our share of AFFO of joint venture interests and exclude distributions received from our joint venture interests which are calculated after the effect of non-operating activity joint venture debt payments,
- include cash from off-coal compensation that will be received annually,
- remove the tax equity financing project investors' shares of AFFO associated with assets under tax equity financing structures so only Capital Power's share is reflected in the overall metric,
- deduct sustaining capital expenditures and preferred share dividends,
- exclude the impact of fair value changes in certain unsettled derivative financial instruments that are charged or credited to our bank margin account held with a specific exchange counterparty, and
- exclude other typically non-recurring items affecting cash from operations that are not reflective of the long-term performance of the Company's underlying business.

Commencing with the Company's December 31, 2022 quarter-end, the Company refined its AFFO measure to better reflect the purpose of the measure and include in its adjustment to exclude other typically non-recurring items affecting cash from operations that are not reflective of the long-term performance of the Company's underlying business. No comparative AFFO figures have been impacted or restated for this change.

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

(unaudited, $ millions)	Three months ended March 31	
	2023	**2022**
Net cash flows from operating activities per condensed interim consolidated statements of cash flows	**349**	**415**
Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows:		
Interest paid	50	38
Change in fair value of derivatives reflected as cash settlement	(111)	(7)
Distributions received from joint ventures	(9)	-
Miscellaneous financing charges paid [1]	2	2
Income taxes paid	14	12
Change in non-cash operating working capital	3	(180)
	(51)	(135)
Net finance expense [2]	(35)	(31)
Current income tax expense	(51)	(15)
Sustaining capital expenditures [3]	(15)	(25)
Preferred share dividends paid	(7)	(10)
Remove tax equity interests' respective shares of adjusted funds from operations	(2)	(4)
Adjusted funds from operations from joint ventures	22	5
Adjusted funds from operations	**210**	**200**
Weighted average number of common shares outstanding (millions)	116.9	116.2
Adjusted funds from operations per share ($)	**1.80**	**1.72**

[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] Includes sustaining capital expenditures net of partner contributions of $3 million and $1 million for the three months ended March 31, 2023 and 2022, respectively.

FINANCIAL HIGHLIGHTS

(unaudited, $ millions, except per share amounts)	Three months ended March 31	
	2023	**2022**
Revenues and other income	1,267	501
Adjusted EBITDA [1]	401	348
Net income	285	119
Net income attributable to shareholders of the Company	286	122
Basic earnings per share ($)	2.39	0.96
Diluted earnings per share ($) [2]	2.38	0.96
Net cash flows from operating activities	349	415
Adjusted funds from operations [1]	210	200
Adjusted funds from operations per share ($) [1]	1.80	1.72
Purchase of property, plant and equipment and other assets, net	86	132
Dividends per common share, declared ($)	0.5800	0.5475
Dividends per Series 1 preferred share, declared ($)	0.1638	0.1638
Dividends per Series 3 preferred share, declared ($)	0.3408	0.3408
Dividends per Series 5 preferred share, declared ($)	0.3274	0.3274
Dividends per Series 9 preferred share, declared [3] ($)	N/A	0.3594
Dividends per Series 11 preferred share, declared ($)	0.3594	0.3594

	March 31, 2023	December 31, 2022
Loans and borrowings including current portion	3,474	3,726
Total assets	9,726	10,135

1 The consolidated financial highlights, except for adjusted EBITDA, AFFO and AFFO per share were prepared in accordance with GAAP. See Non-GAAP Financial Measures and Ratios.

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

3 On September 30, 2022, Capital Power redeemed all of our 6 million issued and outstanding 5.75% cumulative rate reset preference shares, Series 9.

AFFO for the three months ended March 31, 2023 was higher than the corresponding period in 2022 primarily due to:

- higher adjusted EBITDA results mainly attributable to higher realized power pricing on our Alberta commercial facilities and the commissioning of Clydesdale Solar in the fourth quarter of 2022;
- higher AFFO from our joint ventures due to the acquisition of Midland Cogen in September 2022; and
- lower sustaining capital expenditures due to fewer scheduled sustaining capital projects in the current period compared with the prior year.

This was offset by higher current income tax expense for the three months ended March 31, 2023.

Revenue and other income for the three months ended March 31, 2023 was higher compared with the corresponding period in 2022 primarily due to drivers of adjusted EBITDA mentioned above and the impact of decreasing forward prices on our commodity derivatives. See Consolidated Net Income and Results of Operations for further 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 earnings 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.

See Liquidity and Capital Resources for discussion of the key drivers of the changes in net cash flows from operating activities.

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

SIGNIFICANT EVENTS

Approval of normal course issuer bid

During the first quarter of 2023, the Toronto Stock Exchange approved Capital Power's normal course issuer bid to purchase and cancel up to 5.8 million of its outstanding common shares during the one-year period from March 3, 2023 to March 2, 2024.

Executed 23-year clean electricity supply agreement for Halkirk 2 Wind

On February 3, 2023, we announced a 23-year clean electricity supply agreement with Public Services and Procurement Canada. The Agreement will provide approximately 250,000 MWh of clean electricity per year initially through Canada-sourced renewable energy credits until Capital Power's proposed Alberta-based Halkirk 2 Wind project is completed, which is expected to be operational by January 1, 2025 (subject to regulatory approval). The 151 MW Halkirk 2 Wind project will provide renewable energy for the remainder of the term – representing approximately 49% of the facility's output. As part of the transaction, Capital Power committed to securing an equity partnership with local Indigenous communities related to the proposed project.

SUBSEQUENT EVENTS

Goreway awarded 6-year contract extension by Ontario IESO

On April 25, 2023, Capital Power and the Ontario Independent Electric System Operator (IESO) executed a 6-year contract extension for Goreway associated with its successful efficiency upgrade bid of approximately 40 megawatts (MW) in IESO's competitive capacity procurement process. The efficiency upgrade will increase Goreway's current combined contracted capacity from 840 MW to 880 MW. The IESO contract extension applies to the new combined contracted capacity of 880 MW and extends the current Clean Energy Supply Contract from 2029 to 2035. The upgrade is expected to be completed in 2025. Goreway is a natural gas-fired combined cycle facility located in Brampton, Ontario.

Avik Dey appointed of as President and Chief Executive Officer, Brian Vaasjo to Retire

On April 19, 2023, the Company's Board of Directors announced that it unanimously selected Avik Dey to be its next President and Chief Executive Officer and become a member of the Board of Directors, effective May 8, 2023. The appointment follows the planned retirement of Brian Vaasjo who will support Mr. Dey in an advisory role for six months to ensure a seamless transition.

Retirement announced for Kate Chisholm, Senior Vice President and Chief Strategy and Sustainability Officer

On April 13, 2023, the Company announced internally that Kate Chisholm, our Senior Vice President and Chief Strategy and Sustainability Officer has advised of her intention to retire effective July 4, 2023. Kate has been an integral part of the Executive Team with outstanding service and valuable contributions since the inception of Capital Power. Announcement for Kate's replacement will occur in due course.

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, 2023 compared with 2022 are presented below followed by further discussion of these items.

(unaudited, $ millions)		
Consolidated net income for the three months ended March 31, 2022		**119**
Increase (decrease) in adjusted EBITDA:		
Alberta commercial facilities and portfolio optimization	47	
Western Canada contracted facilities	(12)	
Ontario contracted facilities	(3)	
U.S. contracted facilities	19	
Corporate	2	53
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits		197
Decrease in depreciation and amortization expense		1
Increase in other items from joint ventures		(21)
Increase in net finance expense		(11)
Increase in income before tax		219
Increase in income tax expense		(53)
Increase in net income		**166**
Consolidated net income for the three months ended March 31, 2023		**285**

Results by facility category and other

	Three months ended March 31							
	2023	2022	2023	2022	2023	2022	2023	2022
	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	7,417	6,893	94	95	813	607		
Alberta commercial facilities								
Genesee 1	809	790	97	93	117	75		
Genesee 2	883	817	100	95	128	77		
Genesee 3	998	980	99	99	141	85		
Clover Bar Energy Centre 1, 2 and 3	150	112	69	87	29	18		
Joffre	154	209	96	100	31	28		
Shepard	715	786	85	100	61	47		
Halkirk Wind	122	150	97	97	21	18		
Clover Bar Landfill Gas	3	-	81	92	-	1		
Alberta commercial facilities	3,834	3,844	93	96	528	349		
Portfolio optimization	N/A	N/A	N/A	N/A	150	107		
	3,834	3,844	93	96	678	456	239	192
Western Canada contracted facilities								
Island Generation	-	7	100	100	3	9		
Quality Wind	104	126	98	93	16	17		
EnPower	4	8	73	99	-	1		
Whitla Wind	384	436	98	98	19	23		
Strathmore Solar [4]	12	3	96	100	1	-		
Clydesdale Solar [4]	27	N/A	97	N/A	2	N/A		
	531	580	98	98	41	50	28	40
Ontario contracted facilities								
York Energy [5]	4	8	100	100	N/A	N/A		
East Windsor	1	3	99	97	8	8		
Goreway	358	599	91	100	73	78		
Kingsbridge 1	31	35	95	98	3	3		
Port Dover and Nanticoke Wind	87	100	96	99	13	15		
	481	745	94	99	97	104	62	65
U.S. contracted facilities								
Decatur Energy, Alabama	240	617	99	94	24	27		
Arlington Valley, Arizona	513	476	81	78	81	33		
Beaufort Solar, North Carolina	6	6	99	100	1	-		
Bloom Wind, Kansas	186	180	97	94	9	9		
Macho Springs Wind, New Mexico	44	34	99	97	5	4		
New Frontier Wind, North Dakota	108	122	95	96	6	6		
Cardinal Point Wind, Illinois	174	196	93	95	14	19		
Buckthorn Wind, Texas	108	93	95	92	7	6		
Midland Cogen, Michigan [5,6]	1,192	N/A	95	N/A	N/A	N/A		
	2,571	1,724	94	90	147	104	72	53
Corporate [7]					33	32	-	(2)
Unrealized changes in fair value of commodity derivatives and emission credits					271	(245)		
Consolidated revenues and other income and adjusted EBITDA					**1,267**	**501**	**401**	**348**

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 and Ratios.

4 Strathmore Solar and Clydesdale Solar was commissioned on March 17, 2022 and December 13, 2022, respectively.

5 York Energy and Midland Cogen are accounted for under the equity method. Capital Power's share of the facilities net income are included in income from joint ventures on the Company's condensed interim consolidated statements of income. Capital Power's share of the facilities adjusted EBITDA are included in adjusted EBITDA above. The equivalent of Capital Power's share of the facilities revenue was $91 million and $9 million for three months ended March 31, 2023 and 2022, respectively. The facilities revenues are not included in the above results.

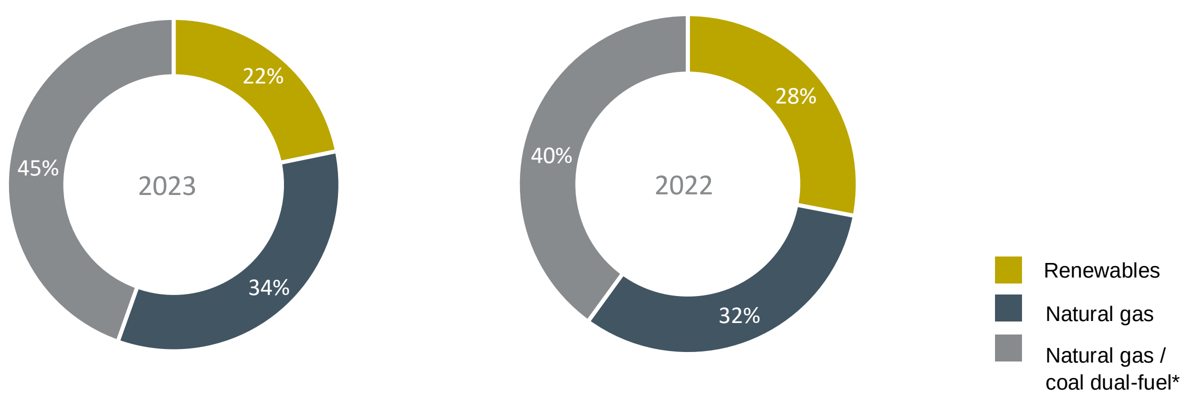
6 Midland Cogen was acquired September 23, 2022.

7 Corporate revenues were offset by interplant category eliminations.

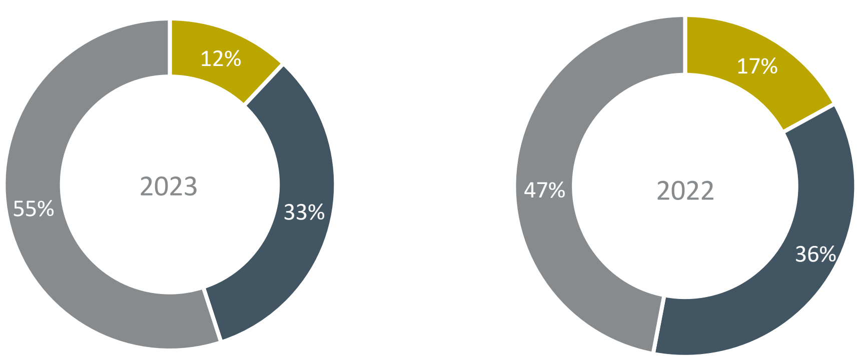
Adjusted EBITDA and revenues and other income by fuel type for the three months ended March 31

Alberta commercial portfolio optimization amounts in adjusted EBITDA and revenues and other income are allocated to fuel source based on generation and off-coal compensation is reflected within natural gas / coal dual-fuel. The period-over-period increases in percentages from our natural gas and natural gas/coal dual-fuel facilities are largely driven by higher realized Alberta power prices in 2023 as compared to 2022. Also contributing to the increase was higher generation year-over-year driven by the acquisition of Midland Cogen. As our renewable facilities are primarily contracted, periods of high power prices has an impact of increasing the contributions from our thermal facilities.

Adjusted EBITDA by fuel type



Revenues and other income by fuel type[1]



1 The allocation of revenues and other income by fuel type excludes the impacts of unrealized changes in fair value of commodity derivatives and emission credits.

* Off-coal in 2023

Energy prices and hedged positions

Alberta commercial portfolio	Three months ended March 31 2023	Three months ended March 31 2022	Year ended December 31, 2022
Power			
Hedged volume at beginning of period (GWh)	3,000	3,000	8,500
Spot power price average ($/MWh)	142	90	162
Realized power price average [1] ($/MWh)	98	84	95
Natural gas			
Hedged volume at beginning of period (TJ)	5,000	8,000	40,000
Spot natural gas price average (AECO) [2] ($/GJ)	3.08	4.54	5.08

1 Realized power price is the average aggregate price realized through selling power generation into the spot market, the Company's commercial contracted sales and portfolio optimization activities. When long-term forward portfolio optimization hedges are transacted, they reflect the market's expectations for future period pricing. Ultimately, spot pricing may vary from expected forward pricing due to a number of factors resulting in realized power prices in a given period that can differ materially from spot pricing.

2 AECO refers to the historical virtual trading hub located in Alberta and known as the NOVA Inventory Transfer system operated by TC Energy. Realized natural gas price is the average aggregate price realized through purchasing of natural gas from the spot market, the Company's commercial contracted purchases and net of gains/losses as part the Company's gas portfolio optimization activities. For the current and comparative periods, this results in realized natural gas prices that are significantly lower than spot natural gas prices.

Alberta commercial facilities and portfolio optimization

The Alberta spot price averaged $142 per MWh in the first quarter of 2023 compared to the $90 per MWh in the same period of 2022. Increased carbon compliance costs from $50 per tonne in 2022 to $65 per tonne in 2023, outages of various gas generating units, combined with increased export opportunities into the Mid-C trading hub contributed to higher spot prices in the current year.

Generation in the first quarter of 2023 was consistent with the same period in 2022. Availability was lower in 2023 primarily due to the net effect of the following outages for our Alberta Commercial facilities:

- a planned outage at Shepard in 2023 compared with no outages in 2022;
- a forced outage at Joffre in 2023 compared with no outages in 2022;
- no planned outage at Genesee 1 in 2023 compared with a planned outage in 2022;
- no outages at Genesee 2 in 2023 compared with a forced outage in 2022;
- Unit 1 at Clover Bar Energy Centre experienced an unplanned outage spanning the majority of 2023 compared with both planned and shorter unplanned outages at Unit 1 in 2022. Despite the lower availability in 2023, Clover Bar Energy Centre was dispatched more frequently in 2023 to capture the higher pool prices.

Revenue and other income and adjusted EBITDA were higher in the first quarter of 2023 compared with 2022 driven by higher prices captured by the portfolio as noted above, partially offset by higher emission compliance costs, and higher operating costs incurred at Joffre in advance of the planned outage scheduled for the second quarter of 2023.

Western Canada contracted facilities

Generation in the first quarter of 2023 compared with the same period in 2022 was lower due to overall lower wind resource availability partially offset by the commencement of operations at Strathmore Solar on March 17, 2022 and Clydesdale Solar on December 13, 2022. Availability in 2023 was consistent with 2022.

Revenue and other income and adjusted EBITDA were lower in 2023 compared with 2022 primarily due the classification of Island Generation's current electricity purchase agreement as a finance lease effective May 2022 and lower revenues at Whitla Wind as a result of receiving higher merchant revenues in the first quarter of 2022 compared with contracted revenues in 2023. Adjusted EBITDA was further impacted by higher transmission costs in 2023 due to higher Alberta pool price compared to the prior year. Offsetting those unfavourable variances was full quarter results from Clydesdale Solar.

Ontario contracted facilities

The Ontario market experienced warmer temperatures and higher renewable generation during the first quarter of 2023 compared to the same period in 2022, leading to lower dispatch from our Ontario thermal facilities. This, combined with low wind resource experienced at Port Dover and Nanticoke during the quarter contributed to lower generation year-over-year. Lower availability for the quarter was primarily a result of Goreway's planned outage;

there were no significant outages in the first quarter of 2022. The aforementioned factors drove lower revenue and other income in 2023 compared with 2022. Adjusted EBITDA was further impacted by higher operating costs at Goreway in 2023 primarily due to the planned outage.

U.S. contracted facilities

The acquisition of Midland Cogen on September 23, 2022 contributed to the higher generation, availability, and adjusted EBITDA year-over-year.

For the remaining U.S. contracted facilities, availability was higher during the first quarter of 2023 when compared with the same period in 2022 due to a shorter planned outage at Arlington Valley and minimal outage hours at Decatur compared to an unplanned outage that occurred late in 2021, extending into the first quarter of 2022. Generation, however, was lower during the first quarter of 2023 compared with the same period in 2022 as Decatur was dispatched less often due to moderate temperatures in the region, resulting in lower demand.

Revenue and other income for the three months ended March 31, 2023, was higher compared to the same period in 2022, while adjusted EBITDA was unfavorable year-over-year. Arlington Valley was dispatched more frequently under its Heat Rate Call Option, due to colder temperatures in the U.S. Desert Southwest Region, resulting in higher spark spreads for its off taker. Although this contributed to higher revenue and other income during the first quarter of 2023 when compared to the same period in 2022, the facility’s adjusted EBITDA was dampened as it was required to purchase more expensive power to satisfy Call Option strikes during its planned outage, and from higher outage costs due to an increased scope of work. Other contributors to the year-over-year variances included lower revenue and other income at Cardinal Point, primarily due to the declining balance of tax attributes available to the facility, and lower generation at Decatur as cited above.

Corporate

Corporate results include (i) revenues for cost recoveries and other income related to off-coal compensation from the Province of Alberta, (ii) costs of support services such as treasury, finance, internal audit, legal, people services, 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 and adjusted EBITDA for the first quarter of 2023 were higher than in 2022 primarily due to management service fees recognized for the operation of Midland Cogen.

Unrealized changes in fair value of commodity derivatives and emission credits

(unaudited, $ millions)	Three months ended March 31			
	2023	**2022**	**2023**	**2022**
Unrealized changes in fair value of commodity derivatives and emission credits	**Revenues and other income**		**Income before tax**	
Unrealized gains (losses) on Alberta power derivatives	149	(17)	129	(20)
Unrealized gains (losses) on U.S. power derivatives	52	(83)	52	(83)
Unrealized gains (losses) on natural gas derivatives	59	(153)	(24)	81
Unrealized gains on emission derivatives	11	8	11	8
Unrealized losses on emission credits held for trading	-	-	11	(4)
	271	**(245)**	**179**	**(18)**

Revenues and other income and adjusted EBITDA relating to our 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 our Alberta commercial facilities and portfolio optimization and U.S. wind facilities and are also excluded from our 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, 2023, the Capital Power recognized unrealized gains of $129 million on Alberta power derivatives primarily due to the reversal of prior period unrealized losses on positions that settled in the quarter, as well as the impact of decreasing forward prices on net forward sale contracts. During the comparable period in 2022, unrealized losses of $20 million on Alberta power derivatives were recognized, primarily due to the impact of increasing forward Alberta power prices on the value of forward sales contracts, partially offset by the reversal of prior period unrealized losses on positions that settled during the quarter.

During the three months ended March 31, 2023, Capital Power recognized unrealized gains of $52 million on U.S. power derivatives mainly due to the reversal of prior period unrealized losses on positions that settled during the quarter as well as the impact of decreasing forward prices on forward sale contracts. During the comparable period in 2022, the U.S. power portfolio recognized unrealized losses of $83 million as a result of the impact of increasing forward power prices on forward sale contracts.

During the three months ended March 31, 2023, Capital Power recognized unrealized losses of $24 million on natural gas derivatives, due primarily to the reversal of prior period unrealized gains on positions that settled during the quarter as well as the impact of decreasing forward prices on forward purchase contracts. During the comparable period in 2022, Capital Power recognized unrealized gains of $81 million on natural gas derivatives, mainly as a result of increasing forward prices on forward purchase contracts.

During the three months ended March 31, 2023, Capital Power recognized unrealized gains of $11 million on emission derivatives, mainly as a result of the reversal of prior period unrealized losses on positions that settled during the quarter, as well as the impact of increasing forward prices on net forward purchase contracts. During the comparable period in 2022, unrealized gains of $8 million on emission derivatives were recognized as a result of the reversal of prior period unrealized losses on positions that settled during the quarter, as well as the impact of increasing forward prices on net forward purchase contracts.

During the three months ended March 31, 2023, Capital Power recognized unrealized gains of $11 million on emission credits held for trading, due mainly to the impact of increasing market prices on inventory value, partially offset by the reversal of prior period unrealized gains on inventory sold during the quarter. During the comparable period in 2022, unrealized losses of $4 million were recognized as a result of the reversal of prior period unrealized gains on inventory sold during that quarter.

Consolidated other expenses and non-controlling interests

(unaudited, $ millions)	Three months ended March 31	
	2023	**2022**
Interest on borrowings less capitalized interest	(38)	(31)
Realized gains (losses) on settlement of interest rate derivatives	4	(2)
Other net finance expense – interest on off-coal compensation from the Province of Alberta, lease liability interest, sundry interest, guarantee and other fees	(4)	(3)
	(38)	(36)
Unrealized (losses) gains representing changes in the fair value of interest rate derivatives	(3)	8
Other net finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to off-coal compensation from the Province of Alberta	(7)	(9)
Total net finance expense	(48)	(37)
Depreciation and amortization	(141)	(142)
Foreign exchange gain	1	1
Other items from joint ventures[1]	(21)	-
Income tax expense	(86)	(33)
Net loss attributable to non-controlling interests	1	3

[1] Includes finance expense, depreciation expense and unrealized changes in fair value of derivative instruments from joint ventures.

Net finance expense

Higher net finance expense for the three months ended March 31, 2023 compared with the same period in the prior year largely reflects higher interest and increased loans and borrowings outstanding due to the Subordinated Notes issued in the fourth quarter of 2022. This was partially offset by higher capitalized interest due to the continued advancement of the Genesee repowering project, lower accretion charges incurred due to off-coal compensation and higher realized gains from settlement of interest rate derivatives.

Other items from joint ventures

Other items from joint ventures includes Capital Power's share of finance expense, depreciation expense and unrealized changes in fair value of derivative instruments from our York Energy and Midland Cogen joint ventures, which are accounted for under the equity method. Other items from joint ventures increased by $21 million in 2023 compared with 2022 primarily due to the acquisition of Midland Cogen joint venture in the third quarter of 2022.

Income tax expense

Income tax expense for the three months ended March 31, 2023, increased compared with the corresponding period in 2022 primarily due to higher overall consolidated net income before tax.

Non-controlling interests

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

COMPREHENSIVE INCOME

(unaudited, $ millions)	Three months ended March 31	
	2023	2022
Net income	285	119
Other comprehensive income (loss):		
Net unrealized gains on derivative instruments	123	59
Net realized losses on derivative instruments reclassified to net income	28	5
Equity-accounted investments	(2)	-
Unrealized foreign exchange losses on the translation of foreign operations	(3)	(11)
Total other comprehensive income, net of tax	146	53
Comprehensive income	**431**	**172**

Other comprehensive income includes fair value adjustments on financial instruments 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, 2022 to March 31, 2023 were as follows:

(unaudited, $ millions)	March 31, 2023	December 31, 2022	Increase (decrease)	Primary reason for increase (decrease)
Trade and other receivables	614	949	(335)	Decrease primarily due to lower AESO pool receipt receivables resulting from lower Alberta pool prices compared with December 2022 prices.
Inventories	320	242	78	Increase due to unrealized gains and purchase of emissions offsets held for trading.
Property, plant and equipment	6,324	6,360	(36)	Decrease mostly due to the impact of depreciation and foreign exchange, partially offset by capital additions for Genesee Repowering.
Trade and other payables	989	1,249	(260)	Decrease due to lower trading margin account payables driven by decreasing forward natural gas prices on net forward purchase contracts and lower natural gas accruals. This was offset by increased accrued emission compliance obligations for the first quarter of 2023 and the impact of lower average spot prices, compared to December 2022, on accrued AESO pool settlements for commercial and industrial customer commodity contracts.
Net derivative financial instruments liabilities	486	741	(255)	Decrease due to reversal of unrealized losses on power positions that settled during the quarter as well as the impact of decreasing forward power pricing on forward sales contracts. These were partially offset by the reversal of unrealized gains on natural gas positions that settled during the quarter as well as the impact of decreasing forward natural gas pricing on forward purchase contracts.
Loans and borrowings (including current portion)	3,474	3,726	(252)	Decrease primarily due to repayments of U.S. dollar bank loans and allocation of income tax benefits to tax-equity investors associated with the Company's tax-equity structures.
Net deferred tax liabilities	590	510	80	Increase primarily due to 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)	**2023**	**2022**	**Change**
Operating activities	349	415	(66)
Investing activities	(86)	(132)	46
Financing activities	(325)	(340)	15

Operating activities

Cash flows from operating activities for the three months ended March 31, 2023 decreased compared with the same period in 2022 mainly due to:

- unfavorable changes in non-cash working capital mainly driven by lower margin account withdrawals resulting from the impact of decreasing forward natural gas prices on forward purchase contracts, increased receivables due to higher Alberta spot pricing in March 2023 and higher purchases of emissions offset inventory held for trading; and
- higher interest paid mainly due to the issuance of Subordinated Notes in the third quarter of 2022.

Partially offsetting the above decreases are:

- increases in adjusted EBITDA described in the Consolidated Net Income and Results of Operations, primarily due to the acquisition of Midland Cogen in September 2022 and higher realized pricing on our Alberta Commercial facilities; and
- favourable fair value changes in the first quarter of 2023 compared with the same period in 2022, most notably driven by the impact of decreasing forward power prices on net forward sale contracts in 2023. These fair value changes in certain unsettled derivative financial instruments are credited to the Company's bank margin account held with a specific exchange counterparty

Investing activities

Cash flows used in investing activities for the three months ended March 31, 2023 decreased compared with the same period in 2022 due to lower year to date capital spend on the repowering of Genesee 1 and 2 and higher capital expenditures for the construction of Strathmore Solar and Clydesdale Solar during the comparable period in the prior year.

Capital expenditures and investments

(unaudited, $ millions)	Pre-2023 actual	Three months ended March 31, 2023 actual	Balance of 2023 estimated [1,2]	Actual or projected total [2]	Targeted completion
Repowering of Genesee 1 and 2 [3]	644	66	313	1,277	Unit 1 in 2023 and unit 2 in 2024
Clydesdale Solar	121	3	-	124	Operations commenced December 2022
Halkirk 2 Wind	1	1	59	274	Fourth quarter of 2024
Commercial initiatives [4]	196	-	12		
Development sites and projects	62	-	-		
Subtotal growth projects		**70**	**384**		
Sustaining – plant maintenance excluding Genesee mine		18			
Total capital expenditures [5]		**88**			
Emission credits held for compliance		1			
Capitalized interest		(8)			
Additions of property, plant and equipment and other assets		**81**			
Change in other non-cash investing working capital and non-current liabilities		5			
Purchase of property, plant and equipment and other assets, net		**86**			

1 The Company's 2023 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 ongoing projects 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 Projected total costs include the 210 MW Genesee Battery Energy Storage System (BESS) to be constructed as part of the repowering project. The BESS project is currently on hold while Capital Power explores alternate means of providing grid frequency support and AESO completes a review process that may result in an increase in Most Severe Single Contingency (MSSC) beyond 466 MW. Modest cost pressures on the repowering project are expected to be substantially offset by the lower cost of an alternate solution to the Genesee BESS project.

4 Commercial initiatives include expected spending on various projects designed to either increase the capacity or efficiency of their respective facilities or to reduce emissions.

5 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, net.

Financing activities

Cash flows used in financing activities decreased in the three months ended March 31, 2023 mainly due to lower net repayments of loans and borrowings. This is partly offset by higher net common share and preferred share dividends paid and higher capitalized interest from the continued advancement of the Genesee repowering project.

The Company's credit facilities consisted of:

(unaudited, $ millions)		At March 31, 2023			At December 31, 2022		
	Maturity timing	**Total facilities**	**Credit facility utilization**	**Available**	**Total facilities**	**Credit facility utilization**	**Available**
Committed credit facilities	2027	1,000			1,000		
Letters of credit outstanding			-			91	
Bankers' acceptances outstanding			-			59	
Bank loans outstanding [1]			121			281	
		1,000	121	879	1,000	431	569
Bilateral demand credit facilities	N/A	1,395			1,397		
Letters of credit outstanding			778			1,171	
		1,395	778	617	1,397	1,171	226
Demand credit facilities	N/A	25	-	25	25	-	25
		2,420	**899**	**1,521**	**2,422**	**1,602**	**820**

[1] U.S. dollar denominated bank loans outstanding totaling US$89 million (December 31, 2022 – US$207 million).

At March 31, 2023, the committed credit facility utilization decreased $310 million compared with December 31, 2022 due to repayment of U.S. and Canadian bank loans and lower letters of credit utilization. The available credit facilities provide adequate funding for ongoing development projects.

Capital Power has surety capacity to accommodate, as part of normal course of operations, the issuance of bonds for certain capital projects and contracts. At March 31, 2023, $99 million of bonds were issued under these facilities.

Capital Power 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.

Capital Power has a corporate credit rating of BBB (low) with a stable trend from DBRS Limited (DBRS), which was affirmed in April 2023. The BBB rating category assigned by DBRS is the fourth highest rating of DBRS's 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 2023 include:

(unaudited, $ millions)	Three months ended March 31, 2023 actual	Balance of 2023 estimated	Total 2023 expected cash requirements
Repayment of debt payable [1]	17	56	73
Interest on loans and borrowings	50	110	160
Capital expenditures – sustaining	23	119	142
Capital expenditures – ongoing growth projects [2]	70	383	453
Capital expenditures – commercial initiatives	-	12	12
Common share dividends [3]	68	207	275
Preferred share dividends	7	24	31
	235	**911**	**1,146**

1 Excludes repayment of credit facilities.

2 Includes repayments of deferred capital expenditures on the Genesee 1 and 2 repowering project.

3 Includes 6% annual dividend growth, subject to approval by the Board of Directors of Capital Power.

Capital Power uses a short-form base shelf prospectus to provide it with the ability, market conditions permitting, to obtain new debt and equity capital when required. Under the short-form base shelf prospectus, Capital Power may issue an unlimited number of common shares, preferred shares, subscription receipts exchangeable for common shares and/or other securities of Capital Power and/or debt securities, including up to $2 billion of medium-term notes by way of a prospectus supplement. This prospectus expires in July 2024.

If the Canadian and U.S. financial markets become unstable, Capital Power's ability to raise new capital, to meet our 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 our PPA, energy supply contract, trading and supplier counterparties. While Capital Power continues to monitor our exposure to 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 and Capital Power's risk mitigation strategies.

Off-statement of financial position arrangements

At March 31, 2023, Capital Power has $778 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements, and to satisfy legislated reclamation requirements.

If Capital Power were to terminate these off-statement of financial position arrangements, the penalties or obligations would not have a material impact on our financial condition, results of operations, liquidity, capital expenditures or resources.

Capital resources

(unaudited, $ millions)	March 31, 2023	December 31, 2022
Loans and borrowings	3,474	3,726
Lease liabilities [1]	152	153
Less cash and cash equivalents	(245)	(307)
Net debt	3,381	3,572
Share capital	3,499	3,498
Deficit and other reserves	(687)	(1,044)
Non-controlling interests	3	6
Total equity	2,815	2,460
Total capital	**6,196**	**6,032**

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

CONTINGENT LIABILITIES, OTHER LEGAL MATTERS AND PROVISIONS

Refer to Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions discussion in our 2022 Integrated Annual Report for details on ongoing legal matters for which there were no notable updates in the current period.

Contingent liabilities

Capital Power and our 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.

RISKS AND RISK MANAGEMENT

For the three months ended March 31, 2023, Capital Power's business and operational risks have remained consistent with those described in our 2022 Integrated Annual Report. Information pertaining to climate-related risks and opportunities can be found on our website within its 2022 Climate Change Disclosure Report.

Details around Capital Power's approach to risk management, including principal risk factors and the associated risk mitigation strategies, are described in our 2022 Integrated Annual Report. These factors and strategies have not changed materially in the three months ended March 31, 2023.

ENVIRONMENTAL MATTERS

The Company recorded decommissioning provisions of $295 million at March 31, 2023 ($278 million as at December 31, 2022) for our generation facilities and the Genesee Mine as Capital Power 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 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.

Capital Power has forward contracts to purchase environmental credits totaling $680 million and forward contracts to sell environmental credits totaling $685 million in future years. Included within these forward purchases and sales are net purchase amounts which will be used to comply with applicable environmental regulations and net sales amounts related to other emissions trading activities.

REGULATORY AND GOVERNMENT MATTERS

Refer to Regulatory Matters discussion in the Company's 2022 Integrated Annual Report for further details that supplement the recent developments discussed below:

Canada

Federal Budget 2023

The Federal Budget 2023 (Budget 2023) was tabled on March 28, 2023. Federal Budget 2023 included proposals for a number of new and expanded programs and initiatives to support investment across a range of zero and low-emitting technologies to advance the Government's clean electricity and net-zero objectives. Federal Budget measures of particular note for Capital Power were the following: (i) reaffirmation of the role and mandate for the Canada Growth Fund (CGF) to support de-risking of large scale decarbonization through instruments such as carbon contracts for differences and a commitment that the CGF will begin investing in the first half of 2023, (ii) direction by the Government that the Canada Infrastructure Bank will have a new priority focus on clean electricity, (iii) enhancements to the 50% refundable investment tax credit (ITC) for carbon capture, utilization and storage , (iv) updates to the 30% refundable Clean Technology ITC that will be available to taxable entities for investments in eligible technologies, (v) a new 15% refundable Clean Electricity ITC that will be available for non-taxable entities for investments in eligible technologies, and (vi) updates to the Clean Hydrogen ITC.

The measures outlined in Federal Budget 2023 are encouraging in terms of Genesee's CCS development. The broader suite of ITC programs proposed in Federal Budget 2023 will also support future renewable and battery projects by the Company, though Management will seek clarification of details relating to aspects of the ITC programs, including with respect to labour requirements that will be part of program eligibility.

Environment and Climate Change Canada (ECCC) Draft Clean Electricity Standard (CES) Regulatory Frame (Proposed Frame)

ECCC released a CES Discussion Paper on March 15, 2022 (Discussion Paper) describing the intended role for a CES as part of a broader suite of policies intended to achieve the Federal Government's objective of achieving a net-zero electricity system by 2035. ECCC released the Proposed Frame for the CES on July 26, 2022, setting out the key elements of the potential performance standard framework that ECCC was proposing based on feedback received on the Discussion Paper.

Based on management's review of the Proposed Frame, Capital Power's entire Alberta natural gas generation fleet, including Genesee 1 and 2 repowering, would qualify as "existing" units, and every unit would only be subject to the CES at the end of its prescribed life or 2035. The Proposed Frame's acknowledgement of a long-term role for natural gas generation, including the provisions for post-prescribed life, within a net-zero framework is also notable. Capital Power continues to assess the potential impacts that the proposed elements of the Proposed Frame may have for Capital Power's existing facilities and prospective interests in its Canadian markets.

Capital Power understands that the ECCC is targeting the publication of the first draft regulations in the Canada Gazette, Part I in Spring 2023, following which will be a formal comment period in advance of its publication in the Canada Gazette, Part II. Capital Power will continue to actively participate in ECCC processes regarding the draft CES and regulations.

Alberta

Most Severe Single Contingency limit

The AESO published its Reliability Requirements Roadmap in March 2023 (Reliability Requirements Roadmap) which outlined technical reliability issues associated with decarbonization of Alberta's grid that the AESO is starting to observe, and others that it anticipates in the near to medium-term. In the immediate term the AESO is concerned with its primary frequency response capabilities which limits the grid's capacity to accommodate large contingencies such as the MSSC. The AESO has identified several immediate and near-term (within 1-2 years) actions to increase its primary frequency response capabilities and has indicated that a full decision on the MSSC limit going forward has been advanced and will be determined by June 2023. The Company will continue to actively engage with the AESO on the MSSC issue and the broader consideration of the issues identified in the Reliability Requirements Roadmap report.

TIER Regulation Amendments

On November 22, 2022, the Government of Canada announced that Alberta's Technology, Innovation and Emissions Reduction (TIER) framework for industrial emissions will remain in effect for the period 2023-2030. On December 15, 2022, Alberta Environment and Protected Area (AEPA) released the TIER Amendment Regulation. As part of the TIER amendments, the electricity benchmark will decline by 2% per year starting on January 1, 2023 reaching 0.3108 tCO2e/MWh in 2030. In 2023, the electricity benchmark is 0.3626 tCO2e/MWh.

The Minister of Environment and Protected Areas signed the Ministerial Order for Alberta's carbon price for 2023-2030 which confirmed that Alberta's carbon price will match the Federal carbon price over the period. Alberta's carbon price in 2023 is $65/tCO2e and will increase annually by $15/tCO2e per year, reaching $170 in 2030. The TIER amendment included sequestration credits and capture recognition tonnes (CCUS credits) as new compliance instruments. Capture recognition credits enable large emitters and opt-in facilities to reduce sequestered emissions from total regulated emissions at carbon capture sites. Under the CCUS credits, facilities capturing CO_2 on site can claim the CCS reductions once captured. Sequestration credits enable recognition under the federal Clean Fuel Regulations. The TIER amendments also increase the emission performance credit and emission offset credit usage limit from the current 60% level to 90% 2026 forward but reduced the credit usage period from eight years to five years. Only new offsets with 2023 vintages and later expire after five years offset and emission credits with 2017-2022 vintages will continue to have eight years credit expiry.

Management believes the package of amendments are positive and provide additional certainty regarding Alberta's carbon pricing framework.

Ontario

Emissions Performance Standards (EPS)

On December 13, 2022, the Ontario Minister of the Environment, Conservation and Parks (MECP) amended the EPS to meet stricter benchmark criteria set by the federal government and extend the program to 2030.

The EPS regulation came into effect on January 1, 2023. Under the EPS, the carbon price will align with the minimum Federal carbon price of $65/tCO2e for the 2023 compliance period, increasing by $15 per year to $170 for the 2030 compliance period. The performance standard for generating electricity using fossil fuels declined from 0.370 tCO2e/MWh to 0.310 tCO2e/MWh effective 2023 and will remain at that level until 2030.

The contracts for Capital Power's York Energy, East Windsor and Goreway facilities have provisions that trigger amendments as a result of changes in GHG cost, the effect of which will limit the impact of changes to carbon compliance costs.

British Columbia

BC Hydro Integrated Resource Plan (IRP)

On March 16, 2023 BC Hydro notified the BC Utilities Commission and participants in the IRP proceeding that they are working on a "signpost" update to their IRP in response to the Government of British Columbia's announcements issuing an Environmental Assessment certificate for Cedar LNG and the establishment of a new energy action framework. BC Hydro expects to have the IRP update completed in early June and anticipates that the update will materially change the 2021 IRP. BC Hydro has indicated that it will be updating its load forecast and that it may include the potential acquisition of new greenfield energy resources and the advancement of capacity resources in the near to medium term. The general nature of the changes being considered as part of the update support the Company's view that Island Generation is necessary to support reliability on Vancouver Island and on the BC Hydro system. The British Columbia Utilities Commission has delayed the current regulatory proceeding until the updated IRP is filed by BC Hydro in June.

British Columbia Output-Based Carbon Pricing System

As part of Budget 2023, the Government of British Columbia (BC) announced the transition to an output-based carbon pricing system (BC OBPS) beginning in April 2024. This new made-in-BC OBPS will ensure emissions reductions for industry continue while also providing flexible options, such as carbon offsets, to meet compliance obligations. The budget also confirmed that these changes will ensure that British Columbia's carbon pricing regime meets federal stringency requirements. Capital Power's operations in British Columbia do not have any carbon tax exposure, as the carbon cost is covered by BC Hydro. Management will continue to monitor the development of the BC OBPS.

United States

Inflation Reduction Act (IRA) Implementation

The IRA passed by Congress and signed into law in August of 2022 puts the United States on a projected path to reduce greenhouse gas emissions 40 percent below 2005 levels in the next decade. Of the IRA's $369 billion investment in addressing climate change, $270 billion will be delivered through tax incentives, putting Treasury and the Internal Revenue Service (IRS) at the forefront of IRA implementation. On April 4, 2023, the U.S. Treasury Department (Treasury) and IRS released guidance that provides detailed information about the bonus under the IRA for clean energy projects and facilities located in communities that have driven and historically been at the forefront of energy production. Developers can receive a bonus of up to 10 percentage points on top of the United States ITC (UITC) and an increase of 10 percent for the Production Tax Credit (PTC).

The energy community bonus for the UITC and PTC is available to developers for locating projects in historical energy communities, including areas with closed coal mines or coal-fired power plants. The bonus is also available to areas that have significant employment or local tax revenues from fossil fuels and higher than average unemployment. To qualify for the bonus, certain criteria related to direct employment, local tax revenues, and unemployment rates must be met. Brownfields, which are properties contaminated by hazardous materials or other pollutants, also qualify as energy communities.

Treasury and IRS have partnered with the Interagency Working Group on Energy Communities to provide a searchable mapping tool that helps identify areas that may be eligible for the energy communities bonus. The tool will be updated regularly as additional data becomes available.

Management continues to monitor the risks and opportunities that these provisions provide to our existing commercial assets and portfolio of solar projects undergoing due diligence and business development. Further, the increase in zero emission regulatory incentives may increase pressure on thermal based assets over time.

U.S. Clean Air Act

In April 2023, the U.S. Environmental Protection Agency (EPA) announced the proposed strengthening and updating the Mercury and Air Toxics Standards (MATS) for coal-fired power plants, achieving important hazardous air pollutant emissions reductions and ensuring standards reflect the latest advancements in pollution control technologies. The proposal would require coal plants to reduce their emissions of toxic metals such as nickel and arsenic by 67 percent. This is achieved via lower limits on "filterable" particulate matter. EPA expects 500 megawatts of capacity to close in response to the tighter standard.

Management continues to monitor the status of the regulation. When these regulations are finalized there will be an expected increased need for alternative sources of reliable baseline power in the United States beyond coal, particularly natural gas. Such rulemaking would benefit the Company's existing portfolio of natural gas assets and have a positive impact on our general strategy to acquire further mid-life natural gas assets.

Michigan Legislation

In Michigan the Senate Democrats are introducing comprehensive climate and clean energy legislation. An outline of the legislation was released to the public by Senate leadership in early April, and a full bill is expected to be introduced in the near term. Management will continue to monitor the status of the proposed legislation and its impact to our existing assets. Capital Power's portfolio of greenfield solar opportunities in Michigan will benefit from a legislative approach directionally moving towards low or zero carbon goals.

USE OF JUDGMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management made judgments, estimates and assumptions that affect the application of Capital Power'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 Capital Power's use of judgments and estimates as described in our 2022 Integrated Annual Report.

FINANCIAL INSTRUMENTS

The classification, carrying amounts and fair values of financial instruments held at March 31, 2023 and December 31, 2022 were as follows:

(unaudited, $ millions)		March 31, 2023		December 31, 2022	
	Fair value hierarchy level [1]	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:					
Amortized cost					
Cash and cash equivalents	N/A	245	245	307	307
Trade and other receivables [2]	N/A	557	557	892	892
Government grant receivable [3]	Level 2	369	338	367	317
Fair value through income or loss					
Derivative financial instruments assets – current and non-current	See below	409	409	405	405
Fair value through other comprehensive income					
Derivative financial instruments assets – current and non-current	See below	44	44	78	78
Financial liabilities:					
Other financial liabilities					
Trade and other payables	N/A	989	989	1,249	1,249
Loans and borrowings [3]	Level 2	3,474	3,377	3,726	3,590
Fair value through income or loss					
Derivative financial instruments liabilities – current and non-current	See below	776	776	944	944
Fair value through other comprehensive income					
Derivative financial instruments liabilities – current and non-current	See below	163	163	280	280

[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, 2023 to our risk management and hedging activities as described in our 2022 Integrated Annual Report.

The derivative financial instruments assets and liabilities held at March 31, 2023 compared with December 31, 2022 and used for risk management purposes were measured at fair value and consisted of the following:

(unaudited, $ millions)		March 31, 2023				
	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	9	368	35	11	423
	Level 3	-	30	-	-	30
		9	398	35	11	453
Derivative financial instruments liabilities	Level 2	(145)	(357)	(18)	-	(520)
	Level 3	-	(419)	-	-	(419)
		(145)	(776)	(18)	-	(939)
Net derivative financial instruments (liabilities) assets		**(136)**	**(378)**	**17**	**11**	**(486)**

(unaudited, $ millions)		December 31, 2022				
	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	31	371	47	14	463
	Level 3	-	20	-	-	20
		31	391	47	14	483
Derivative financial instruments liabilities	Level 2	(262)	(468)	(18)	-	(748)
	Level 3	-	(476)	-	-	(476)
		(262)	(944)	(18)	-	(1,224)
Net derivative financial instruments (liabilities) assets		**(231)**	**(553)**	**29**	**14**	**(741)**

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 (loss) 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 (loss) and recognized within finance expense over the life of the debt, consistent with the interest expense on the hedged debt. When foreign exchange derivatives are used to hedge the risk of variability in cash flows resulting from foreign currency exchange rate fluctuations on future capital expenditures, realized gains and losses are deferred within accumulated other comprehensive income (loss) and then recorded in property, plant and equipment and amortized through depreciation and amortization over the estimated useful life of the hedged property, plant and equipment.

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 our 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 Capital Power's disclosure controls and procedures and internal controls over financial reporting that occurred during the three months ended March 31, 2023 that have materially affected or are reasonably likely to materially affect disclosures of required information and internal control over financial reporting.

SUMMARY OF QUARTERLY RESULTS

(GWh)	Three months ended							
Electricity generation	**Mar 2023**	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**	**Dec 2021**	**Sep 2021**	**Jun 2021**
Total generation	7,417	8,049	6,993	6,638	6,893	6,103	6,103	4,975
Alberta commercial facilities								
Genesee 1	809	869	863	733	790	877	824	708
Genesee 2	883	916	803	843	817	259	156	701
Genesee 3	998	543	988	1,010	980	1,006	1,009	951
Clover Bar Energy Centre 1, 2 and 3	150	278	218	72	112	135	235	67
Joffre	154	45	135	187	209	136	166	180
Shepard	715	829	824	814	786	714	739	379
Halkirk Wind	122	139	87	124	150	145	98	111
Clover Bar Landfill Gas	3	2	2	3	-	-	-	-
	3,834	3,621	3,920	3,786	3,844	3,272	3,227	3,097
Western Canada contracted facilities								
Island Generation	-	4	-	-	7	16	424	114
Quality Wind	104	124	93	70	126	130	101	83
EnPower	4	4	2	4	8	6	-	7
Whitla Wind	384	381	238	349	436	307	156	178
Strathmore Solar [1]	12	10	26	26	3	N/A	N/A	N/A
Clydesdale Solar [2]	27	6	N/A	N/A	N/A	N/A	N/A	N/A
	531	529	359	449	580	459	681	382
Ontario contracted facilities								
York Energy	4	5	8	6	8	4	6	5
East Windsor	1	4	6	3	3	3	4	4
Goreway	358	655	721	234	599	383	453	159
Kingsbridge 1	31	36	14	23	35	32	13	20
Port Dover and Nanticoke	87	91	50	67	100	81	47	66
	481	791	799	333	745	503	523	254
U.S. contracted facilities								
Decatur Energy, Alabama	240	617	785	752	617	789	381	240
Arlington Valley, Arizona	513	907	685	659	476	501	876	461
Beaufort Solar, North Carolina	6	5	8	9	6	6	8	8
Bloom Wind, Kansas	186	171	126	208	180	147	132	177
Macho Springs Wind, New Mexico	44	31	17	48	34	30	15	41
New Frontier Wind, North Dakota	108	117	83	116	122	126	92	93
Cardinal Point Wind, Illinois	174	170	86	167	196	177	93	141
Buckthorn Wind, Texas	108	82	75	81	99	93	75	81
Midland Cogen, Michigan [3]	1,192	1,008	61	N/A	N/A	N/A	N/A	N/A
	2,571	3,108	1,915	2,070	1,724	1,869	1,672	1,242

1 Strathmore Solar was commissioned on March 17, 2022.

2 Clydesdale Solar was commissioned on December 13, 2022.

3 Midland Cogen was acquired on September 23, 2022.

(%)	Three months ended							
Facility availability	Mar 2023	Dec 2022	Sep 2022	Jun 2022	Mar 2022	Dec 2021	Sep 2021	Jun 2021
Total average facility availability	94	90	96	92	95	89	91	84
Alberta commercial facilities								
Genesee 1	97	99	99	86	93	100	94	92
Genesee 2	100	99	93	100	95	29	19	100
Genesee 3	99	54	99	100	99	100	99	95
Clover Bar Energy Centre 1, 2 and 3	69	84	93	89	87	83	97	94
Joffre	96	53	81	96	100	82	92	95
Shepard	85	100	98	100	100	99	100	50
Halkirk Wind	97	96	94	98	97	98	96	98
Clover Bar Landfill Gas	83	82	69	74	92	75	24	-
	93	84	95	96	96	84	83	87
Western Canada contracted facilities								
Island Generation	100	91	100	100	100	97	96	89
Quality Wind	98	97	99	98	93	97	96	98
EnPower	73	99	92	99	99	98	100	93
Whitla Wind	98	96	92	97	98	97	95	98
Strathmore Solar [1]	96	100	100	100	100	N/A	N/A	N/A
Clydesdale Solar [2]	97	100	N/A	N/A	N/A	N/A	N/A	N/A
	98	95	96	99	98	97	96	94
Ontario contracted facilities								
York Energy	100	100	96	100	100	89	87	100
East Windsor	99	73	93	76	97	88	100	100
Goreway	91	99	100	59	100	91	100	89
Kingsbridge 1	95	98	96	99	98	99	99	98
Port Dover and Nanticoke	96	96	90	99	99	97	90	99
	94	97	98	71	99	91	97	93
U.S. contracted facilities								
Decatur Energy, Alabama	99	76	98	100	94	82	94	51
Arlington Valley, Arizona	81	99	97	96	78	99	100	78
Beaufort Solar, North Carolina	99	99	100	99	100	98	96	97
Bloom Wind, Kansas	97	94	95	94	94	90	90	98
Macho Springs Wind, New Mexico	99	98	97	98	97	98	97	98
New Frontier Wind, North Dakota	95	92	94	95	96	97	95	97
Cardinal Point Wind, Illinois	93	96	96	98	95	99	96	97
Buckthorn Wind, Texas	95	93	92	90	92	94	96	94
Midland Cogen, Michigan [3]	95	92	86	N/A	N/A	N/A	N/A	N/A
	94	89	96	97	90	91	96	72

1 Strathmore Solar was commissioned on March 17, 2022.

2 Clydesdale Solar was commissioned on December 13, 2022.

3 Midland Cogen was acquired on September 23, 2022.

Financial results

(unaudited, $ millions)	Three months ended							
	Mar 2023	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**	**Dec 2021**	**Sep 2021**	**Jun 2021**
Revenues and other income								
Alberta commercial facilities and portfolio optimization	678	656	573	423	456	380	313	314
Western Canada contracted facilities	41	41	29	30	50	43	28	25
Ontario contracted facilities	97	118	126	89	104	88	82	66
U.S. contracted facilities	147	198	110	122	104	97	101	86
Corporate [1]	33	33	33	33	32	32	32	32
Unrealized changes in fair value of commodity derivatives and emission credits	271	(117)	(85)	16	(245)	32	(179)	(136)
	1,267	**929**	**786**	**713**	**501**	**672**	**377**	**387**
Adjusted EBITDA [2]								
Alberta commercial facilities and portfolio optimization	239	162	234	182	192	172	132	136
Western Canada contracted facilities	28	28	17	20	40	34	20	18
Ontario contracted facilities [3]	62	67	59	56	65	57	53	49
U.S. contracted facilities [3]	72	62	92	67	53	35	85	35
Corporate	-	(16)	(19)	(6)	(2)	(4)	(4)	3
	401	**303**	**383**	**319**	**348**	**294**	**286**	**241**

1 Revenues are offset by interplant category revenue eliminations.

2 Adjusted EBITDA is a non-GAAP financial measure (see Non-GAAP Financial Measures and Ratios).

3 Ontario contracted facilities and U.S. contracted facilities include adjusted EBITDA from the York Energy and Midland Cogen joint ventures, respectively.

Quarterly revenues, net income 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 2023	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**	**Dec 2021**	**Sep 2021**	**Jun 2021**
Revenues and other income	1,267	929	786	713	501	672	377	387
Adjusted EBITDA [1, 2,]	401	303	383	319	348	294	286	241
Net income (loss)	285	(99)	31	77	119	(69)	38	17
Net income (loss) attributable to shareholders of the Company	286	(98)	34	80	122	(65)	40	20
Basic earnings (loss) per share ($)	2.39	(0.91)	0.21	0.59	0.96	(0.67)	0.23	0.05
Diluted earnings (loss) per share ($)[3]	2.38	(0.91)	0.20	0.59	0.96	(0.67)	0.23	0.05
Net cash flows from operating activities	349	42	370	108	415	185	347	129
Adjusted funds from operations [1]	210	140	328	180	200	149	206	91
Adjusted funds from operations per share ($) [1]	1.80	1.20	2.81	1.55	1.72	1.28	1.78	0.83
Purchase of property, plant and equipment and other assets, net	86	179	224	147	132	198	176	151

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

2 Includes adjusted EBITDA from the York Energy and Midland Cogen joint ventures.

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

	Three months ended							
Spot price averages	**Mar 2023**	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**	**Dec 2021**	**Sep 2021**	**Jun 2021**
Alberta power ($ per MWh)	142	214	221	122	90	107	100	105
Alberta natural gas (AECO) ($ per Gj)	3.08	4.91	4.02	6.86	4.54	4.48	3.32	3.03
Capital Power's Alberta portfolio average realized power price ($ per MWh)	98	111	101	85	84	84	75	75

Factors impacting results for the previous quarters

Significant events and items which affected results for the previous quarters were as follows:

Fourth quarter of 2022 - For the quarter ended December 31, 2022, Capital Power recorded AFFO of $140 million compared to $149 million for the quarter ended December 31, 2021. Contributing to the AFFO for the quarter ended December 31, 2022 was AFFO due to the acquisition of Midland Cogen and higher adjusted EBITDA from our Ontario Contracted facilities mainly driven by more frequent dispatch at Goreway. These favourable impacts to AFFO were partially offset by unfavorable results from our emissions trading portfolio as a result of a strategy to optimize our offset credit inventory and lower adjusted EBITDA at Island Generation due to new EPA classification as a finance lease. In addition, we incurred higher sustaining capital expenditures during the quarter compared to the fourth quarter in 2021, partially offset by lower current income tax expense due to changes in unrecognizable tax benefits, lower amounts attributable to tax-equity interests, and differences associated with applicable jurisdictional tax rates. Net loss attributable to shareholders of $98 million was recorded in the fourth quarter ended December 31, 2022 compared to net loss attributable to shareholders of $65 million for the quarter ended December 31, 2021. In addition to the above mentioned factors, further contributions to the net loss in the fourth quarter of 2022 included higher unrealized losses on commodity derivatives and emission credits of $124 million most notably related to the impact of increasing forward power prices on Alberta net forward sale contracts partially offset by decreasing forward power prices on our U.S. net forward sale contracts, a provision for PPA termination fees on the Bear Branch Solar, Hornet Solar and Hunter's Cove Solar projects and a write-down of inventory related to end-of-life of coal operations at Genesee. In addition, during the fourth quarter of 2021, an impairment loss of $52 million related to the Island Generation facility was recorded with no impairment loss in the current period.

Third quarter of 2022 - For the quarter ended September 30, 2022, Capital Power recorded net income attributable to shareholders of $34 million compared to net income attributable to shareholders of $40 million for the quarter ended September 30, 2021. Decreases in net income were due to higher unrealized losses on commodity derivatives and emission credits in the third quarter of 2022 of $70 million due to the impact of increasing forward power prices on Alberta and U.S. net forward sale contracts and higher unrealized gains on natural gas forward purchase contracts in the prior comparative period. In addition, $31 million of gains on disposals and other transactions was recorded during the three months ended September 30, 2021, including insurance recoveries, net of related expenses to repair Genesee 2 and a gain on decommissioning of the Southport and Roxboro facilities to reflect lower than expected decommissioning costs. These decreases were partially offset by higher adjusted EBITDA from our Alberta commercial facilities mainly attributable to the Genesee 2 generator failure in 2021, higher generation and higher realized power pricing on our Alberta commercial facilities during the 2022 period.

Second quarter of 2022 - For the quarter ended June 30, 2022, Capital Power recorded net income attributable to shareholders of $80 million compared to net income attributable to shareholders of $20 million for the quarter ended June 30, 2021. Increases in net income were due to: higher adjusted EBITDA from our Alberta commercial facilities mainly attributable to the higher generation and realized power pricing on our Alberta commercial facilities, more frequent dispatch and higher availability from our U.S. contracted thermal facilities and strong wind resources experienced at our U.S. wind facilities. Lower net finance expense in the second quarter of 2022 was largely due to lower interest on decreased loans and borrowings, higher capitalized interest from the continued advancement of the Genesee repowering project and higher unrealized gains on non-hedge interest rate swaps driven by larger impacts of increasing market interest rates in the second quarter of 2022 compared to 2021. These increases were partially offset by higher depreciation expense due to phases 2 and 3 of Whitla Wind (commenced commercial operations in December 2021), Strathmore Solar (commenced commercial operations in March 2022) and further shortened useful life of the Genesee Mine, partially offset by the classification of Island Generation EPA as a finance lease during the second quarter of 2022. Further decreases to net income were due to higher unrealized foreign exchange losses from the revaluation of U.S. dollar denominated debt and higher income tax expense primarily due to higher consolidated net income before tax in the second quarter of 2022 coupled with a $10 million deferred income tax benefit in the prior period that was attributable to lower applicable jurisdictional tax rates, of which there is no comparable tax recovery recognized in 2022.

First quarter of 2022 - For the quarter ended March 31, 2022, Capital Power recorded net income attributable to shareholders of $122 million compared to net income attributable to shareholders of $103 million for the quarter ended March 31, 2021. Increases in net income were due largely to higher adjusted EBITDA from our Alberta commercial facilities due to higher generation and higher realized Alberta power prices, higher dispatch at Goreway and wind resource availability at Port Dover and Nanticoke Wind and the commissioning of phases 2 and 3 of Whitla Wind in December 2021. Net finance expense was lower for the quarter ended March 31, 2022 largely due to lower interest on decreased loans and borrowings outstanding. Unrealized losses on commodity derivatives and emission credits were $11 million higher in the first quarter of 2022 due to the impact of increasing forward power prices on Alberta and U.S. net forward sale contracts partially offset by the impact of increasing forward natural gas prices on net forward purchase contracts. Further decreases to net income during the quarter were due to: lower adjusted EBITDA from U.S contracted facilities primarily driven by the impacts of the extreme weather event at Buckthorn Wind in February 2021; higher depreciation expense due to commencement of commercial operations of phases 2 and 3 of Whitla Wind; and higher income tax expense primarily due to higher consolidated net income before tax in the first quarter of 2022.

Fourth quarter of 2021 - For the quarter ended December 31, 2021, Capital Power recorded net loss attributable to shareholders of $65 million compared to net income attributable to shareholders of $3 million for the quarter ended December 31, 2020. Decreases in net income were driven by an impairment loss of $52 million related to the Island Generation facility in the fourth quarter of 2021 compared to the impairment recorded in the fourth quarter of 2020 related to the cancellation of the Genesee 1 and 2 dual-fuel project. Unrealized losses on commodity derivatives and emission credits in the fourth quarter of 2021 were $104 million higher than in the fourth quarter of 2020, most notably related to the impact of increasing forward power prices on Alberta and U.S. net forward sale contracts and the impact of decreasing forward natural gas prices on net forward purchase contracts during the fourth quarter of 2021. In addition, net income was reduced compared to the fourth quarter of 2020 by lower adjusted EBITDA from our U.S. contracted facilities, including the impact of the retirement of the Southport and Roxboro facilities, and higher depreciation expense due to accelerated depreciation of Genesee 1 and 2 coal assets and the Genesee Mine. Partially offsetting these operational variances were higher Alberta commercial adjusted EBITDA due largely to higher captured prices and the impacts of the Genesee 1 and 2 PPA expiry, and lower net finance expense.

Third quarter of 2021 - For the quarter ended September 30, 2021, Capital Power recorded net income attributable to shareholders of $40 million compared to net income attributable to shareholders of $108 million for the quarter ended September 30, 2020. Decreases in net income were due to: lower adjusted EBITDA from U.S. contracted facilities, including the impact of the retirement of the Southport and Roxboro facilities effective March 31, 2021, unrealized losses on commodity derivatives and emission credits that were $97 million higher than the unrealized gains in the third quarter of 2020 mainly due to the impact of increasing forward prices on Alberta and U.S. power net forward sale contracts, partially offset by the impact of increasing forward prices on natural gas net forward purchase contracts; and higher depreciation expense due to accelerated depreciation of Genesee 1 and 2 coal assets and the Genesee Mine. These decreases were partially offset by $31 million of gains on disposals and other transactions including insurance recoveries, net of related expenses to repair Genesee 2 and a gain on decommissioning of the Southport and Roxboro facilities to reflect lower than expected decommissioning costs. Lastly, income tax expense was lower in the third quarter of 2021 primarily due to lower consolidated income before tax.

Second quarter of 2021 - For the quarter ended June 30, 2021, Capital Power recorded net income attributable to shareholders of $20 million compared to net income attributable to shareholders of $23 million for the quarter ended June 30, 2020. Decreases in net income were due to: lower adjusted EBITDA from U.S. contracted facilities primarily due to the retirement of the Southport and Roxboro facilities effective March 31, 2021; the impacts of the strengthening Canadian dollar; unrealized losses on commodity derivatives and emission credits that were $15 million higher than in the second quarter of 2020 mainly due to the impact of increasing forward prices on U.S. power forward sale contracts, partially offset by unrealized gains on natural gas net forward purchase contracts; higher depreciation expense due to accelerated depreciation of Genesee 1 and 2 coal assets and the Genesee Mine; and unrealized foreign exchange losses on outstanding foreign currency non-hedge sale contracts transacted during the second quarter of 2021. These decreases were largely offset by higher adjusted EBITDA from Alberta commercial facilities due to higher realized Alberta power prices and the dispatch of Genesee 1 and 2 being on a merchant basis and the accelerated recognition of off-coal compensation.

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 2023	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**	**Dec 2021**	**Sep 2021**	**Jun 2021**
Share price ($/common share)								
High	46.90	50.28	51.90	46.51	41.98	45.05	45.04	42.28
Low	40.06	40.69	44.34	40.48	36.35	37.95	39.99	36.22
Close	41.64	46.33	46.90	45.01	40.71	39.46	42.71	40.95
Volume of shares traded (millions)	25.1	23.4	28.2	19.9	21.6	15.8	13.4	21.3

Outstanding share and partnership unit data

At April 25, 2023, the Company had 116.925 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), 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 at April 25, 2023 were 118.913 million. The outstanding special limited voting share is held by EPCOR.

Capital Power issued 350,000 Series 2022-A Class A Preferred Shares to the Computershare Trust Company of Canada, to be held in trust.

At April 25, 2023, CPLP had 198.113 million general partnership units outstanding and 737.362 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, 2023 and 2022

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Financial Statements
Three months ended March 31, 2023 and 2022

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, 2023	2022
Revenues	$ 1,214	$ 446
Other income	53	55
Energy purchases and fuel	(604)	(74)
Gross margin	663	427
Other raw materials and operating charges	(44)	(33)
Staff costs and employee benefits expense	(41)	(42)
Depreciation and amortization	(141)	(142)
Other administrative expense	(34)	(29)
Foreign exchange gain	1	1
Operating income	404	182
Net finance expense	(48)	(37)
Income from joint ventures	15	7
Income before tax	371	152
Income tax expense (note 3)	(86)	(33)
Net income	$ 285	$ 119
Attributable to:		
Non-controlling interests	$ (1)	$ (3)
Shareholders of the Company	$ 286	$ 122

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

	2023	2022
Basic (note 4)	$ 2.39	$ 0.96
Diluted (note 4)	$ 2.38	$ 0.96

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, 2023	2022
Net income	$ 285	$ 119
Other comprehensive income (loss):		
Items that are or may be reclassified subsequently to net income:		
Cash flow hedges:		
Unrealized gains on derivative instruments[1]	123	59
Reclassification of losses on derivative instruments to net income for the period[2]	28	5
Equity-accounted investments[3]	(2)	-
Net investment in foreign subsidiaries:		
Unrealized losses[4]	(3)	(11)
Total items that are or may be reclassified subsequently to net income, net of tax	146	53
Total other comprehensive income, net of tax	146	53
Total comprehensive income	$ 431	$ 172
Attributable to:		
Non-controlling interests	$ (1)	$ (3)
Shareholders of the Company	$ 432	$ 175

[1] For the three months ended March 31, 2023 and 2022, net of income tax expenses of $37 and of $18, respectively.

[2] For the three months ended March 31, 2023 and 2022, net of reclassification of income tax recoveries of $9 and $2, respectively.

[3] For the three months ended March 31, 2023 and 2022, net of income tax recoveries of $1 and nil, respectively.

[4] For the three months ended March 31, 2023 and 2022, net of income tax expenses of nil.

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Financial Position
(Unaudited, in millions of Canadian dollars)

	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 245	$ 307
Trade and other receivables	614	949
Inventories	320	242
Derivative financial instruments assets (note 5)	154	188
	1,333	1,686
Non-current assets:		
Other assets	47	49
Derivative financial instruments assets (note 5)	299	295
Finance lease receivable	32	34
Government grant receivable	312	310
Deferred tax assets	18	20
Equity-accounted investments	438	437
Right-of-use assets	124	127
Intangible assets and goodwill	799	817
Property, plant and equipment	6,324	6,360
Total assets	$ 9,726	$ 10,135
Liabilities and equity		
Current liabilities:		
Trade and other payables	$ 989	$ 1,249
Derivative financial instruments liabilities (note 5)	386	600
Loans and borrowings	129	133
Deferred revenue and other liabilities	139	158
Provisions	45	72
	1,688	2,212
Non-current liabilities:		
Derivative financial instruments liabilities (note 5)	553	624
Loans and borrowings	3,345	3,593
Lease liabilities	145	146
Deferred revenue and other liabilities	237	245
Deferred tax liabilities	608	530
Provisions	335	325
	5,223	5,463
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 6)	3,499	3,498
Deficit	(624)	(835)
Other reserves	(63)	(209)
Deficit and other reserves	(687)	(1,044)
	2,812	2,454
Non-controlling interests	3	6
Total equity	2,815	2,460
Total liabilities and equity	$ 9,726	$ 10,135

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 (note 6)	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, 2023	$ 3,498	$ (264)	$ 53	$ (8)	$ 10	$ (835)	$ 2,454	$ 6	$ 2,460
Net income	-	-	-	-	-	286	286	(1)	285
Other comprehensive income (loss):									
Cash flow derivative hedge gains	-	160	-	-	-	-	160	-	160
Reclassification of derivative hedge losses to net income	-	37	-	-	-	-	37	-	37
Equity-accounted investments	-	(3)	-	-	-	-	(3)	-	(3)
Unrealized losses on foreign currency translation	-	-	(3)	-	-	-	(3)	-	(3)
Tax on items recognized directly in equity	-	(45)	-	-	-	-	(45)	-	(45)
Other comprehensive income (loss)	$ -	$ 149	$ (3)	$ -	$ -	$ -	$ 146	$ -	$ 146
Total comprehensive income (loss)	-	149	(3)	-	-	286	432	(1)	431
Distributions to non-controlling interests	-	-	-	-	-	-	-	(2)	(2)
Common share dividends (note 6)	-	-	-	-	-	(68)	(68)	-	(68)
Preferred share dividends (note 6)	-	-	-	-	-	(7)	(7)	-	(7)
Share options exercised	1	-	-	-	-	-	1	-	1
Equity as at March 31, 2023	$ 3,499	$ (115)	$ 50	$ (8)	$ 10	$ (624)	$ 2,812	$ 3	$ 2,815

[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 Changes in Equity
(Unaudited, in millions of Canadian dollars)

	Share capital (note 6)	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, 2022	$ 3,631	$ (84)	$ (28)	$ (17)	$ 10	$ (671)	$ 2,841	$ 18	$ 2,859
Net income	-	-	-	-	-	122	122	(3)	119
Other comprehensive income (loss):									
Cash flow derivative hedge gains	-	77	-	-	-	-	77	-	77
Reclassification of derivative hedge losses to net income	-	7	-	-	-	-	7	-	7
Unrealized losses on foreign currency translation	-	-	(11)	-	-	-	(11)	-	(11)
Tax on items recognized directly in equity	-	(20)	-	-	-	-	(20)	-	(20)
Other comprehensive income (loss)	$ -	$ 64	$ (11)	$ -	$ -	$ -	$ 53	$ -	$ 53
Total comprehensive income (loss)	-	64	(11)	-	-	122	175	(3)	172
Common share dividends (note 6)	-	-	-	-	-	(64)	(64)	-	(64)
Preferred share dividends (note 6)	-	-	-	-	-	(10)	(10)	-	(10)
Share options exercised	3	-	-	-	-	-	3	-	3
Equity as at March 31, 2022	$ 3,634	$ (20)	$ (39)	$ (17)	$ 10	$ (623)	$ 2,945	$ 15	$ 2,960

[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, 2023	2022
Cash flows from operating activities:		
Net income	$ 285	$ 119
Non-cash adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	141	142
Net finance expense	48	37
Fair value changes on commodity derivative instruments and emission credits held for trading	(179)	18
Foreign exchange gain	(1)	(1)
Income tax expense	86	33
Income from joint ventures	(15)	(7)
Recognition of government grant deferred revenue	(31)	(31)
Tax equity attributes	(20)	(22)
Other items	4	5
Change in fair value of derivative instruments reflected as cash settlement	111	7
Distributions received from joint ventures	9	-
Interest paid	(50)	(38)
Income taxes paid	(14)	(12)
Other cash items	(22)	(15)
Change in non-cash operating working capital	(3)	180
Net cash flows from operating activities	349	415
Cash flows used in investing activities:		
Purchase of property, plant and equipment and other assets, net[1]	(86)	(132)
Net cash flows used in investing activities	(86)	(132)
Cash flows used in financing activities:		
Repayment of loans and borrowings	(237)	(261)
Repayment of lease liabilities	(1)	(1)
Proceeds from exercise of share options	1	3
Dividends paid (note 6)	(75)	(74)
Capitalized interest paid	(8)	(3)
Distributions to non-controlling interests	(2)	-
Income taxes paid on preferred share dividends	(3)	(4)
Net cash flows used in financing activities	(325)	(340)
Foreign exchange loss on cash held in foreign currency	-	(1)
Net decrease in cash and cash equivalents	(62)	(58)
Cash and cash equivalents at beginning of period	307	387
Cash and cash equivalents at end of period	$ 245	$ 329

[1] Reflects total additions for the three months ended March 31, 2023, increased by $5 million for changes in non-cash investing working capital and other non-current liabilities (three months ended March 31, 2022 – reduced by $40 million), to arrive at cash additions of property, plant and equipment and other assets.

See accompanying notes to the condensed interim consolidated financial statements

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

1. Reporting entity:

Capital Power Corporation (the Company or Capital Power) develops, acquires, owns, and operates utility-scale renewable and thermal power generation facilities and manages its related electricity and natural gas 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 2022 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 April 28, 2023.

3. 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, 2023	2022
Net income before tax	$ 371	$ 152
Income tax at the statutory rate of 23%	85	35
Increase (decrease) resulting from:		
Non-taxable amounts	-	(1)
Amounts attributable to non-controlling interests and tax-equity interests	(1)	1
Change in unrecognized tax benefits	-	(1)
Statutory and other rate differences	1	(2)
Other	1	1
Income tax expense	$ 86	$ 33

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

4. Earnings per share:

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

	Three months ended March 31, 2023	2022
Income for the period attributable to shareholders	$ 286	$ 122
Preferred share dividends[1]	(7)	(10)
Earnings available to common shareholders	$ 279	$ 112
Weighted average number of common shares	116,894,777	116,221,703
Basic earnings per share	$ 2.39	$ 0.96
Weighted average number of common shares	116,894,777	116,221,703
Effect of dilutive share purchase options	464,579	651,657
Diluted weighted average number of common shares	117,359,356	116,873,360
Diluted earnings per share	$ 2.38	$ 0.96

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

5. 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, 2023				
	Energy and emission allowances		Interest rate		
	cash flow hedges	non-hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:					
Current	$ 1	$ 139	$ 3	$ 11	$ 154
Non-current	8	259	32	-	299
Derivative instruments liabilities:					
Current	(131)	(252)	(3)	-	(386)
Non-current	(14)	(524)	(15)	-	(553)
Net fair value	$ (136)	$ (378)	$ 17	$ 11	$ (486)
Net notional buys (sells) (millions):					
Megawatt hours of electricity	(7)	(31)			
Gigajoules of natural gas purchased[1]		87			
Gigajoules of natural gas basis swaps[1]		85			
Metric tonnes of emission allowances		1			
Number of renewable energy credits		(12)			
Interest rate swaps			$ 1,256	$ 275	
Range of remaining contract terms in years	0.1 to 3.8	0.1 to 23.9	1.2 to 3.8	0.2 to 0.7	

[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)

5. Derivative financial instruments and hedge accounting, continued:

	December 31, 2022				
	Energy and emission allowances		Interest rate		
	cash flow hedges	non-hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:					
Current	$ 27	$ 144	$ 3	$ 14	$ 188
Non-current	4	247	44	-	295
Derivative instruments liabilities:					
Current	(226)	(371)	(3)	-	(600)
Non-current	(36)	(573)	(15)	-	(624)
Net fair value	$ (231)	$ (553)	$ 29	$ 14	$ (741)
Net notional buys (sells) (millions):					
Megawatt hours of electricity	(7)	(31)			
Gigajoules of natural gas purchased[2]		73			
Gigajoules of natural gas basis swaps[2]		76			
Metric tonnes of emission allowances		2			
Number of renewable energy credits		(12)			
Interest rate swaps			$ 1,191	$ 230	
Range of remaining contract terms in years	0.1 to 4.0	0.1 to 24.1	1.4 to 4.1	0.4 to 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 2022 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, 2023		Three months ended March 31, 2022	
	Unrealized gains (losses)	Realized (losses) gains	Unrealized gains (losses)	Realized (losses) gains
Energy cash flow hedges	$ 213	$ (41)	$ 18	$ (5)
Energy and emission allowances non-hedges	168	(29)	(14)	3
Interest rate cash flow hedges	(16)	4	66	(2)
Interest rate non-hedges	(3)	-	8	-
Foreign exchange non-hedges	-	-	1	-

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

5. Derivative financial instruments and hedge accounting, continued:

The following realized and unrealized gains and (losses) on derivative financial instruments are included in the Company's statements of income for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023	2022
Revenues	$ 194	$ (285)
Energy purchases and fuel	(96)	269
Foreign exchange gain	-	1
Net finance expense	1	6

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.

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

	March 31, 2023
Within one year	$ (172)
Between one and five years	30
After five years	23
	$ (119)

6. Share capital:

	Dividends declared				Dividends paid			
	2023		2022		2023		2022	
	Per share	Total	Per share	Total	Per share	Total	Per share	Total
Common	$ 0.5800	$ 68	$ 0.5475	$ 64	$ 0.5800	$ 68	$ 0.5475	$ 64
Preference:								
Series 1	0.1638	1	0.1638	1	0.1638	1	0.1638	1
Series 3	0.3408	2	0.3408	2	0.3408	2	0.3408	2
Series 5	0.3274	2	0.3274	3	0.3274	2	0.3274	3
Series 9[1]	-	-	0.3594	2	-	-	0.3594	2
Series 11	0.3594	2	0.3594	2	0.3594	2	0.3594	2

[1] On September 30, 2022, the Company redeemed all of its 6 million issued and outstanding 5.75% cumulative rate reset preference shares, Series 9.

During the three months ended March 31, 2023 and 2022, the Company did not purchase and cancel any of its outstanding common shares under its Toronto Stock Exchange approved normal course issuer bid.

In March 2023, the Toronto Stock Exchange approved the Company's normal course issuer bid to purchase and cancel up to 5.8 million of its outstanding common shares during the one-year period from March 3, 2023 to March 2, 2024.

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

7. Financial instruments:

Fair values

Details of the fair values of the Company's derivative instruments are described in note 5.

The Company's other short-term financial instruments are classified and measured at amortized cost, consistent with the methodologies described in the Company's 2022 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 2022 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, 2023		December 31, 2022	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets[1]					
Government grant receivable	Level 2	$ 369	$ 338	$ 367	$ 317
Financial liabilities[1]					
Loans and borrowings	Level 2	$ 3,474	$ 3,377	$ 3,726	$ 3,590

[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 at December 31, 2022.

The fair value measurement of a financial instrument is included in only one of the three levels described in the Company's 2022 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.

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 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 2022 annual consolidated financial statements.

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ -	$ 423	$ 30	$ 453
Derivative financial instruments liabilities	-	(520)	(419)	(939)

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

7. Financial instruments, continued:

Fair value hierarchy, continued

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ -	$ 463	$ 20	$ 483
Derivative financial instruments liabilities	-	(748)	(476)	(1,224)

Valuation techniques used in determination of fair values within Level 3

The Company has various commodity and renewable energy credit (REC) contracts with terms that extend beyond a liquid trading period. Certain of these contracts include notional quantities based on future actual generation of underlying generation facilities. As forward market prices and actual generation 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 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, 2023	December 31, 2022
REC pricing (per certificate) – Solar	$4 to $203	$4 to $172
REC pricing (per certificate) – Wind	$3 to $6	$2 to $7
Forward power pricing (per MWh) – Solar	$32 to $208	$38 to $335
Forward power pricing (per MWh) – Wind	$22 to $145	$27 to $234
Average monthly generation (MWh) – Strathmore Solar	6,897	7,124
Average monthly generation (MWh) – Clydesdale Solar	11,782	12,054
Average monthly generation (MWh) – Whitla Wind	39,313	41,479
Average monthly generation (MWh) – Bloom Wind	59,227	59,198
Average monthly generation (MWh) – Buckthorn Wind	17,654	17,703

Valuation process applied to Level 3

The valuation models used to calculate the fair values of the derivative financial instrument 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 increase or decrease to fair value of Level 3 derivative instruments based on a 10% decrease or increase in the respective input:

	March 31, 2023	December 31, 2022
REC pricing – Solar	$ 1	$ 1
REC pricing – Wind	3	3
Forward power pricing – Solar	25	24
Forward power pricing – Wind	77	85
Generation – Solar	7	8
Generation – Wind	19	24

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

7. Financial instruments, continued:

Fair value hierarchy, continued

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, 2023	December 31, 2022
At January 1[2]	$ (456)	$ (184)
Unrealized and realized gains (losses) included in net income[3]	18	(278)
Settlements[4]	47	33
Transfers[5]	-	(4)
Foreign exchange gains (losses)	2	(23)
At end of period	$ (389)	$ (456)
Total unrealized and realized gains (losses) for the period included in net income[3]	$ 18	$ (278)

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

[3] Recorded in revenues.

[4] Relates to settlement of financial derivative instruments.

[5] Relates to transfers from Level 3 to Level 2 when pricing inputs become 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.

8. 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, Texas, and Michigan), 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. and Canada.

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

8. Segment information, continued:

The Company's results from operations within each geographic area are:

	Three months ended March 31, 2023				Three months ended March 31, 2022			
	Canada	U.S.	Inter-area eliminations	Total	Canada	U.S.	Inter-area eliminations	Total
Revenues – external[1]	$ 974	$ 240	$ -	$1,214	$ 605	$ (159)	$ -	$ 446
Revenues – inter-area	11	-	(11)	-	(6)	11	(5)	-
Other income	33	20	-	53	33	22	-	55
Total revenues and other income	$ 1,018	$ 260	$ (11)	$1,267	$ 632	$ (126)	$ (5)	$ 501

[1] Revenues from external sources include realized and unrealized gains and losses from derivative financial instruments.

	At March 31, 2023			At December 31, 2022		
	Canada	U.S.	Total	Canada	U.S.	Total
Property, plant and equipment	$ 4,722	$ 1,602	$ 6,324	$ 4,737	$ 1,623	$ 6,360
Right-of-use assets	62	62	124	63	64	127
Intangible assets and goodwill	674	125	799	687	130	817
Finance lease receivable[2]	39	-	39	41	-	41
Other assets	47	-	47	49	-	49
	$ 5,544	$ 1,789	$ 7,333	$ 5,577	$ 1,817	$ 7,394

[2] Includes current portion.

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, 2023						
	Alberta Commercial	Western Canada Contracted	Ontario Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 693	$ 43	$ 88	$ 88	$ 912	$ 271	$ 1,183
Emission credit revenues	7	2	-	3	12	19	31
Total revenues[3]	$ 700	$ 45	$ 88	$ 91	$ 924	290	$ 1,214

	Three months ended March 31, 2022						
	Alberta Commercial	Western Canada Contracted	Ontario Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 450	$ 37	$ 98	$ 53	$ 638	$ (217)	$ 421
Emission credit revenues	7	3	-	3	13	12	25
Total revenues[3]	$ 457	$ 40	$ 98	$ 56	$ 651	(205)	$ 446

[3] Included within trade and other receivables, at March 31, 2023, were amounts related to contracts with customers of $415 million (2022 - $235 million).

9. Subsequent event:

Goreway awarded 6-year contract extension by Ontario IESO

On April 25, 2023, Capital Power and the Ontario Independent Electric System Operator (IESO) executed a 6-year contract extension for Goreway associated with its successful efficiency upgrade bid of approximately 40 megawatts (MW) in IESO's competitive capacity procurement process. The uprate will increase Goreway's current combined contracted capacity from 840 MW to 880 MW. The IESO contract extension applies to the new combined contracted capacity of 880 MW and extends the current Clean Energy Supply Contract from 2029 to 2035. The upgrade is expected to be completed in 2025. Goreway is a natural gas-fired combined cycle facility located in Brampton, Ontario.