Capital Power

LEADING THE ENERGY TRANSITION

2023 Integrated Annual Report

About this report

Our Integrated Annual Report (IAR) aligns our financial and environmental, social and governance (ESG) reporting and provides our stakeholders with a comprehensive view of our priorities, performance and strategy for long-term success. Elements of the conventional management's discussion and analysis (MD&A), including the overview of our business and corporate structure, corporate strategy and outlook and targets for 2024, are integrated into the Introduction and Leading the energy transition sections of this report. The remainder of the former MD&A has been incorporated within the Business report section. Information about Capital Power's Non-GAAP financial measures and ratios can be found in the Business report section.

This report provides an overview of our performance from January 1, 2023, through to December 31, 2023, and includes a summary of our management approach and highlights material topics within our business. Information throughout the report is disclosed in alignment with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) framework, including details about Capital Power's climate change governance, strategy, risk management, metrics and targets. It also includes a Global Reporting Initiative (GRI) content index and Sustainability Accounting Standards Board (SASB) standards index that addresses relevant metrics related to the Electric Utilities and Power Generators sector standards. TCFD and SASB are now part of the IFRS Foundation. All dollar figures are in Canadian dollars.

In accordance with its terms of reference, the Audit Committee of our Board of Directors reviews the contents of the IAR and recommends its approval by the Board of Directors (the Board). The Board approved this IAR as of February 27, 2024.

We welcome your feedback on our report at **info@capitalpower.com**

KPMG assurance

Capital Power engaged KPMG LLP to provide independent limited assurance on select performance information contained within this report. The symbol ☑ throughout the report indicates metrics that have been assured for the 2023 year. KPMG's limited assurance report can be found starting on page 105.

Details on the boundaries of our sustainability reporting and definitions of assured sustainability performance indicators can be found in the GRI Index, starting on page 183.

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Board Chair and CEO letters

“OUR RESILIENT, LEADING STRATEGY EMPOWERS US TO MAKE NET ZERO A REALITY.”

Jill Gardiner
Board Chair

Avik Dey
President and Chief Executive Officer

Board Chair letter

Powering a net zero future

A message from Jill Gardiner, Board Chair

The past year has marked a milestone in the evolution of Capital Power and the world. As the Company accelerates its growth across key markets, we are well positioned to deliver, build, and create the transformational electricity solutions required to meet a net zero future.

Under the leadership of our new President and CEO, Avik Dey, our strategy remains focused on delivering reliable, affordable, and decarbonized electricity. We are powering change by changing power. Over the past year, Capital Power has achieved significant growth, optimization and innovation across the business.

Energy transition stewards

Following a rigorous North American search process, Avik was selected to accelerate the Company's current strategic drive towards net zero. As a highly capable leader with deep experience in the energy and power sectors, he brings his experience in leading high-performance teams to drive impactful results, grow shareholder value and advance the energy transition. Under Avik's leadership, the Executive Team has been expanded and leadership portfolios optimized to enhance the delivery of our strategy through corporate services, commercial business, and asset management activities. The Board is pleased to welcome Jason Comandante, Pauline McLean, Steve Wollin and May Wong to the Executive Team.

Additionally, we welcomed Carolyn Graham to our Board of Directors. With a background in finance and risk, as well as ESG proficiency, Carolyn's expertise will further strengthen the Board's oversight of the Company's strategy and performance.

Capital Power is positioned for long-term success thanks to the leadership of its Board members – past and present – that have made a positive impact on our business. On behalf of the Board, I would like to sincerely thank Capital Power's inaugural CEO, Brian Vaasjo, for his tremendous dedication and industry-leading contributions to the Company since its inception in 2009. I would also like to thank Katharine (Kate) Stevenson on behalf of the Board for her thoughtful guidance, leadership and valuable insights. We wish them both well in their retirement from service with Capital Power.

Responsible governance and strategic oversight

Our Board of Directors continues to bring a depth of knowledge to support Capital Power in its journey to net zero by 2045. Guided by our robust corporate governance policies, the Board provides independent, effective leadership to oversee the management of the business and responsibly grow value for shareholders in a sustainable manner. In 2023, our Board of Directors supported several critical, on-strategy decisions to materially expand our fleet and navigate practical decarbonization pathways amidst evolving regulatory environments.

Powering a bright future

Our ability to deliver a balanced approach to the energy transition is underpinned by our stable financial strategy. We continue to prioritize the growth of cash flows to support annual dividend increases and we are well-positioned to execute on our performance targets while maintaining our investment grade credit rating.

As we continue to optimize our business into 2024, Capital Power remains committed to financial stability and disciplined growth to deliver a decarbonized energy future. Specifically, we are committed to generating an average annual total shareholder return (TSR) of 10% to 12% and to delivering high-quality growth projects.

As your Board Chair, and on behalf of every member of our Board of Directors, thank you for your trust and continued support as we work together to power a net zero future.

Sincerely,

Jill Gardiner
Board Chair

Powering change by changing power

A message from Avik Dey, CEO and President

> **Our dedication to strategic growth, operational excellence, and financial stability is the foundation of our success.”**

In 2023, Capital Power delivered on our strategy with momentum as we demonstrated leadership as a critical North American power producer.

Our dedication to strategic growth, operational excellence, and financial stability is the foundation of our success as we prioritize a balanced approach to the energy transition in support of thriving communities, strong economies, and overall energy security.

At this time of global transformation, it is an honour to take the helm of this storied company and serve as Capital Power's President and CEO. Our team of innovators has the critical expertise and foresight to deliver reliable and affordable power today while building decarbonized power systems for tomorrow and creating real net zero power solutions for our customers. Together, we are accelerating the delivery of the Company's existing strategic plan and capitalizing on critical opportunities to grow our business and deliver significant value for our shareholders.

Deliver

Dispatchable natural gas assets play a vital role in the energy transition to balance the intermittency of renewables and ensure we always have a stable energy supply. This year, we continued to optimize our existing natural gas power plants through operational improvements and proactive maintenance, which saw an overall fleetwide availability of 95%. Our commitment to operational excellence underscores the trust our stakeholders across North America have in us to deliver reliable power and keep the lights on for our communities. We expanded our fleet in the U.S. WECC region[1] – marking a significant milestone in our strategic growth by positioning us as the fifth largest natural gas IPP[2] in North America[3]. Of note, the acquisition of the La Paloma and Harquahala assets was the largest transaction in our corporate history and saw strong institutional validation from both BlackRock and AIMCo. Additionally, we secured five new contracts for our Ontario natural gas fleet, including two battery energy storage system projects, an expansion, and two upgrades.

[1] Western Electricity Coordinating Council.

[2] Independent Power Producer.

[3] Based on net unregulated capacity utilizing S&P Global Market Intelligence database of gas-fired generation operators (November 2023) and referenced against publicly disclosed sources, where available. Capital Power's status as the 5th largest operator of flexible and reliable gas-fired generation in North America includes Frederickson 1 acquired December 28, 2023 (see Significant events), La Paloma acquired February 9, 2024 and Harquahala acquired February 16, 2024 (see Subsequent events).

CEO letter

Build

The development of renewables and lower carbon power generation capacity is a critical part of our pathway to net zero by 2045. In 2023, our Halkirk 2 Wind project received regulatory approval and began construction in the fall and we continued to advance development of our Maple Leaf Solar project. As we continue to grow our renewables footprint through our robust 3.4 GW development pipeline, we are pleased to have secured 1 GW of responsibly produced, ultra-low carbon thin film solar modules from First Solar. The Genesee Repowering project, scheduled for completion in 2024, is a critical piece of our carbon reduction strategy and once complete, Genesee Units 1 and 2 will be the most efficient natural gas combined-cycle units in Canada.

Create

Our pursuit of innovative power solutions will result in decarbonized power for our customers – empowering businesses economy-wide to reach their sustainability goals. In 2023, we invested in technologies and infrastructure that will reduce emissions for utility-scale power generation across our target markets of Alberta, Ontario, MISO[4], and the U.S. WECC region. We have completed the front-end engineering and design (FEED) study for our Genesee CCS project and continue to develop storage opportunities to balance the intermittency of power systems as the renewables buildout continues. Additionally, as announced in 2024, we partnered with Ontario Power Generation to explore nuclear energy viability in Alberta.

Powered by people

Our people are core to our success as we pursue a decarbonized future. Our team has deep-rooted expertise in operating grid-scale power generation assets, strategically assessing market dynamics and regulatory structures, and commercial management to drive long-term value from our fleet. We are pleased to support their ongoing success through offering a leading employee experience and prioritizing equity, diversity, and inclusion across our business. Our people are the heart of our business and, aligned with their priorities, we are pleased to give back to the communities where we live and work with $3.4 million directed to invaluable charitable organizations and causes.

Making net zero a reality

These significant achievements from the past year strengthen our position as a leading power producer in North America. Our resilient, leading strategy empowers us to make net zero a reality while preserving the reliability and affordability of our grids and ensuring strong returns for our shareholders.

Finally, I would like to extend my gratitude to all of our communities and stakeholders for their ongoing support and collaboration, our employees for their dedication to excellence across our business, and our Board and Executive Team for their guidance and leadership.

Sincerely,

Avik Dey
President and Chief Executive Officer

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[4] Midcontinent Independent System Operator.

About us

Building the leading power producer in North America

Capital Power is a growth-oriented power producer committed to net zero by 2045. Our balanced approach to the energy transition prioritizes reliable, affordable and decarbonized power that communities across North America can depend on.

Deliver

~9,300 MW[1]

generation capacity

Build

$1,127 million

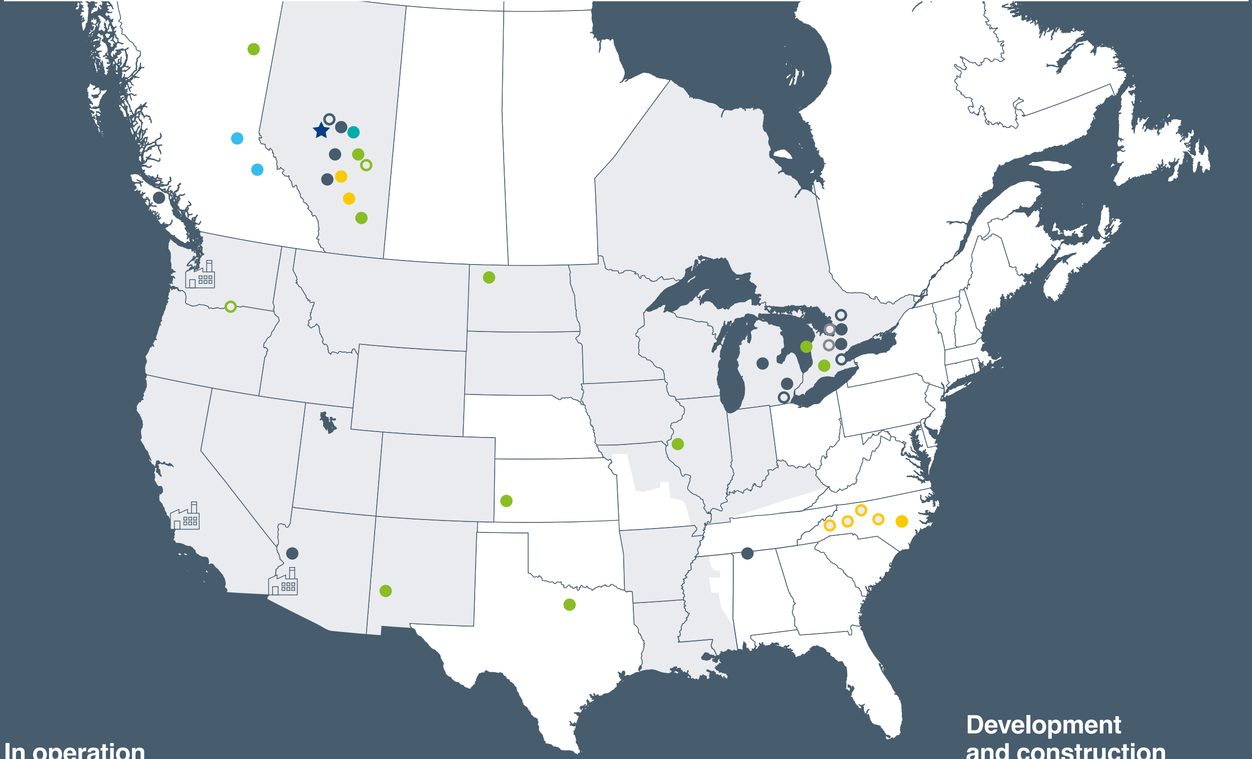
committed growth/enhancement capex for 2024

Create

$28 million[2]

innovation spend ☑

Capital Power's North American footprint[3]



In operation

- ● Wind
- ● Waste heat
- ● Solar
- ● Landfill gas
- ○ Gas
- ● Battery storage
- ★ Gas / Coal*
- 🏭 New Asset[1]

* Genesee 1, 2, 3 shown as one facility.

Development and construction

◎ ◎ ◎ ◎

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. Our head office is located within the traditional and contemporary home of many Indigenous Peoples of the Treaty 6 Territory 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.

[1] Includes Frederickson 1 acquired December 28, 2023 (see Significant events), La Paloma acquired February 9, 2024 and Harquahala acquired February 16, 2024 (see Subsequent events).

[2] See GRI 2-2 for information about our sustainability reporting boundaries and GRI 2-5 for definitions of our assured sustainability performance indicators.

[3] 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. In this report, 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.

About us

PIONEERING DECARBONIZATION

Our balanced approach to the energy transition prioritizes the development and commercialization of reliable, affordable and decarbonized power solutions that can dependably power North American communities and economies.

For details on how we are decarbonizing our fleet, see page 14.

About us

DIVERSIFYING OUR PORTFOLIO

As we work towards net zero by 2045, we are capitalizing on opportunities to diversify our footprint and deliver reliable and affordable power for communities across North America. Diversifying our portfolio enables us to provide reliable, long-term energy security in key markets while providing stability to our cash flow.

For details on how we are diversifying our assets, see page 15.

FOSTERING AN EMPOWERED WORKFORCE

When it comes to our people, we are passionate about delivering a best-in-class employee experience. Our continuous focus on preserving and enhancing our strong corporate culture positions us to scale, accelerate our growth, and optimize our existing assets.

For details on how we are fostering an empowered workforce, see page 16.

2023 performance highlights[1]

Delivering strong results with purpose

Strategy in action

In 2023, we delivered strong financial results, our 10th consecutive annual dividend increase of 6% and landmark capital markets transactions, while maintaining an investment grade credit rating. Refer to the financial highlights section of the Business report for more information on our financial performance.

Additionally, we exceeded $600 million growth capital with contracts executed for five Ontario projects and the acquired interest in the Frederickson 1 Generation Station, executing on our critical natural gas strategy to ensure reliability and affordability of our grids.

We continue to progress towards our target of net zero 2045 by investing in innovative solutions to decarbonize power, including the completion of upgrades to our Genesee Unit 3 in 2023 to allow for 100% natural gas use – an essential step in moving off coal.

Capital Power recognizes and embraces the benefit of a diverse, equitable and inclusive organization, tracking diversity metrics and setting targets to increase the representation of women throughout our workforce. We are proud of the diversity of our Board and Executive Team and are working towards more equal representation at all levels of the organization.

$28 million[2] ☑

Spent on innovation

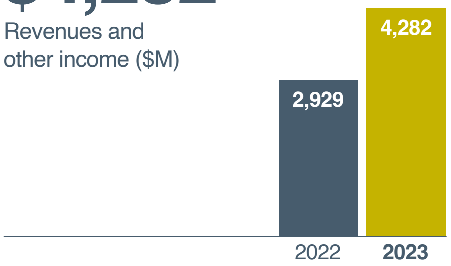
Gender diversity

- - -⊣ Target

🟨	**30%**[2] Women in upper management ☑	30%
■	**34%**[2] Women new hires ☑	30%
▨	**44%**[2] Women on Executive Team ☑	30%
□	**44%**[3] Women on the Board of Directors	40%

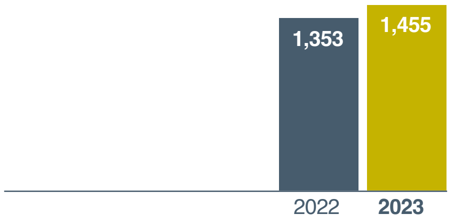
$4,282

Revenues and other income ($M)



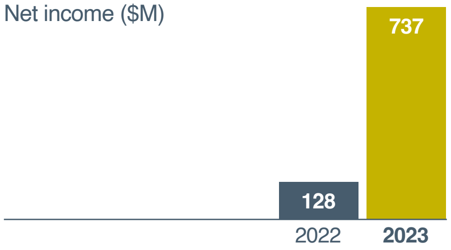
$1,455

Adjusted EBITDA ($M)[4]



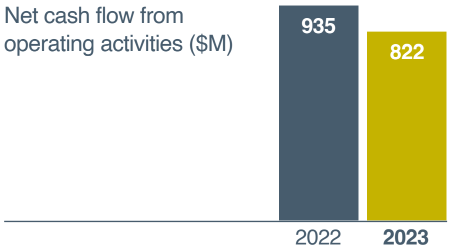
$737

Net income ($M)



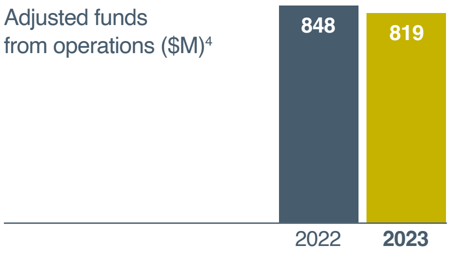
$822

Net cash flow from operating activities ($M)



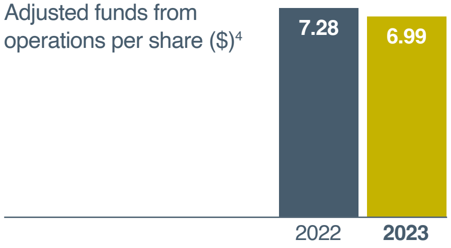
$819

Adjusted funds from operations ($M)[4]



$6.99

Adjusted funds from operations per share ($)[4]



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[1] Performance highlights as of December 31, 2023.

[2] See GRI 2-2 for information about our sustainability reporting boundaries and GRI 2-5 for definitions of our assured sustainability performance indicators.

[3] Includes independent directors only.

[4] See Non-GAAP financial measures and ratios, Business report.

2024 performance targets

Operational priorities and performance targets for Capital Power in 2024 include a balanced approach to the energy transition:

Priority[1]	2024 Target[1]
Deliver	
Provide safe, reliable generation	Facility availability average[2] of **93% or greater**
Execution of major turnarounds at seven facilities	Sustaining capital expenditures of **$180 million to $200 million**
Generate financial stability and strength	Adjusted fund from operations[3,4,5] of **$770 million to $870 million** Adjusted EBITDA[3,4,5] of **$1,405 million to $1,505 million**
Portfolio optimization and integration	Successful integration of US acquisitions and evaluation of business development opportunities
Build	
Complete $1.35 billion repower project and successful off coal transition	Commission combined cycle for Genesee Units 1 and 2
Advance construction on over 560 MWs incremental capacity	Continue construction on Ontario growth and commercial initiative projects, Halkirk Wind Phase 2, and Maple Leaf Solar on schedule
Expand U.S. renewables portfolio	Continue to explore opportunities to build or acquire renewable facilities in the U.S.
Create	
Advance low-carbon solutions to meet 2045 net zero	Continue to explore economic viability of CCS in markets compatible with the technology Evaluate SMRs in Alberta

2024 performance targets

1 Performance targets for 2024 to be read in conjunction with the Forward-looking information section, which identifies the material factors and assumptions used to develop forward-looking information and their material-associated risk factors.

2 Reflects planned outages for Genesee 1 and 2 repowering and major scheduled maintenance outages for Joffre, Shepard, Quality Wind, Goreway, Arlington Valley and Decatur Energy. Facility availability reflects Genesee 1 and 2 repower commissioning.

3 The mid-point of 2024 financial guidance assumes approximately 1,000 GWhs of commissioning volumes during 2024 for Genesee repowering Units 1 and 2 (see Significant events).

4 The 2024 guidance was based on approximately 10,500 GWh of the Alberta commercial generation portfolio sold forward at an average contracted price in the high-$70 per megawatt hour (MWh) range, and approximately 70,000 terajoules (TJ) of the Alberta commercial natural gas requirements hedged at a weighted average price of < $2.00 per GJ. The remaining Alberta commercial power and natural gas volumes were valued based on an average forward Alberta pool price of $90 per MWh and AECO natural gas price of $2.70 per GJ, respectively. The Alberta portfolio position, contracted prices and forward Alberta pool and natural gas prices for 2024, 2025, and 2026 (all as at December 31, 2023) were:

Alberta commercial portfolio	**2024**	2025	2026
Power			
Hedged volume (GWh)	10,500	9,500	8,000
Weighted average hedged prices[a] ($/MWh)	High-$70s	High-$70s	High-$70s
Forward Alberta pool prices ($/MWh)	$83	$64	$67
Natural gas			
Hedged volume (TJ)	70,000	60,000	55,000
Weighted average hedged prices[a,b] ($/GJ)	< $2.00	< $3.00	< $4.00
Forward Alberta natural gas prices ($/GJ)	$1.90	$3.00	$3.40

a 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.

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

5 Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP financial measures and ratios.

The 2024 targets and forecasts are based on numerous assumptions, including power and natural gas price forecasts. They include the effects of La Paloma and Harquahala which closed on February 9, 2024 and February 16, 2024, respectively (see Subsequent events), but do not include the effects of further 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 2024 guidance webcast held in January 2024, management confirmed guidance for a 6% dividend increase maintained through to 2025. 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 increase.

Sustainability targets for Capital Power to achieve net zero by 2045

We continue to execute on our sustainability targets in support of reaching net zero by 2045, including:

- Reducing Scope 1 emissions at Genesee by 50% by 2030 from 2005 levels
- Reducing Scope 1 emissions by 10% by 2030 from 2005 levels, based on our 2019 fleet
- Reducing Scope 1 emission intensity by 65% by 2030 from 2005 levels

DELIVERING ON OUR STRATEGY

OUR STRATEGIC FOCUS

We're **delivering** reliable and affordable power today, **building** decarbonized power systems for tomorrow and **creating** real net zero power solutions on a journey to net zero by 2045.

A balanced approach to the energy transition

The global energy system is in transition, shifting towards electrification, digitalization, and a future with lower emissions. This transition is one of the most significant changes of our time.

At Capital Power, we are uniquely positioned to engineer and deliver the reliable and affordable power we need today as we build the decarbonized power systems we want tomorrow. Our strategic priorities underpin our leadership for delivering energy and capacity that will meet the increasing demand for low carbon solutions. Leading the exploration of these opportunities is our Strategic Initiatives and Low Carbon Solutions teams, who leverage cross-functional synergies to ensure we remain at the forefront of the energy transition. We believe our focus on reducing our emissions in balance with disciplined, diversified investments in low carbon grid-critical natural gas and other dispatchable technologies will unlock new opportunities for value creation and power a decarbonized future.

Deliver

Reliable and affordable power today

Optimize existing power plants through operational improvements, recontracting and/or expansions to meet growing power demand

Target critical gas generation assets in attractive electricity markets with established grid access

Build

Decarbonized power systems for tomorrow

Develop renewable and lower carbon power generation capacity in our core electricity markets

Innovate to find new ways to reduce emissions at existing generation sites

Create

Real net zero power solutions for our customers

Invest in technologies and infrastructure that will reduce emissions for utility scale power generation in our target markets

Advance net zero solutions for customers through customized solutions

Decarbonizing the grid

Decarbonization is the key to net zero and a bright energy future; getting there requires the development and commercialization of emerging technologies. Ensuring energy security, grid stability and the revenue generation necessary to fund innovation requires support from enabling policy, favourable economics, and grid-critical natural gas.

Our disciplined strategy guides our net zero ambitions and is focused on optimizing and repowering our existing assets, pursuing carbon capture and removal technology, exploring alternative sources of carbon-free dispatchable baseload, and monitoring emerging technologies to seize upon opportunities for early mover advantage when these technologies become technically and economically viable.

Repowering Genesee Generating Station

The Repowering project will provide an additional 512 MW of net capacity through the use of best-in-class natural gas combined cycle (NGCC) technology that is expected to set a new standard for gas generation efficiency in Canada. The repowered units will provide improved emission intensity, performance, and competitiveness. When complete, units will immediately reduce emissions at Genesee by 3.4 million tonnes annually. Additionally, our Genesee Unit 3 has completed upgrades, enabling it to burn 100% natural gas as its fuel source – an essential step in moving the entire Genesee Generating Station off coal.

512 MW	3.4 Mt
Additional net capacity	Annual emissions reduced

Genesee CCS Project

In 2023, we completed the technical front-end engineering design (FEED) study. If sanctioned, the Genesee CCS development project is likely to be capable of delivering approximately 3 million tonnes of annual CO_2 reductions.

Nuclear in Alberta

In early 2024, we announced an agreement with Ontario Power Generation to jointly assess the development and deployment of grid-scale small modular reactors (SMRs) to provide clean, reliable nuclear energy for Alberta. The feasibility assessment will take two years to complete and will include exploring ownership and operating structures for a potential fleet of grid-scale SMRs in Alberta (see Subsequent events).

> **The deployment of SMR technology will provide an important source of safe, reliable, flexible, affordable, and clean baseload electricity in Alberta in the future.”**
>
> **Avik Dey**
> President and Chief Executive Officer

Midland Cogeneration CCS Study

Through a $0.8 million grant awarded by the Michigan Public Service Commission, we are conducting a CCS feasibility study at Midland Cogeneration, the largest natural gas-fired combined electrical energy and steam energy generating plant in the U.S.

Ontario Green Hydrogen and Storage Study

As recipients of Ontario Energy’s Hydrogen Innovation Fund, we are exploring hydrogen blending at our Goreway, East Windsor, and York Energy facilities, using various mixes of hydrogen (from 5% to 15%). At our Kingsbridge 1 facility, we are exploring the economic and technical feasibility of creating green hydrogen from wind and storing it underground in depleted gas reservoirs.

Our strategic focus

Diversifying investments

We leverage the experience and expertise of our people and their deep knowledge of key North American markets to diversify our portfolio by geography, technology, and commercial products to unlock accretive value that serves our customers, communities, our people, and our shareholders.

Strategically located baseload, mid-merit, peaking, renewable and storage assets across jurisdictions forms the basis of a resilient energy system. The diversity of Capital Power's portfolio minimizes our exposure to the risks of volatile commodity prices, competitive merchant markets, climate risk, disruptive innovation, and shortages of talent and expertise. We continue to focus the allocation of capital towards solutions that deliver reliable, affordable, and decarbonized energy that contribute to our financial growth and sustainability objectives.

U.S. WECC

In late 2023, we entered into agreements to acquire three additional natural gas-fired generation facilities to expand our existing fleet of flexible and reliable gas-fired assets, positioning us as the fifth largest natural gas IPP in North America (see Significant events).

Asset overview

	La Paloma[1]	Harquahala[1]	Frederickson[2]
Location	Kern County, CA	Maricopa County, AZ	Pierce County, WA
Region	WECC	WECC	WECC
Gross Capacity	1,062 MW	1,092 MW / 546 MW (net)	265 MW / 133 MW (net)
COD	2003	2004	2002
Offtake Summary	Resource adequacy contracts through 2029 with multiple investment grade utilities and load serving entities	100% contracted tolling agreement through 2031 with an investment grade utility	Tolling agreement through 2025; subsequent toll from 2025 – 2030

[1] La Paloma was acquired February 9, 2024 and Harquahala was acquired February 16, 2024 (see Subsequent events).

[2] Fredrickson 1 was acquired December 28, 2023 (see Significant events).

Ontario

As an active participant in the Ontario IESO's expedited call for new power generation and capacity, we were successful in five bids – three new projects in the Ontario IESOs Expedited Long-Term RFP, as well as two new upgrades with contract extensions. They will result in Capital Power having more than 1,500 MW of contracted capacity in Ontario, including our first two battery energy storage systems (BESS) (see Significant events).

5
Successful bids

~1,500 MW
Contracted capacity

Empowering our workforce

Our people are at the core of our ability to execute our strategy, anchoring our competitiveness and the superior shareholder value we deliver. Our leaders prioritize the evolving cultural, physical, and psychological safety needs of a diverse workforce, supporting our people to purposefully contribute to our pathway to net zero.

Our ability to deliver on our strategy is supported by our investment in equity, diversity and inclusion (EDI) priorities. EDI is a key pillar of our ability to attract and retain an engaged, competent, and skilled workforce that ensures we remain nimble and adaptive to disruptive innovation.

Above all, Capital Power holds an unwavering commitment to the health, safety and wellbeing of our people. Our safety mindset is a core value of our culture and operations.

Executive Team

In 2023, we expanded our Executive Team. With decades of industry experience, they share a joint commitment to powering change by changing power. We have also optimized the Executive Team's portfolios to enhance and accelerate the delivery of our strategy. (see Significant events).

This brings an incredible opportunity for Capital Power to evolve our organization and expand our business given our historic leadership on energy transition and our proven ability to deliver consistent and growing profits to our shareholders. Our people, assets, culture, and strategy have positioned us well to grow in a world with rapidly-expanding electricity needs.

We are proud that 44%[1] ☑ of our Executive Team are women as we advance EDI priorities across all levels of our company.

44%[1] ☑

of our Executive Team are women as of December 31, 2023

Energizing our innovators

The success of our business is dependent on the wellbeing of our people and we are passionate about delivering a best-in-class employee experience, designed to provide a rich and rewarding career. Adapting to the evolving needs of our diverse workforce is integral to how we are powering positive change. We support the success of our employees throughout their careers by offering competitive compensation and an extensive range of benefits, including holistic health and wellbeing programs, accessible learning and development, career development planning, and a flexible hybrid workplace.

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[1] See GRI 2-2 for information about our sustainability reporting boundaries and GRI 2-5 for definitions of our assured sustainability performance indicators.

Pathway to net zero

Leading the way to net zero

Capital Power's pathway to achieve net zero by 2045 includes transitioning off coal, developing renewables, delivering low carbon grid-critical capacity, pursuing low carbon power solutions, and making strategic investments to optimize our existing power generation assets.

We fund our choices and the investments we make in emerging technologies that will take us to net zero through the disciplined allocation of capital. Our transparency of ambition and direction ensures that our investors know what they are investing in, our lenders know what they are financing, and our employees know what results they are contributing to.

Today to 2025

- Repower Genesee and move off coal
- Reduce emissions at source through optimization
- Invest in renewables, storage, and critical natural gas
- Explore and invest in low-carbon emerging technologies
- Expand our presence in carbon trading markets

2025 to 2030

- Continue to explore and invest in low-carbon emerging technologies
- Reduce our fleet emissions through, deployment of decarbonization technologies
- Originate carbon market solutions

2030 to 2045

- Deploy and operate alternative sources of dispatchable carbon free generation
- Invest in physical decarbonization, negative abatement and carbon market solutions

2045 to 2070

- Achieve net zero
- Provide real net zero solutions for our customers

Our business model

Getting to net zero is a balancing act of choices that considers the impacts on people, economies, power systems, and the planet. It requires an unprecedented level of collaboration – with relationships with government, policymakers, capital providers, business leaders, Indigenous communities, suppliers, industry peers and citizens. At the end of the day, the energy transition hinges on the ability to deliver and finance reliable, affordable, and decarbonized power generation that communities, businesses and economic growth can depend on. Our business is well-positioned to deliver, build and create a net zero energy future.

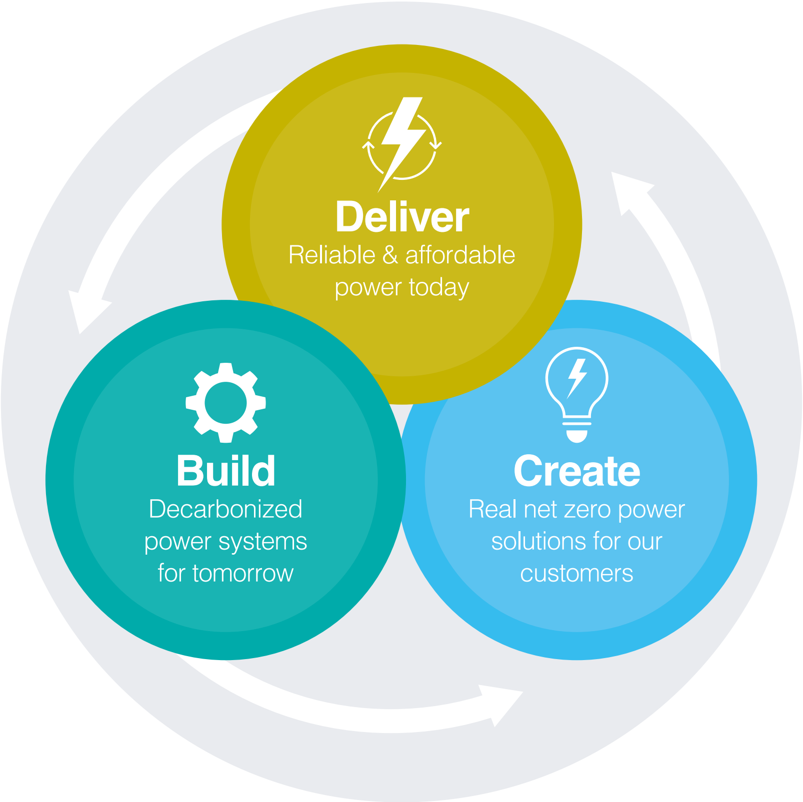
Inputs

Resources

- Natural resources and materials
- Infrastructure and interconnections
- Financial capital and markets

Relationships

- Our people
- Value chain and third-party providers
- Government, regulators and policy makers
- Financial partners and markets
- Indigenous communities
- Communities



Deliver
Reliable & affordable power today

Build
Decarbonized power systems for tomorrow

Create
Real net zero power solutions for our customers

Outputs

Deliver reliable, affordable and decarbonized power

~9,300 MW[1]

Generation capacity

Generate stable and growing shareholder value

12.5%

10-year total shareholder return (TSR)

Provide jobs and benefits

866

Employees

Support our communities

$3.4 million

Community investment

Reach net zero by 2045 through physical decarbonization and negative abatement solutions

16.2 Mt[2]

CO_2e in 2023 ☑

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[1] Includes La Paloma acquired on February 9, 2024 and Harquahala acquired on February 16, 2024 (see Subsequent events).

[2] See GRI 2-2 for information about our sustainability reporting boundaries and GRI 2-5 for definitions of our assured sustainability performance indicators.

MANAGING RISKS AND IMPACT

Strong corporate governance and robust risk management are built into every decision we make and are fundamental to how we do business. What we do and how we do it is guided by transparency, integrity and accountability, resulting in a deep-rooted trust between us, our stakeholders, and investors.

Corporate governance

We are committed to responsible, accountable, and transparent corporate governance, as it is critical to long-term performance and investor confidence. The effectiveness of our corporate governance starts with our Board, whose integrity, skill, and experience ensure what we do is consistent with our values and supports our drive to net zero.

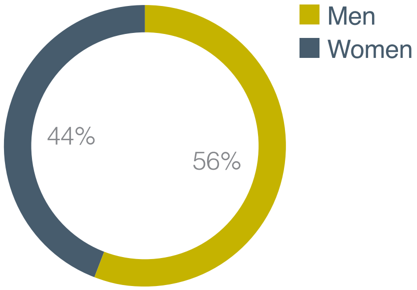
Our Board adopts corporate governance policies and practices in its stewardship that set out expectations and accountabilities, ensuring our business is conducted ethically and effectively. They provide independent, effective leadership and oversight to management, helping us responsibly grow value. Their responsibilities include Board and CEO succession planning and remuneration, shareholder reporting, and approving major company decisions. For more on our corporate governance, please see our **Management Proxy Circular** and our **website**.

Board diversity

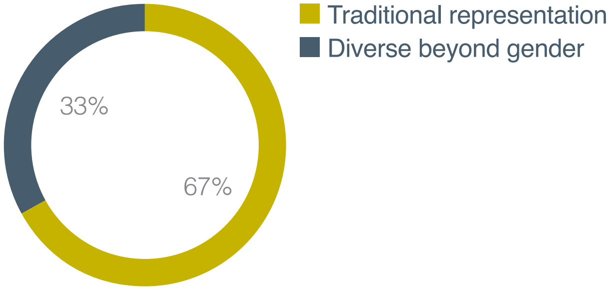
Capital Power recognizes and embraces the benefits of having a diverse Board of Directors and sees enhancing and maintaining diversity at the Board level as essential to our competitive advantage. Our **Board Diversity Policy** requires that we consider candidates on merit against objective criteria and with due regard for the benefits of diversity. In final nomination decisions, extra weight will be given to qualified female candidates and qualified candidates that bring diversity beyond gender.

As of December 31, 2023, our Board consisted of nine independent directors – five men and four women. In 2023, Capital Power announced the appointment of Carolyn Graham, following the retirement of Katharine (Kate) Stevenson from the Board. Among Capital Power's Board of Directors, 44% of the independent directors are women, with 33% of the independent directors representing diverse groups beyond gender.

Board of Directors gender diversity[1]
As of December 31, 2023



Board of Directors diversity beyond gender[1]
As of December 31, 2023



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[1] Includes independent directors only.

Corporate governance

Board of Directors[1]

Left to right:

Carolyn Graham **Robert Philips** **Keith Trent** **Barry Perry** **Jill Gardiner**
Doyle Beneby **Kelly Huntington** **Avik Dey** **Jane Peverett** **Gary Bosgoed**

New to the Board in 2023, Carolyn Graham is a corporate director and former financial and risk executive. She retired as Senior Executive Vice President of CWB Financial Group in 2022 after 22 years of service. Carolyn holds the ICD.D designation from the Institute of Corporate Directors, an ESG Certificate from Competent Boards, and is a Fellow of the Chartered Professional Accountants of Alberta.

Executive Leadership Team[1]

Left to right:

Jacquie Pylypiuk
SVP, Technology and Chief People and Culture Officer

Avik Dey
President and Chief Executive Officer

Bryan DeNeve
SVP, Chief Commercial Officer

Sandra Haskins
SVP, Finance and Chief Financial Officer

Pauline McLean
SVP, External Relations and Chief Legal Officer

Steve Wollin
SVP, Operations

Jason Comandante
SVP, Head of Canada

May Wong
SVP, Strategy, Planning and Sustainability

In 2023, Avik Dey was named Capital Power's President and CEO. The Executive Team expanded with the addition of Pauline McLean, Jason Comandante, Steve Wollin, and May Wong. With decades of industry experience, this dynamic group is the propelling force powering change by changing power across North America.

> **Avik is a highly capable leader with deep experience in the energy and power sectors and he has built a number of successful companies and teams. I am confident that through his knowledge, passion, and creativity, he will inspire the Capital Power team to accelerate the Company's strategic drive towards net zero."**
>
> **Jill Gardiner**
> Board Chair

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[1] Board of Directors and Executive Team as of February 28, 2024. The Executive Team consists of eight individuals with 50% women representation.

Our approach to risk management

Risk management is everyone's responsibility, from the Board to individual employees.

Our Company-wide enterprise risk management (ERM) program is embedded in our strategic and long-term planning, operational planning and budgeting process, and all aspects of our operations to identify, assess, respond to report, and monitor risks, including environmental and social risks. Our ERM program is based on the Committee of Sponsoring Organizations standard for risk management (COSO ERM – Integrated Framework) and is governed by our ERM Policy.

Risk management framework

Top down

Bottom up

Risk governance and oversight

Board

- The Board reviews Capital Power's risk profiles biannually.
- The Board reviews and approves the Company's risk appetite and tolerances and ERM Policy.

Risk management and oversight

- The President and CEO has ultimate accountability for managing the Company's risks and approves the ERM framework.

Risk management and oversight

Executive Committee

- Executive risk owners are accountable for the treatment of the risks that have been assigned to them as part of the risk assessment process. They are responsible for providing updates on risk management action plans under their control.

Risk management process

Biannual risk review →	Risk profile is updated →	Executive and Board review →	Company-wide employee awareness
We assess company risks at least twice a year during strategic long-term and business planning and budgeting processes with Executive risk owners and their delegates to identify new or changing risks. Risks are evaluated using quantitative and qualitative methods to determine their severity and prioritize and design appropriate responses.	Individual risk assessments are consolidated into a corporate risk register to show Capital Power's exposure to each over a given time period along with corresponding mitigating controls that allow risks to be monitored.	The Executive and Board receive a consolidated risk report with updates on changes in the risk profile and emerging risks being monitored. Results are also shared with the Internal Audit team to be used in the annual risk-based internal audit plan, which provides the Board and Management independent assurance that key risks are being managed effectively.	To ensure risk is understood and managed effectively, we make risk management a central part of our operations by embedding the results into systems and procedures and providing regular updates to our management teams.

Actively identifying and managing risk

At Capital Power, we actively identify and manage our climate-related risks and opportunities across all stages of the value chain through several processes and initiatives as part of an embedded process.

We use an Enterprise Risk Management (ERM) Program to identify, evaluate, report, and monitor key upstream, operational, and downstream risks that may affect the achievement of the Company's strategic and business objectives, including climate-related risks related to fuel supply, extreme weather events and changing social behaviours.

Through the ERM process, an engagement of subject matter experts, we complete a holistic assessment of risks and opportunities from emerging regulations associated with climate change. The Board reviews and approves the Company's risk tolerances, ERM Policy, and risk management processes and accountabilities annually. A comprehensive ERM review is provided to the Board at least twice a year. Ultimately, the President and CEO is accountable for managing our risks, including climate change-related risks, and approving the ERM framework.

The impact of transition and physical climate risks are incorporated into and managed as part of our business risks assessments. The tables below and on the following page group Capital Power's top risks resulting from our 2023 ERM assessment into overarching themes. Refer to the risk and Risk Management section of our Business Report for more details on the key risks to our business.

Strategic growth and investments

Our strategy involves acquisitions, developments, and investments in our core business and the ability to successfully identify, acquire, and integrate, or construct on-time and on-budget. As a result, there is a risk that we may not be able to achieve the returns expected from our investments.

Key drivers	Key mitigations	2024 focus	Climate risk
• Changing regulations and market fundamentals • Operational disruptions • Uncompetitive cost of capital • Labour and supply chain challenges • Volatility of commodity prices	• Strong governance framework and policy • Lessons learned collected from post-implementation project reviews to be applied to future projects • Relationships with key suppliers and contractors • Regular review of internal hurdle rates • Annual review of returns on investments and our strategy	Successful integration of newly-acquired assets and delivery of existing development commitments scheduled to commission in 2024	**Transition** ✓ **Physical** ✓

Risks and impact

Political and regulatory uncertainties

Governments' decarbonization commitments and increasing misalignments on how to achieve these goals may drive changing political conditions and regulations, resulting in financial, reputational, and operational impacts to our business.

Key drivers	Key mitigations	2024 focus	Climate risk
• Government net zero goals • Economic uncertainties • Affordability and reliability implications • Required investments, incentives, and carbon assurance mechanisms	• Advocating and engaging with government, industry groups, Indigenous communities and other stakeholders on new and emerging policies • Maintaining active relationships with all levels of government • Technological and geographical diversification	Continue to monitor and advocate on new and emerging policies in both Canada and the U.S. (including the Federal Clean Electricity Regulations, carbon pricing assurance mechanisms, the Alberta Market Framework assessment and the U.S. Environmental Protection Agency power plant rule-making process, and potential policy uncertainty pertaining to the 2024 U.S. election)	**Transition** ✓ **Physical** n/a

Market volatility and operational disruption

Exposures to volatility in power and natural gas prices are relevant to our merchant facilities, especially when combined with operational disruptions. Operational disruptions and curtailments are also risks present on our contracted facilities, both potentially resulting in financial impacts to our business.

Key drivers	Key mitigations	2024 focus	Climate risk
• Extreme weather patterns • Consumer behaviours • Competitors' behaviour • Supply availability • Market structures • Maintenance practices • Availability of critical spare parts • Environmental regulations	• Hedging through physical and financial derivatives • Long-term contracts • Strong commodity risk governance • Fuel-type and geographical diversification • Relationships with key suppliers • Long-term service agreements • Inventory of strategic spare parts • Comprehensive insurance programs	Continue to monitor and execute on mitigations	**Transition** ✓ **Physical** ✓

For further details on how we consider climate-related risks, refer to our TCFD disclosure.

DELIVERING ON OUR COMMITMENT TO PEOPLE AND PLANET

We are shaping the future of power in a decarbonized world while we energize communities across North America. As stewards of our collective energy future, we are playing a key role in helping society meet growing electricity demand as we create solutions to reach net zero by 2045.

Equity, diversity and inclusion

Our priority is cultivating an environment where diversity is celebrated, inclusion is the norm, and everyone is treated equitably. We are committed to providing an employee experience that focuses on the moments that matter and where everyone is seen, heard, valued and respected.

Insight into our identity

Our backgrounds, cultures and identities all contribute to the work we do each day. To better understand and advance diversity across the organization, employees have the option to self-identify on criteria, including ethnicity, gender, sexual orientation, and disability, providing us with deeper knowledge about our workforce, allowing us to tailor our programs and initiatives to suit their needs, and to set specific goals to further our equity, diversity and inclusion (EDI) strategy.

Establishing baseline data and metrics also enables us to set meaningful goals relating to attracting new employees and developing our leaders.

To hold ourselves accountable, the Executive Team and upper management's incentives are tied to sustainability measures, with specific targets for the growth of women in leadership and an increase in broader workforce diversity.

Progressing gender equality

Our commitment to increasing the number of women throughout our workforce includes setting targets and working towards representation in upper management and professional levels of our organization to ensure we have a pipeline of diverse candidates ready for leadership positions. In 2023, 34%[1] ☑ of our new hires were women, and women made up 30%[1] ☑ of our upper management. In 2024, we are prioritizing increasing not only women in upper management, but also women in the professional category to ensure a strong pipeline of women for leadership positions.

Gender diversity[1]

As of December 31, 2023	Women ☑	Men ☑
Executive	44%	56%
Upper management	30%	70%
Professional	35%	65%
Administrative	93%	7%
Operations	9%	91%
Traders	19%	81%

[1] See GRI 2-2 for information about our sustainability reporting boundaries and GRI 2-5 for definitions of our assured sustainability performance indicators.

Empowered to lead

We are proud of the growth and passion of our employee-led EDI initiatives which bring employees together in a safe place where conversations can flow freely and everyone can feel comfortable sharing their experiences. This includes both our EDI Council and our employee community, EmpowHER, which have helped to increase feedback from diverse groups.

EDI Council

Our EDI Council is made up of a diverse group of employees who develop and promote grassroots Council-led initiatives that enhance our company culture and support the employee experience through equity, diversity, and inclusion.

EmpowHER employee community

In 2023, we launched our first employee community, EmpowHER, led by a dynamic team of women. This group has members including both women-identifying employees and allies from all levels of the organization.

> **"EmpowHER is an open platform where I feel comfortable sharing my experiences. I believe what we're doing can help carve a more inclusive path forward for women, especially those employed in underrepresented roles."**

Kate Parr
York Plant Technician

Health, safety, security and environment

Our collective focus on health, safety, security and environment (HSSE) at Capital Power is fundamental to every decision and action we take and supports a culture of zero injuries. Working to ensure every employee goes home safely is embedded into our mindset, actions, and values, guiding all that we do.

Our proactive approach

We empower our people to take an all-in, proactive approach to safety and environmental stewardship. We act in a way that safeguards ourselves, each other, the environment, and the security of Capital Power. This collective approach fosters a resilient HSSE culture that embodies Capital Power's values and contributes to achieving its strategic objectives. To ensure success, we prioritize:

Our People

Providing leading subject matter expertise in the right place at the right time, promoting a dynamic HSSE culture of awareness and participation at all levels, and consistently expanding our industry collaboration and learning opportunities.

Our Processes

Developing a robust HSSE Management System that provides a consistent, repeatable, and transparent approach to managing HSSE-related risks.

Our Technology

Leveraging current systems and technology to improve the end-user experience and ensure we can provide accurate data to support analysis, reporting, and program development.

Measuring our performance

Our leading indicators promote proactive safety for our employees and contractors, including in-field leadership engagement, hazard reviews, contractor management, HSE inspections and robust training requirements.

We measure these leading performance indicators through our HSE Performance Index, and this is our 10th consecutive year of meeting or exceeding our target.

Achieved an HSE Performance Index of

1.06[1]

exceeding our target of 1.0.

We previously moved to a five-year rolling average for measuring lagging indicators. This provides us with a meaningful number of work hours and gives us the ability to assess trends over time. Total recordable injury frequency (TRIF) was 0.97[1] ☑ in 2023.

Emergency response in action

2023 saw unprecedented wildfire activity across Canada and the U.S., including in Tumbler Ridge, BC, and Phoenix, Arizona, home to our Quality Wind and Arlington Valley facilities. Despite the potentially overwhelming and dangerous conditions arising from these fires, our teams were well-equipped and prepared to safeguard themselves and our sites through our procedures, training, and commitment to cross-functional communication. We are grateful for – and incredibly proud of – our teams' ability to manage these situations safely.

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[1] See GRI 2-2 for information about our sustainability reporting boundaries and GRI 2-5 for definitions of our assured sustainability performance indicators.

Emissions management

The accurate and transparent reporting of our environmental performance remains fundamental to achieving our goals. Reporting on our emissions profile tracks our progress and ensures that we remain accountable to our stakeholders.

In 2023, we executed on our strategy to acquire strategically located critical natural gas facilities in order to deliver reliable and affordable power today. The expansion of our portfolio will naturally lead to increased absolute emissions in future reporting. As we continue on our path to net zero, we will optimize our existing power plants through operational improvements and work towards real net zero power solutions by investing in technologies and infrastructure that will reduce emissions for utility-scale power generation.

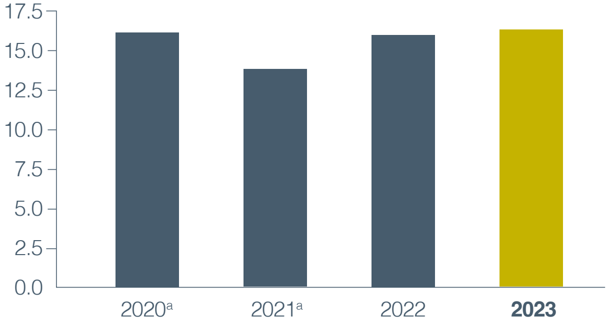
Scope 1

The charts presented on this page illustrate Scope 1 emissions across our fleet on an absolute and intensity basis. We follow GHG Protocol guidance to restate historic emissions in the event of structural changes to the organization, changes in calculation methodology, and/or discovery of errors that would otherwise impact the consistency and relevance of reported emissions information if not restated (see GRI 2-4 for more detail). Scope 1 absolute emissions and intensity presented for 2020 and 2021 have been restated to depict prior year facility acquisitions. Emissions data for 2022 has not been restated given that our facility acquisition in 2022 was already accounted for in previously reported data.

Scope 1 emissions in 2023 were 16.2 $MtCO_2e$[1] ☑ representing a slight year-over-year increase driven by Midland dispatch based on market conditions. Increased emissions from Midland were partially offset by the more efficient run profile and lower year-over-year dispatch at our Decatur facility, and lower emissions from Genesee 3's operations subsequent to the conversion to natural gas, resulting in emission compliance costs savings.

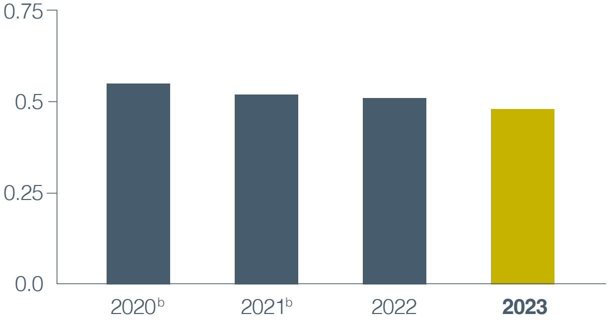
Greenhouse gas intensity in 2023 was 0.48 tonnes CO_2e/MWh[1] ☑. The decrease in emissions intensity compared to 2022 is mainly due to higher natural gas usage at Genesee as a result of the successful conversion of Genesee 3 off coal and efficient generation at Midland Cogeneration and other natural gas facilities.

Greenhouse gas emissions – Scope 1 absolute ($MtCO_2e$)



a 2020 restatement from 11.5 to 16.1 $MtCO_2e$. 2021 restatement from 10.4 to 13.7 $MtCO_2e$. For details about GHG emissions restatements, see GRI 2-4.

Scope 1 emission intensity (tCO_2e/MWh)



b 2020 restatement from 0.58 to 0.55 tCO_2e/MWh. 2021 restatement from 0.53 to 0.52 tCO_2e/MWh. For details about GHG emissions restatements, see GRI 2-4.

Scope 2

Location-based Scope 2 emissions for 2023 were 32,882 tCO_2e. Imported power consumption at our facilities were offset by a reduction of imported power at the Genesee Mine as a result of mine decommissioning.

All of Capital Power's Scope 2 emissions have been greened through a combination of Alberta's Technology Innovation and Emissions Reduction Regulation (TIER) compliance, and the retirement of renewable energy certificates (RECs) and carbon offsets.

Scope 3

Scope 3 emissions in 2023 totaled 2.59 $MtCO_2e$, with most of our Scope 3 emissions attributed to category 3: fuel- and energy-related activities as a result of fuel supply required to meet grid demand. Our commitment to continued improvement of our emissions reporting led to a refinement of our Scope 3 calculation approach and a restatement of our 2022 Scope 3 emissions (see GRI 2-4). Our methodology was updated to reflect evolving Scope 3 best practices, as recommended by the GHG Protocol, as well as utilizing updated supply chain emissions factors.

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[1] See GRI 2-2 for information about our sustainability reporting boundaries and GRI 2-5 for definitions of our assured sustainability performance indicators.

Sustainability in action

With an ethical focus on the entire lifecycle of the products we source, we look for opportunities to procure goods and services from local suppliers to maximize economic benefits in the communities where we operate in while minimizing our environmental footprint.

Sustainable sourcing policy

Our **Sustainable Sourcing Policy** outlines our commitment to responsible procurement and defines our environmental, social, and governance expectations for our suppliers. We will continue to look for opportunities to further embed our policy into our supply chain and mature our processes for tracking progress on sustainable sourcing.

Reducing the impact of our natural gas supply

In 2023, a portion of our Alberta natural gas purchases were certified under Equitable Origin's EO100 Standard for Responsible Energy Development, which includes an independent assessment related to ESG factors. We are proud of achieving our 2023 target and will continue to look for opportunities to procure responsibly-sourced natural gas.

Advancing sustainable solar

We secured our first order of responsibly produced, ultra-low carbon thin film solar modules for approximately one gigawatt direct current (GWdc) from First Solar, Inc. The solar modules, which will be delivered between 2026 and 2028, will support our growing development portfolio and qualify our projects for domestic content under the Inflation Reduction Act (IRA). First Solar's responsibly produced, advanced thin film photovoltaic (PV) modules set industry benchmarks for quality, durability, reliability, design, and environmental performance.

The company's solar modules have the lowest carbon and water footprint of any commercially available PV module today, and it is the first PV manufacturer to have its product included in the Electronic Product Environmental Assessment Tool (EPEAT) global registry for sustainable electronics (see Significant events).

> **We are proud to power future projects with First Solar's high-quality, American-made solar technology. This partnership aligns with our commitment to a sustainable, responsible supply chain that is imperative to developing transformative clean energy projects."**
>
> **Brendan Kusiek**
> Vice President, Supply Chain Management

Assessing water impacts

Capital Power provided support for an industry study conducted collaboratively to understand the potential water impacts of hydrogen development in Alberta. As part of our commitment to advancing innovative low carbon solutions, we have a role to play in supporting decarbonization development. The water study findings are intended to inform policies, regulations, and investments that will best enable the development of hydrogen as a possible low carbon solution in our home province of Alberta.

Community and stakeholder engagement

We are committed to being a collaborative and contributing neighbour in the communities where we live and work. Through meaningful, active engagement, we seek to understand community priorities, build relationships, and deliver solutions.

We engage stakeholders who live near or are interested in our operations and developments, working to foster understanding and trust, and laying the foundations for mutually beneficial relationships. Our approach is founded on respect, transparency, and developing enduring relationships that recognize the unique circumstances of individual communities and stakeholder groups.

Our full-life cycle approach

Our engagement with communities is ongoing. It begins long before construction commences and does not end until after a site's decommissioning and reclamation. We work to connect with stakeholders in multiple ways and provide various options for stakeholders to engage with us, including personal conversations, toll-free phone lines and email channels, open houses, and project newsletters.

Collaboration is key

How we create and use energy going forward is one of the most significant generational shifts and opportunities ever undertaken. Getting to net zero is a balancing act, with choices that consider the impacts on people, economies, power systems, and the planet. This requires an unprecedented level of collaboration between government, policymakers, capital providers, business leaders, Indigenous communities and citizens.

This collaboration includes working together to address stakeholders' varied and complex concerns about the addition of natural gas and renewable energy facilities in their communities, both of which are vital to ensuring we can deliver reliable, affordable, abundant, and clean power. We work diligently and collaboratively to address concerns transparently, delivering data-backed research, and maintaining open lines of communication.

> **Having a comprehensive and fulsome understanding of the opinions and expectations of our stakeholders is fundamental to our long-term partnerships. When we join a community, we're dedicated to nurturing strong roots – this is only possible with a healthy community connection."**
>
> **Tricia Johnston**
> Director, Communications
> and Community Engagement

Community investment

We connect with our communities to learn and support their needs and priorities, build meaningful relationships and be an active part of the community.

We strive to make a measurable impact in our communities by investing in:

Climate action

Leading action, education and the implementation of technologies and practices that will strengthen the long-term resiliency of communities in the face of climate change.

Equity and opportunity

Increasing equity, access and opportunity for all, and creating safe, welcoming, and diverse spaces.

Wellbeing

Building healthy communities where everyone can thrive.

In 2023, Capital Power contributed $3.4 million to community organizations. In support and recognition of the power of employee giving, a portion of our community investment is directed by our employees through our robust company-matching program. Find out more about our community investment on our **website**.

$3.4 million

contributed to community organizations in 2023

Powering innovative sustainable community projects across North America

In 2023, we launched our new **Community Sustainability Fund**, empowering the communities where we live and work to achieve their climate action goals with grants of up to $20,000. We received 80 requests for funding from organizations across North America, totaling nearly $1.5 million. Because of this outpouring of interest, we increased our original $0.2 million investment goal to $0.3 million to support more community grassroots projects.

Community Sustainability Fund | Capital Power

Indigenous communities and engagement

We work proudly with Indigenous communities to listen, learn, and support capacity and equity-building initiatives. We are committed to fostering opportunities for open, honest, and transparent engagement to achieve long-lasting and mutually beneficial relationships.

Indigenous Relations Policy

Capital Power has adopted a **policy** to formally state and solidify our approach to Indigenous relations. Our Indigenous Relations Policy acknowledges that historic and contemporary forces have had profoundly negative impacts on Indigenous Peoples. It states our commitment to being active participants in Canada's national reconciliation process with Indigenous Peoples, and the importance of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) within the context of existing Canadian and U.S. law and the commitments that governments in both countries have made to protect the rights of Indigenous Peoples.

Building pathways with Indigenous Peoples in energy

We are proud to support Indigenous youth, tradespeople and professionals building careers in the energy industry. On our journey of reconciliation, we are developing a reconciliation plan and working to include Indigenous knowledge and worldviews into how we are decarbonizing our energy future. To do this, we recognize the need for greater Indigenous expertise, guidance, and talent in our industry.

Supporting Indigenous youth with Bears' Lair Entrepreneurship Camps

We are incredibly proud to partner with **Bears' Lair TV** and support their efforts to feed the spirit of Indigenous business across Canada. We support their Youth Dream Camp program, which empowers Indigenous youth to explore entrepreneurship and creativity. For 2023, we sponsored three camps in the First Nations communities that neighbour our **Genesee Generating Station**.

Capital Power employees participate as coaches and leaders at these camps, working directly with Indigenous youth to help them learn business fundamentals and explore the world of small business, life as an entrepreneur, and ways to navigate their path to self-reliance. While the youths learn about business, our employees receive the gift of sharing in culture, conversation and learning from bright young minds.

> **"It was a privilege to meet these kids and watch them evolve. The experience they gained was inspiring – you could see the wheels turning as they produced and marketed companies. By day three, they found their voice and were confident in their ability to do anything they put their mind to!"**
>
> **Sue Cardinal**
> Manager, Community and Indigenous Engagement

Honouring Truth and Reconciliation

In honour of Canada's National Day for Truth and Reconciliation and Orange Shirt Day, we partnered with Indigenous artist, Whitney Clark, to design shirts that employees could purchase with a donation to the Gord Downie and Chanie Wenjack fund. The fund works to improve the lives of Indigenous people by building awareness, education, and connections between all peoples in Canada. The initiative raised over $5,000 for this cause.

For more examples of how Capital Power proudly supports Indigenous communities, please see our **website**.

BUSINESS REPORT

This business report, prepared as of February 27, 2024, should be read in conjunction with the audited consolidated financial statements of Capital Power Corporation and our subsidiaries for the years ended December 31, 2023 and December 31, 2022, the annual information form of Capital Power Corporation for the year ended December 31, 2023 and the remainder of the 2023 Integrated Annual Report, including both the sections preceding this business report and the cautionary statements regarding forward-looking information in the section following this business report.

In this business report, financial information for the years ended December 31, 2023, 2022 and 2021 is based on the audited consolidated financial statements of Capital Power 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 our Board of Directors reviews the contents of the business report and recommends its approval by the Board of Directors (the Board). The Board approved this business report as of February 27, 2024.

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 of Directors. 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.

See Leading the energy transition section.

Operational excellence

Our facility availability averaged 95% during the year ended December 31, 2023, which reflected planned outages at Genesee 2, Arlington Valley, Goreway, East Windsor, York Energy, Shepard, Clover Bar Energy Centre, Midland Cogeneration and Decatur Energy. Unplanned outages also occurred at Genesee 1 and 2, Quality Wind, Kingsbridge 1, Joffre, EnPower and Clover Bar Energy Centre.

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 Cogeneration.

Full year sustaining capital expenditures are slightly lower than the target range primarily due to spend on various planned projects deferred until 2024 resulting from timing of supplies and contractors availability.

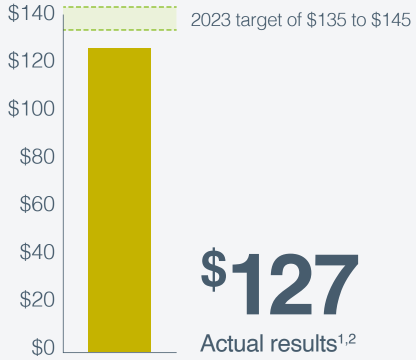
Performance measure

Facility availability average

95%

Actual results[2]
2023 target of 94% or greater

Sustaining capital expenditures[1] (in millions)



$127

Actual results[1,2]

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[1] Includes our share of joint venture sustaining capital expenditures of $32 million net of partner contributions of $6 million.

[2] For the year ended December 31, 2023.

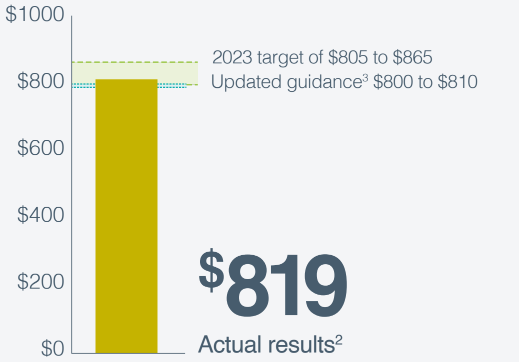
Performance overview

Disciplined growth

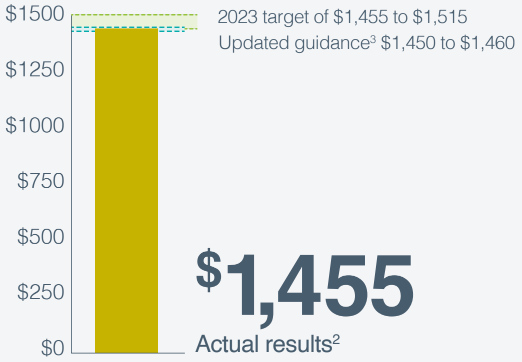
Performance measure	2023 target	Status at December 31, 2023
Repowering of Genesee 1 and 2	Continued progress with anticipated in-service date in 2024.	Construction is underway with anticipated in-service dates for both units in 2024 (see Significant events).
Halkirk 2 Wind (Alberta)	Continued progress with anticipated commercial operations in the fourth quarter of 2024.	Approved by the Alberta Utilities Commission (AUC) on July 27, 2023, the project is expected to meet return expectations with anticipated commercial operations consistent with target (see Significant events and Liquidity and capital resources).
Growth target	$600 million of committed capital.	We have exceeded our target for committed capital with the growth projects executed (see Significant events).

Financial stability and strength

Adjusted funds from operations[1] (in millions)



Adjusted EBITDA[1] (in millions)



[1] Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP financial measures and ratios.

[2] For the year ended December 31, 2023.

[3] We provided updated guidance for 2023 during our 2024 guidance webcast held in January 2024 primarily driven by our third quarter results and the impacts of lower realized power prices in the Alberta commercial portfolio during the fourth quarter of 2023 due to mild weather.

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 are excluded from the adjusted EBITDA measure such as impairments, foreign exchange gains or losses, gains or losses on disposals and other transactions, unrealized changes in fair value of commodity derivatives and emission credits and other items that are not reflective of the long-term performance of the Company's underlying business.

Commencing with the Company's December 31, 2023 quarter-end, the Company refined its adjusted EBITDA measure to better reflect the purpose of the measure to exclude other items affecting facility operations that are not reflective of the long-term performance of the Company's underlying business. The quarter ended September 2023 comparative adjusted EBITDA figure has been restated for this change to adjust $4 million in other non-recurring items.

Non-GAAP financial measures and ratios

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

	Year ended December 31		Three months ended							
(unaudited, $ millions)	**2023**	2022	**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	Dec 2022	Sep 2022	Jun 2022	Mar 2022
Revenues and other income	**4,282**	2,929	**984**	**1,150**	**881**	**1,267**	929	786	713	501
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	**(2,657)**	(2,059)	**(694)**	**(626)**	**(614)**	**(723)**	(909)	(543)	(429)	(178)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	**(321)**	429	**(14)**	**(151)**	**23**	**(179)**	247	136	28	18
Remove other non-recurring items[1]	**5**	–	**1**	**4**	**–**	**–**	–	–	–	–
Adjusted EBITDA from joint ventures[2]	**146**	54	**36**	**37**	**37**	**36**	36	4	7	7
Adjusted EBITDA	**1,455**	1,353	**313**	**414**	**327**	**401**	303	383	319	348
Depreciation and amortization	**(574)**	(553)	**(142)**	**(148)**	**(143)**	**(141)**	(139)	(133)	(139)	(142)
Unrealized changes in fair value of commodity derivatives and emission credits	**321**	(429)	**14**	**151**	**(23)**	**179**	(247)	(136)	(28)	(18)
Other non-recurring items[1]	**(5)**	–	**(1)**	**(4)**	**–**	**–**	–	–	–	–
Foreign exchange (losses) gains	**(6)**	(15)	**(2)**	**(9)**	**4**	**1**	3	(12)	(7)	1
Net finance expense	**(166)**	(156)	**(49)**	**(35)**	**(34)**	**(48)**	(44)	(40)	(35)	(37)
(Losses) gains on acquisition and disposal transactions	**(3)**	(37)	**(5)**	**5**	**(3)**	**–**	(33)	(3)	(1)	–
Other items[2,3]	**(81)**	(22)	**(22)**	**(19)**	**(19)**	**(21)**	(17)	(4)	(1)	–
Income tax (expense) recovery	**(204)**	(13)	**(11)**	**(83)**	**(24)**	**(86)**	75	(24)	(31)	(33)
Net income (loss)	**737**	128	**95**	**272**	**85**	**285**	(99)	31	77	119
Net income (loss) attributable to:										
Non-controlling interests	**(7)**	(10)	**(2)**	**(2)**	**(2)**	**(1)**	(1)	(3)	(3)	(3)
Shareholders of the Company	**744**	138	**97**	**274**	**87**	**286**	(98)	34	80	122
Net income (loss)	**737**	128	**95**	**272**	**85**	**285**	(99)	31	77	119

[1] For the year ended December 31, 2023, other non-recurring items reflects restructuring costs and costs related to the end-of-life of Genesee coal operations of $3 million and $2 million, respectively. For the three months ended December 31, 2023, other non-recurring items reflects costs related to the end-of-life of Genesee coal operations of $1 million.

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

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

Non-GAAP financial measures and ratios

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 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. Comparative AFFO figures have not been restated for this change.

Non-GAAP financial measures and ratios

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

	Year ended December 31		Three months ended December 31	
(unaudited, $ millions)	**2023**	2022	**2023**	2022
Net cash flows from operating activities per consolidated statements of cash flows	**822**	935	**(18)**	42
Add (deduct) items included in calculation of net cash flows from operating activities per consolidated statements of cash flows:				
Interest paid	**111**	89	**8**	13
Realized gains on settlement of hedged interest rate derivatives	**(20)**	(27)	**(10)**	–
Change in fair value of derivatives reflected as cash settlement	**(249)**	213	**(38)**	153
Distributions received from joint ventures	**(36)**	(16)	**(11)**	(10)
Miscellaneous financing charges paid[1]	**13**	7	**7**	2
Income taxes paid	**214**	37	**178**	13
Change in non-cash operating working capital	**226**	(179)	**100**	(28)
	259	124	**234**	143
Net finance expense[2]	**(134)**	(111)	**(37)**	(31)
Current income tax expense	**(155)**	(40)	**(20)**	(1)
Sustaining capital expenditures[3]	**(92)**	(133)	**(20)**	(58)
Preferred share dividends paid	**(32)**	(37)	**(9)**	(8)
Cash received for off-coal compensation	**50**	50	**–**	–
Remove tax equity interests' respective shares of adjusted funds from operations	**(7)**	(7)	**(2)**	2
Adjusted funds from operations from joint ventures	**92**	36	**22**	20
Other non-recurring items[4]	**16**	31	**12**	31
Adjusted funds from operations	**819**	848	**162**	140
Weighted average number of common shares outstanding (millions)	**117.1**	116.5	**117.4**	116.9
Adjusted funds from operations per share ($)	**6.99**	7.28	**1.38**	1.20

[1] Included in other cash items on the 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: (i) partner contributions of $6 million and $1 million for the year and three months ended December 31, 2023, respectively, compared with $5 million and $1 million for the year and three months ended December 31, 2022, respectively and (ii) insurance recoveries of $3 million for the year ended December 31, 2023.

[4] For the year ended December 31, 2023, other non-recurring items reflects restructuring costs of $3 million, costs related to the end-of-life of Genesee coal operations of $8 million and dividend equivalent payments for the subscription receipt offering (see Significant events) of $7 million, net of current income tax expenses of $2 million. For the three months ended December 31, 2023, other non-recurring items reflects costs related to the end-of-life of Genesee coal operations of $7 million and dividend equivalent payments for the subscription receipt offering (see Significant events) of $7 million, net of current income tax expenses of $2 million.

The year and three months ended December 31, 2022, include a write-down of $18 million to reflect lower net realizable value of inventory related to the end-of-life of Genesee coal operations and a provision for the termination fees related to the existing PPAs of the Bear Branch Solar, Hornet Solar and Hunter's Cove Solar projects.

Financial highlights

(unaudited, $ millions, except per share amounts)	Year ended December 31 2023	2022	2021
Revenues and other income	**4,282**	2,929	1,990
Adjusted EBITDA[1]	**1,455**	1,353	1,124
Net income	**737**	128	87
Net income attributable to shareholders of the Company	**744**	138	98
Basic earnings per share ($)	**6.07**	0.85	0.39
Diluted earnings per share ($)[2]	**6.04**	0.84	0.39
Net cash flows from operating activities	**822**	935	867
Adjusted funds from operations[1]	**819**	848	605
Adjusted funds from operations per share ($)[1]	**6.99**	7.28	5.40
Purchase of property, plant and equipment and other assets, net	**723**	682	622
Dividends per common share, declared ($)	**2.3900**	2.2550	2.1200
Dividends per Series 1 preferred share, declared ($)	**0.6553**	0.6553	0.6553
Dividends per Series 3 preferred share, declared ($)	**1.3633**	1.3633	1.3633
Dividends per Series 5 preferred share, declared ($)	**1.4836**	1.3095	1.3095
Dividends per Series 7 preferred share, declared ($)[3]	**N/A**	N/A	1.5000
Dividends per Series 9 preferred share, declared ($)[4]	**N/A**	1.0781	1.4375
Dividends per Series 11 preferred share, declared ($)	**1.4375**	1.4375	1.4375

	At December 31 2023	2022	2021
Loans and borrowings including current portion	**4,716**	3,726	3,360
Total assets	**11,156**	10,135	9,073

[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 December 31, 2021, Capital Power redeemed all of our 8 million issued and outstanding 6.00% cumulative rate reset preference shares, Series 7.

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

Financial highlights

Adjusted EBITDA for the year ended December 31, 2023 was higher than the corresponding period in 2022. Full-year results from Midland Cogeneration, which was acquired in September 2022, and favorable results from our Alberta Commercial facilities driven by lower emission compliance expense through the use of our offsets inventory combined with lower emission intensity resulting from Genesee 3's coal-to-gas conversion and lower transmission costs more than offset the impact of lower realized power pricing year-over-year.

AFFO for the year ended December 31, 2023 was lower than the corresponding period in 2022 primarily due to:

- higher current income tax due to increased tax instalments as a result of higher overall taxable income;
- higher finance expense due to $350 million and $850 million medium term notes issued during 2023, increased credit facility usage, lower realized gains on settlement of interest rate derivatives compared to 2022, and the green hybrid subordinated notes issued in the third quarter of 2022; and,
- partially offset by higher adjusted EBITDA described above and lower sustaining capital expenditure as a result of less outage activities and lower preferred share dividends.

Revenues and other income for the year ended December 31, 2023 were higher compared with the corresponding period in 2022 primarily due to the impact of realized gains from our Alberta portfolio optimization activities combined with unrealized changes in the fair value of the Company's derivatives and emission credits.

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.

Basic and diluted earnings per share changes 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 key drivers of changes in net cash flows from operating activities.

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

Significant events

Acquisition of Frederickson 1 Generating Station

On December 28, 2023, the Company completed its acquisition of a 50.15% ownership interest in the Frederickson 1 Generating Station (Frederickson 1) from Atlantic Power & Utilities for $129 million (US$97.5 million), subject to working capital and other closing adjustments. The other 49.85% is owned by Puget Sound Energy (PSE). Capital Power financed the transaction using cash on hand and its credit facilities.

Frederickson 1 is a 265 MW natural gas-fired combined-cycle generating facility located in Pierce County, Washington. It has tolling agreements for 100% of its capacity out to October 2030 with credit-worthy counterparties. Frederickson 1 is expected to generate average contracted adjusted EBITDA of $21 million (US$15 million) per year during the 5-year period of 2024-2029.

Frederickson 1 is well-positioned as a flexible and dispatchable resource that provides reliable power in support of the continuing energy transition to renewables in the region. Capital Power will operate and maintain the facility with its knowledge and experience in plant operations and optimization and will receive an annual management fee under the operating arrangement with PSE. Located southeast of Tacoma in the Puget Sound Region load centre, Frederickson sits on approximately 7 acres of land that is adjacent to additional lands owned by Capital Power. Current layout and additional space allow for future development such as battery installation or a hybrid opportunity.

$850 million medium term notes offering

On December 15, 2023, the Company closed a public offering of unsecured medium-term notes in the aggregate principal amount of $850 million (the Offering). The Offering consists of $400 million medium-term notes with a coupon rate of 5.378% and $450 million of medium-term notes with a coupon rate of 5.973% and mature on January 25, 2027 and January 25, 2034, respectively.

The net proceeds from the Offering were used to partially finance Capital Power's acquisitions of (i) a 50% interest in New Harquahala Generating Company, LLC, (the Harquahala Acquisition) and (ii) a 100% interest in CXA La Paloma, LLC (the La Paloma Acquisition), and related expenses, or for general corporate purposes (see Subsequent events).

$400 million subscription receipt offering

On November 28, 2023, the Company announced that it has completed a public and private placement offerings of subscription receipts (collectively the Offerings). The public offering consisted of the issuance of 8,231,000 subscription receipts (the Public Subscription Receipts), on a bought deal basis, at an issue price of $36.45 per Public Subscription Receipt (the Offering Price), for total gross proceeds of approximately $300 million (the Public Offering) pursuant to an underwriting agreement with a syndicate of underwriters (the Underwriters) led by TD Securities Inc. and National Bank Financial Inc.

Concurrently, the Company issued 2,745,000 subscription receipts (together with the Public Subscription Receipts, the Subscription Receipts) at the Offering Price to Alberta Investment Management Corporation (AIMCo) on a private placement basis for gross proceeds of approximately $100 million (the Private Placement). TD Securities Inc. acted as the sole agent and bookrunner for the Private Placement.

Each Subscription Receipt entitles the holder thereof to receive, without payment of additional consideration or further action, upon the first to close of the acquisitions of La Paloma and Harquahala , one common share of Capital Power. In addition, while the Subscription Receipts remain outstanding, holders were entitled to receive cash payments (Dividend Equivalent Payments) per Subscription Receipt equal to dividends declared by Capital Power on each Common Share. The La Paloma Acquisition closed on February 9, 2024 (see Subsequent events) and each Subscription Receipt have been automatically exchanged in accordance with their terms for one common share of Capital Power.

The net proceeds from the Offerings will be used to partially finance the acquisitions of (i) 100% of the equity interests in CXA La Paloma, LLC, and (ii) 50% of the equity interests in New Harquahala Generating Company, LLC, from CSG Investments, Inc., a subsidiary of Beal Financial Corporation (see Subsequent events).

$350 million medium term note offering

On September 15, 2023, the Company closed a public offering of unsecured medium term notes in the aggregate principal amount of $350 million (the Offering). These notes have a coupon rate of 5.816% and mature on September 15, 2028. The net proceeds of the Offering were used to repay, redeem or refinance existing indebtedness, including indebtedness under Capital Power's credit facilities, and for general corporate purposes.

Significant events

Executive appointments

Capital Power has expanded its Executive Team through internal promotions and an external hire to lead the Company to net zero by 2045. With decades of industry experience, they share a joint commitment to drive the energy transition through the delivery of reliable, affordable and decarbonized power generation solutions. The Executive Team's portfolios have been optimized to enhance and accelerate the delivery of its strategy through corporate services, commercial business, and asset management activities.

New members and portfolio changes

Corporate Services:

May Wong, Senior Vice President, Strategy, Planning and Sustainability

May leads the development and execution of Capital Power's corporate strategy and sustainability direction and is accountable for the long-term planning process. With 20 years of service with the Company, May previously held the role of Vice President of Strategy, Forecasting and Sustainability, where she oversaw strategy, sustainability priorities, and the corporate analytics and commodity risk management function responsible for developing market assessment analytics across North American power markets.

Pauline McLean, Senior Vice President, External Relations and Chief Legal Officer

Pauline leads the legal, regulatory, corporate compliance and external relations functions of Capital Power. She also provides support, risk management, and strategic insights to senior management and the Board of Directors. Prior to joining Capital Power in September 2023, Pauline spent 14 years working for the Alberta Electric System Operator (AESO) in senior legal and commercial roles, and, prior to that, practiced corporate and commercial law.

Asset Management:

Steve Wollin, Senior Vice President, Operations

Steve oversees the safe operation of approximately 7,500 megawatts of power generation capacity across North America, including Capital Power's operations, supply chain and health, safety, security, and environment functions. In addition, as of January 4, 2024, Steve assumed accountability for Capital Power's engineering function. He is responsible for reliability and plant efficiency programs that provide industry-leading plant availability and emission reductions. Steve also brings knowledge and hands on experience in pre-combustion and post-combustion Carbon Capture technologies. With 22 years of service with the Company, Steve previously held the positions of Vice President, Thermal Operations East and Renewables, where he oversaw the addition and integration of over 3,000 megawatts of assets to Capital Power's portfolio, and Vice President, Engineering, where he established the Capital Power Reliability Program for the fleet.

Commercial:

Jason Comandante, Senior Vice President, Head of Canada

Jason oversees the physical and financial optimization of Capital Power's Canadian fleet, the successful execution of Canadian development and acquisition opportunities, and the assessment and investment in decarbonization technologies in Canada. In addition, as of January 4, 2024, Jason assumed accountability for Capital Power's construction function. With 22 years of service with the Company, Jason has held senior leadership roles focused on commodity trading, corporate strategy, regulatory and commercial management including capital deployment into energy transition.

Bryan DeNeve, Senior Vice President, Chief Commercial Officer

Moving into a new portfolio, Bryan now oversees commercial business initiatives across North America, including the physical and financial optimization and decarbonization of Capital Power's fleet. With 27 years of service with the Company, Bryan has previously served as Senior Vice President, Operations, where he was responsible for the safe operation of approximately 7,500 megawatts of power generation capacity across North America, as well as Senior Vice President, Business Development and Commercial Services and Senior Vice President, Finance and Chief Financial Officer.

Sandra Haskins and Jacquie Pylypiuk continue to serve in their current roles as Senior Vice President, Finance and Chief Financial Officer and Senior Vice President, Technology and Chief People and Culture Officer, respectively.

Board of Director changes

On August 1, 2023, the Company announced the appointment of Carolyn Graham to Capital Power's Board of Directors (the Board) effective August 2, 2023. The appointment follows the retirement of Katharine Stevenson from the Board. With this appointment and retirement, the Board consists of 10 directors, with 44% of the independent directors being women; and 33% of the independent directors representing diverse groups beyond gender.

Significant events

Reinstatement of Dividend Reinvestment Plan

On August 1, 2023, the Company reinstated its Dividend Reinvestment Plan (the Plan), which was previously suspended during the fourth quarter of 2021. Eligible shareholders may elect to participate in the Plan commencing with the Company's third quarter 2023 cash dividend. The reinstated Plan will provide eligible shareholders with an alternative to receiving their quarterly cash dividends. Under the Plan, eligible shareholders may elect to efficiently and cost-effectively accumulate additional shares in the Company by reinvesting their quarterly cash dividends on the applicable dividend payment date in new shares issued from treasury. The new shares will be issued at a discount of 1% to the average closing price on the Toronto Stock Exchange for the ten trading days immediately preceding the applicable Dividend Payment Date. Participation in the Plan is optional. Those shareholders who do not enroll in the Plan will still be entitled to receive their quarterly cash dividends. Shareholders that were enrolled in the Plan upon suspension, and remain enrolled with the Plan administrator, will automatically resume participation in the Plan.

Dividend increase

On August 1, 2023, the Company's Board of Directors approved an increase of 6% in the annual dividend for holders of its common shares, from $2.32 per common share to $2.46 per common share. This increased common share dividend commenced with the third quarter 2023 quarterly dividend payment on October 31, 2023 to shareholders of record at the close of business on September 29, 2023.

Secured 1 GW supply of responsibly produced, ultra-low carbon First Solar modules

On July 5, 2023, the Company announced it had secured its first order of responsibly produced, ultra-low carbon thin film solar modules for approximately 1 gigawatt direct current (GWdc) from First Solar, Inc. The solar modules, which will be delivered between 2026 and 2028, will support Capital Power's growing development portfolio and qualify our projects for domestic content under the Inflation Reduction Act (IRA).

Updates to Genesee Repowering project schedule and costs and Battery Energy Storage System project no longer required

On June 29, 2023, the Company announced modifications to the commissioning timelines for the repowered units as a result of construction delays on the Repowering Project. Simple cycle commissioning of Unit 1 was expected to commence in December 2023, approximately 60 days later than initially anticipated. Simple cycle commissioning for Unit 2 was expected to be further delayed and to begin in March 2024. Combined cycle commissioning was expected to begin in April 2024 (Unit 1) and June 2024 (Unit 2). In January 2024, the Company announced updated timelines for the completion of the units (see Subsequent events). Subject to improved labour availability and no additional productivity challenges, the expected total capital costs for the Repowering Project have increased to $1.35 billion as a result of cost escalations and increased labour costs.

The Alberta Electric System Operator (AESO) also completed its review process and provided conditional approval to Capital Power's alternate solution to utilize unique operational characteristics of the repowered units to meet the Most Severe Single Contingency (MSSC) limit of 466 MW. The 210 MW Genesee BESS which was added to the repowering project to meet the MSSC limit will not be needed. As a result, the Company cancelled that portion of the project.

Maple Leaf Solar project awarded 25-year contract

On June 29, 2023, the Company announced it executed a 25-year, fixed price renewable power purchase agreement (PPA) for 100% of the output from its Maple Leaf Solar project (Maple Leaf) with Duke Energy Progress (DEP) as part of the 2022 Duke Energy Solar Procurement Program. Maple Leaf is a 73 Mwac (92 MWdc) solar development project in Selma, North Carolina. The construction of Maple Leaf is planned to begin in 2025 at a total cost of approximately US$165 million with an expected commercial operations date in the fourth quarter of 2026, pending completion of the Duke interconnection upgrades. Local zoning approvals were obtained in May 2023 and detailed design and permitting are underway.

Contracts executed for Natural Gas and Batteries from Ontario IESO's bids

Capital Power's active participation in the Ontario Independent Electric System Operator's (IESO) expedited call for new power generation and capacity in high priority areas to help address the IESO's forecasted shortfall, resulted in five successful bids.

Significant events

On June 29, 2023, the Company announced that it had:

- Executed two long-term contracts for the East Windsor Expansion (81 MW summer and 100 MW winter contracted capacities) and the York BESS project as part of the IESO's Expedited Long-Term request for proposals (RFP) process. The York BESS project is expected to begin commercial operations in 2025 and the East Windsor Expansion has been updated to begin commercial operations in 2026 due to delays in permitting processes. Capital Power holds 100% interest in the York Energy BESS project.
- Been selected as a successful proponent for the Goreway BESS project as part of Category 2 of the Ontario IESO's Expedited Long-Term request for proposals. The contract was subsequently executed in July 2023 and the project is expected to enter service in 2025.

Growth Projects

Project	Contracted Capacity	Term
East Windsor Expansion	81 to 100 MW	to 2040 (approximately 15 years)
York Energy BESS	114 MW	to 2047 (approximately 22 years)
Goreway BESS	48 MW	to 2047 (approximately 22 years)

Capital Power also executed a 3-year contract extension for the York Energy Centre associated with its successful bid in the Same Technology Upgrade Solicitation. The upgrade will increase York Energy's contracted capacity from 393 MW to 431 MW. The contract extension applies to the new contracted capacity of 431 MW (from the commercial operation date of the upgrades expected in 2025) and extends the current contract from 2032 to 2035.

In addition, on April 25, 2023, Capital Power and the Ontario IESO executed a 6-year contract extension for Goreway associated with its successful efficiency upgrade bid of approximately 40 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.

Commercial Initiatives

	Contracted Capacity			
Project	Existing	New	Total	Contract Expiry
Goreway upgrade	840 MW	40 MW	880 MW	2035
York Energy upgrade[1]	393 MW	38 MW	431 MW	2035

[1] 50% interest in joint venture.

Avik Dey appointed as President and Chief Executive Officer, following Brian Vaasjo's Retirement

On April 19, 2023, the Company's Board of Directors announced that it unanimously selected Avik Dey to be the 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 supported 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 retired effective July 4, 2023.

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, the Company 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 Alberta-based Halkirk 2 Wind project is completed, which is expected to be operational by January 1, 2025. 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. On July 27, 2023, the Alberta Utilities Commission approved the Halkirk 2 Wind project and included conditions that Capital Power will review and incorporate as part of our final project design.

Subsequent events

Acquisitions of CXA La Paloma, LLC and New Harquahala Generating Company, LLC

On November 20, 2023, the Company announced that it had entered into two separate definitive agreements with CSG Investments, Inc., a subsidiary of Beal Financial Corporation, to acquire:

1. 100% of the equity interests in CXA La Paloma, LLC (La Paloma), which owns the 1,062 MW La Paloma natural gas-fired generation facility in Kern County, California (the La Paloma Acquisition); and
2. under a newly formed 50/50 partnership between Capital Power Investments, LLC and an affiliate of a fund managed by BlackRock's Diversified Infrastructure business (BlackRock), 100% of the equity interests in New Harquahala Generating Company, LLC (Harquahala), which owns the 1,092 MW Harquahala natural gas-fired generation facility in Maricopa County, Arizona (the Harquahala Acquisition and together with the La Paloma Acquisition, the Acquisitions).

Under the newly established 50/50 partnership, Capital Power and BlackRock will each be responsible for funding 50% of the cash consideration for the Harquahala Acquisition. Capital Power will be responsible for the operations and maintenance and asset management for which it will receive an annual management fee.

La Paloma and Harquahala are critical infrastructure assets, which support the reliability of California and Arizona's electricity grids and add further growth opportunities in the attractive Western Electricity Coordinating Council (WECC) market while balancing the Company's geographical footprint across North America. La Paloma is contracted under various resource adequacy contracts through 2029 with multiple investment grade utilities and load serving entities. Harquahala is 100% contracted under a tolling agreement through 2031 with an investment grade utility.

The Acquisitions are expected to generate average annual Adjusted EBITDA of approximately $265 million (US$197 million) for the 2024-2028 period and are estimated to be, on average, 8% accretive to AFFO per share over the same period, based on expected permanent financing.

The purchase price of the Acquisitions attributable to Capital Power was $1.5 billion (US$1.1 billion), subject to working capital and other customary closing adjustments. The Acquisitions were partially funded by a $400 million subscription receipt offering and $850 million medium term notes offering (see Significant events).

The La Paloma Acquisition and the Harquahala Acquisition closed on February 9, 2024 and February 16, 2024, respectively.

Updates to Genesee Repowering project schedule

On January 16, 2024, the Company updated our Genesee repowering timelines. Simple cycle commissioning for Unit 1 and Unit 2 is now expected to be completed in Q2 2024 and Q3 2024, respectively. During the commissioning phase, unit dispatch will be driven by project needs rather than economic dispatch therefore output during commissioning of simple cycle will range between 0 and 411 MWs. Combined cycle for Unit 1 and Unit 2 is now expected to be completed in Q4 2024 and output will range between 0 and 466 MWs during commissioning. Both units are expected to reach 566 MWs in the first half of 2025.

Partnered with Ontario Power Generation to advance new nuclear in Alberta

On January 15, 2024, the Company announced that it had entered into an agreement with Ontario Power Generation (OPG) to jointly assess the development and deployment of grid-scale small modular reactors (SMRs) to provide clean, reliable nuclear energy for Alberta.

Pursuant to the agreement, the two companies will examine the feasibility of developing SMRs in Alberta, including possible ownership and operating structures. SMRs are being pursued by jurisdictions in Canada and around the world to power the growing demand for clean electricity and energy security.

Capital Power and OPG will complete the feasibility assessment within two years, while continuing to work on the next stages of SMR development.

Facilities and portfolio optimization

Facility category and facility	Type of generating facility	Year commissioned	Gross capacity (MW) Facility	Gross capacity (MW) Capital Power interest	Revenues based on	Contract expiry
Alberta commercial facilities						
Genesee 1	Coal and natural gas co-fired	1994	430	430	Merchant	–
Genesee 2	Coal and natural gas co-fired	1989	450	450	Merchant	–
Genesee 3	Natural gas-fired combined cycle	2005	525	525	Merchant	–
Clover Bar Energy Centre 1, 2 and 3	Natural gas-fired simple cycle	2008 (Unit 1) 2009 (Units 2 and 3)	243	243	Merchant	–
Joffre	Natural gas-fired combined cycle cogeneration	2001	480	192	Merchant (mid-merit)	–
Shepard	Natural gas-fired combined cycle	2015	881	440	Merchant with tolling agreement for 50% of owned capacity	2035 (tolling agreement)
Halkirk Wind	Wind turbine	2012	150	150	Merchant with renewable energy credits (RECs) sold under fixed price agreement	2032 (RECs)
Clover Bar Landfill Gas	Landfill gas-fired	2005	2	2	Merchant with emission credits purchased by Capital Power from the City of Edmonton	–
Western Canada contracted facilities						
Island Generation	Natural gas-fired combined cycle	2002	275	275	Electricity purchase agreement (EPA)[3] with BC Hydro	2026
Quality Wind	Wind turbine	2012	142	142	EPA[3] with BC Hydro	2037
Savona[1]	Waste heat	2008	5	5	EPA[3] with BC Hydro	2028
150 Mile House[1]	Waste heat	2008	5	5	EPA[3] with BC Hydro	2028
Whitla Wind[2]	Wind turbine	2019 (Phase 1) 2021 (Phases 2 and 3)	353	353	Fixed price contract with the Alberta Electric System Operator for 202 MW PPA[3] with Dow Chemical Canada ULC for 25 MW VPPA[3] with ME Global Canada ULC for 126 MW	2039 2036 2032

Facilities and portfolio optimization

Facility category and facility	Type of generating facility	Year commissioned	Gross capacity (MW) Facility	Gross capacity (MW) Capital Power interest	Revenues based on	Contract expiry
Strathmore Solar	Solar	2022	41	41	PPA[3] with Telus Corporation covering energy and RECs	2047
Clydesdale Solar	Solar	2022	75	75	VPPA[3] with Labatt Breweries of Canada covering 38 MW of energy and RECs VPPA[3] with Shaw Communications covering 30 MW of energy and RECs	2037 2037
Ontario contracted facilities						
York Energy	Natural gas-fired simple cycle	2012	456	228	Energy supply contract with Independent Electric System Operator (IESO)	2035
East Windsor	Natural gas-fired cogeneration	2009	92	92	Energy supply contract with IESO	2040
Goreway	Natural gas-fired combined cycle	2009	875	875	Energy supply contract with IESO	2035
Kingsbridge 1	Wind turbine	2001 and 2006	40	40	Energy supply contracts with IESO	2026
Port Dover and Nanticoke Wind	Wind turbine	2013	105	105	Energy supply contract with IESO	2033
U.S. contracted facilities						
Decatur Energy, Alabama	Natural gas-fired combined cycle	2002	885	885	Tolling agreement with Tennessee Valley Authority	2032
Arlington Valley, Arizona	Natural gas-fired combined cycle	2002	600	600	Tolling agreement with Arizona Public Service Company and Heat Rate Call Option (HRCO) with an investment grade counterparty	2031
Beaufort Solar, North Carolina	Solar	2015	15	15	PPA[3] with Duke Energy Progress, LLC	2030
Bloom Wind, Kansas	Wind turbine	2017	178	178	Fixed price contract with Allianz Risk Transfer	2027
Macho Springs Wind, New Mexico	Wind turbine	2011	50	50	PPA[3] with Tucson Electric Power	2031
New Frontier Wind, North Dakota	Wind turbine	2018	99	99	Fixed price contract with Morgan Stanley Capital Group	2030
Cardinal Point Wind, Illinois	Wind turbine	2020	150	150	Fixed price contract with Morgan Stanley Capital Group	2032

Facilities and portfolio optimization

			Gross capacity (MW)			
Facility category and facility	**Type of generating facility**	**Year commissioned**	**Facility**	**Capital Power interest**	**Revenues based on**	**Contract expiry**
Buckthorn Wind, Texas	Wind turbine	2018	101	101	Offtake arrangements with an investment grade U.S. financial institution	2031 and 2038
Midland Cogeneration, Michigan	Natural gas-fired combine cycle	1990	1,633	817	PPA[3] with Consumers Energy Steam and EPA[3] with Dow Silicones and Corteva Agriscience	2030 and 2035
Frederickson 1, Washington	Natural gas-fired combine cycle	2002	265	133	Tolling agreement with Morgan Stanley Capital Group and Puget Sound Energy	2025 and 2030

1 For operational reporting, Savona and 150 Mile House waste heat facilities are combined together as a single entity referred to as EnPower.

2 For operational reporting, all phases of the Whitla Wind project are combined as a single facility referred to as Whitla Wind.

3 Certain of our facilities derive revenues under power purchase agreements or arrangements (PPAs), virtual power purchase agreements (VPPAs) and energy purchase agreements or arrangements (EPAs).

			Gross capacity (MW)			
Facility category and facility	**Type of generating facility**	**Year to be commissioned**	**Facility**	**Capital Power interest**	**Revenues based on**	**Contract expiry**
Under construction or in advanced development						
Repowering of Genesee 1 and 2	Natural gas-fired combined cycle	Unit 1 – 2024	256	256	Merchant	–
		Unit 2 – 2024	256	256		
Halkirk Wind Phase 2, Alberta	Wind	Q4 2024	140	140	Clean electricity supply agreement with Public Services and Procurement Canada for 49% of energy.	2045
					Renewable power purchase agreement with Saputo Inc. for 45% of energy	2040
Maple Leaf Solar	Solar	2026	73	73	PPA with Duke Energy Progress, LLC	2051
East Windsor Expansion	Natural gas-fired simple cycle	2026	106	106	Energy supply contract with IESO	2040
York Energy BESS	Battery energy storage system	2025	120	120	Energy supply contract with IESO	2047
Goreway BESS	Battery energy storage system	2025	50	50	Energy supply contract with IESO	2047
Goreway upgrade	Natural gas-fired combined cycle	2025	40	40	Energy supply contract with IESO	2035
York Energy Upgrade	Natural gas-fired simple cycle	2025	38	19	Energy supply contract with IESO	2035

Facilities and portfolio optimization

Facility category and facility	Type of generating facility	Year commissioned	Gross capacity (MW) Facility	Gross capacity (MW) Capital Power interest	Revenues based on	Contract expiry
Acquisitions						
La Paloma (see Subsequent events)	Natural gas-fired combined cycle	2003	1,062	1,062	Resource adequacy contracts with multiple investment grade utilities and load serving entities	2029
Harquahala (see Subsequent events)	Natural gas-fired combined cycle	2004	1,092	546	Tolling agreement with an investment grade utility	2031

Facilities and portfolio optimization

Portfolio optimization

Capital Power's commodity portfolio is comprised of generation assets, customer positions and trading positions. All commodity risk management and optimization activities are centrally managed by Capital Power's commodity portfolio management group. Portfolio optimization includes activities undertaken to manage our exposure to commodity risk and enhance earnings. Overall commodity exposure within the portfolio is managed within limits established under our risk management policies.

Capital Power manages output from our commercial and contracted facilities with residual commodity exposure on a portfolio basis. Capital Power sells and/or buys physical and/or financial forward contracts that are non-unit specific, to reduce exposure to facility specific availabilities. Capital Power also takes positions in environmental commodity markets outside of Alberta to develop capability to support our growth strategy and to generate trading profits.

Consolidated net income and results of operations

The primary factors contributing to the change in consolidated net income for 2023 compared with 2022 are presented below followed by further discussion of these items.

(unaudited, $ millions)

Consolidated net income for the year ended December 31, 2022		**128**
Increase (decrease) in adjusted EBITDA:		
Alberta commercial facilities and portfolio optimization	31	
Western Canada contracted facilities	(3)	
Ontario contracted facilities	(7)	
U.S. contracted facilities	74	
Corporate	7	102
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits		750
Decrease in losses on disposals and other transactions		34
Increase in depreciation and amortization expense		(21)
Decrease in foreign exchange loss		9
Increase in finance expense and depreciation from joint ventures		(59)
Increase in net finance expense		(10)
Changes in other non-recurring items		(5)
Increase in income before tax		800
Increase in income tax expense		(191)
Increase in net income		609
Consolidated net income for the year ended December 31, 2023		**737**

Consolidated net income and results of operations

Results by facility category and other

	Year ended December 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	**32,487**	28,573	**95**	93	**2,987**	3,506		
Alberta commercial facilities								
Genesee 1	**3,232**	3,255	**95**	94	**446**	550		
Genesee 2	**3,288**	3,379	**95**	97	**432**	560		
Genesee 3	**4,038**	3,521	**99**	88	**538**	563		
Clover Bar Energy Centre 1, 2 and 3	**737**	680	**74**	88	**140**	176		
Joffre	**552**	576	**89**	83	**110**	124		
Shepard	**3,005**	3,253	**96**	99	**268**	324		
Halkirk Wind	**453**	500	**95**	96	**62**	86		
Clover Bar Landfill Gas	**6**	7	**45**	79	**1**	2		
Alberta commercial facilities	**15,311**	15,171	**93**	93	**1,997**	2,385		
Portfolio optimization	**N/A**	N/A	**N/A**	N/A	**601**	(277)		
	15,311	15,171	**93**	93	**2,598**	2,108	**801**	770
Western Canada contracted facilities								
Island Generation	**2**	11	**100**	98	**13**	20		
Quality Wind	**386**	413	**96**	97	**54**	54		
EnPower	**16**	18	**87**	97	**2**	2		
Whitla Wind	**1,231**	1,404	**95**	96	**66**	68		
Strathmore Solar[4]	**71**	65	**95**	100	**5**	5		
Clydesdale Solar[4]	**145**	6	**95**	100	**12**	1		
	1,851	1,917	**97**	97	**152**	150	**102**	105
Ontario contracted facilities								
York Energy[5]	**19**	27	**97**	99	**N/A**	N/A		
East Windsor	**12**	16	**98**	85	**32**	34		
Goreway	**2,318**	2,209	**96**	90	**295**	348		

Consolidated net income and results of operations

Results by facility category and other, continued:

	Year ended December 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]**	
Kingsbridge 1	**86**	108	**92**	98	**7**	9		
Port Dover and Nanticoke Wind	**263**	308	**96**	96	**40**	46		
	2,698	2,668	**96**	92	**374**	437	**240**	247
U.S. contracted facilities								
Decatur Energy, Alabama	**2,123**	2,771	**94**	92	**97**	111		
Arlington Valley, Arizona	**3,495**	2,727	**94**	93	**219**	280		
Beaufort Solar, North Carolina	**28**	28	**99**	99	**3**	2		
Bloom Wind, Kansas	**615**	685	**96**	94	**38**	33		
Macho Springs Wind, New Mexico	**132**	130	**97**	97	**16**	15		
New Frontier Wind, North Dakota	**375**	438	**94**	94	**24**	23		
Cardinal Point Wind, Illinois	**544**	619	**93**	96	**42**	58		
Buckthorn Wind, Texas	**360**	350	**94**	92	**25**	12		
Midland Cogeneration, Michigan[5,6]	**4,955**	1,069	**95**	91	**N/A**	N/A		
Frederickson 1, Washington[7]	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A		
	12,627	8,817	**94**	93	**464**	534	**348**	274
Corporate[8]					**130**	131	**(36)**	(43)
Unrealized changes in fair value of commodity derivatives and emission credits					**564**	(431)		
Consolidated revenues and other income and adjusted EBITDA					**4,282**	2,929	**1,455**	1,353

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1 Gigawatt hours (GWh) of electricity generation reflects our 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 were commissioned on March 17, 2022 and December 13, 2022, respectively.

5 York Energy and Midland Cogeneration are accounted for under the equity method. Capital Power's share of the facility's net income is included in income from joint ventures on our consolidated statements of income. Capital Power's share of the facility's adjusted EBITDA is included in adjusted EBITDA above. The equivalent of Capital Power's share of the facility's revenue was $353 million for 2023, compared with $157 million for 2022. The facility's revenues are not included in the above results.

6 Midland Cogeneration was acquired September 23, 2022.

7 Frederickson 1 was acquired on December 28, 2023 (see Significant events). Due to the proximity of the acquisition to December 31, 2023, generation, availability, and revenues were immaterial.

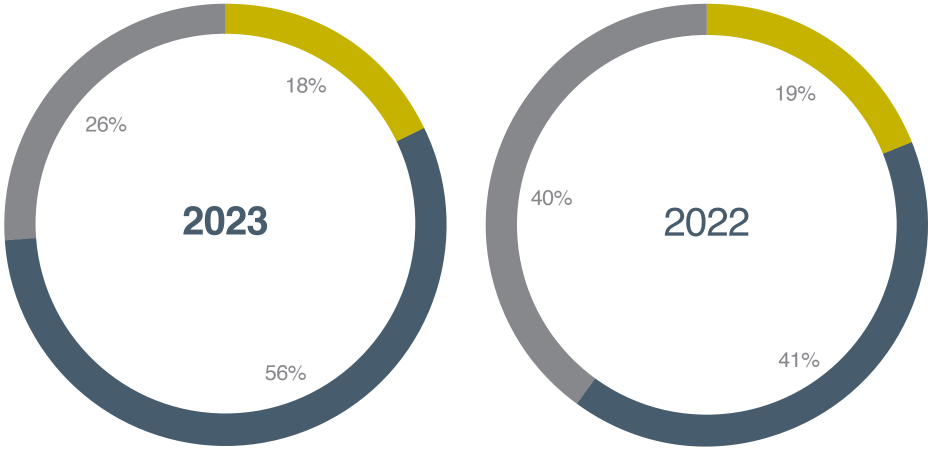
8 Corporate revenues were offset by interplant category eliminations.

Consolidated net income and results of operations

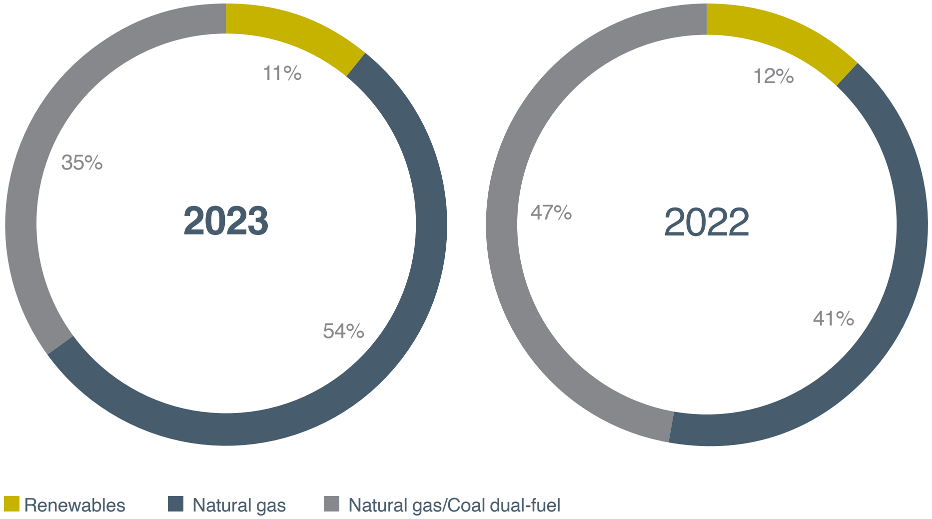
Adjusted EBITDA and revenues and other income by fuel type for the year ended December 31

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 decreases in revenue and adjusted EBITDA percentages from our natural gas/coal dual-fuel facilities are largely driven by the reclassification of Genesee 3 to natural gas after the successful conversion during the year and lower realized power prices year-over-year. Revenue percentages from our natural gas facilities increased period-over-period driven largely by the reclassification of Genesee 3 described above, while increases in adjusted EBITDA percentages also benefited from a full year of financial contributions from Midland Cogeneration. Contributions to revenue and adjusted EBITDA from renewable facilities have remained consistent.

Adjusted EBITDA by fuel type



Revenues and other income by fuel type[1]



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[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.

Consolidated net income and results of operations

Energy prices and hedged positions

Alberta commercial portfolio		Year ended December 31 2023	2022
Power			
Hedged volume at beginning of period	GWh	**10,500**	8,500
Spot power price average	$ per MWh	**134**	162
Realized power price[1]	$ per MWh	**90**	95
Natural gas			
Hedged volume at beginning of period	TJ	**51,500**	40,000
Spot natural gas price average (AECO)[2]	$ per GJ	**2.54**	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 portfolio optimization activities. For the current and comparative periods, this results in realized natural gas prices that are lower than spot natural gas prices.

Alberta commercial facilities and portfolio optimization

Alberta spot price averaged $134 per MWh for the year ended December 31, 2023 compared to $162 per MWh in the same period last year. Mild temperatures across Alberta throughout the second half of 2023 drove lower demand combined with strong renewables generation and lower AECO spot prices resulted in lower Alberta spot prices year-over-year.

Generation and availability for the year ended 2023 compared to the previous year were impacted by the following net effect:

- Unplanned outages at Genesee 1 throughout 2023 compared with a planned outage of similar duration in 2022.
- More frequent unplanned outages at Genesee 2 throughout 2023 compared to 2022.
- All units at Clover Bar Energy Center experienced longer unplanned outages in 2023 compared with 2022. Despite the lower availability in 2023, the facility was dispatched more frequently throughout the majority of 2023 to capture periods of higher pool prices.
- Shorter unplanned outage at Joffre in 2023 compared to the previous year.
- Planned outage at Shepard in the first half of 2023 compared with no outages in 2022.
- Genesee 3 was dispatched more frequently to capture periods of higher pool prices and to backstop the Alberta Commercial portfolio as a result of the above outages.

Higher revenues and other income and adjusted EBITDA for the year ended December 31, 2023 compared to the year ended in 2022 were primarily due to gains realized on portfolio optimization activities. Adjusted EBITDA for the year ended 2023 compared with 2022 further benefited from lower emission compliance expense through the use of our offsets inventory combined with lower emission intensity with Genesee 3's coal-to-gas conversion and natural gas facilities being dispatched more frequently year-over-year and lower transmission expenses year-over-year, partially offsetting the impacts of lower realized power prices year-over-year.

Western Canada contracted facilities

Availability for the year ended December 31, 2023 was consistent year-over-year. Higher generation attributable to a full year of operations at our Strathmore Solar and Clydesdale Solar facilities was mainly offset by lower wind resources experienced at Quality Wind and Whitla Wind. Higher revenues and other income and adjusted EBITDA year-over-year attributable to Clydesdale Solar's full year of operations were offset by lower financial results from the classification of Island Generation's current electricity purchase agreement as a finance lease effective May 2022 and Whitla Wind receiving higher merchant revenues in the first quarter of 2022 compared with contracted revenues throughout 2023.

Consolidated net income and results of operations

Ontario contracted facilities

Strong availability for the year ended December 31, 2023 compared with the same period in 2022 was primarily attributed to East Windsor and Goreway, as both facilities had planned outages in 2022. This was partially offset by York Energy's planned outage and an unplanned outage at Kingsbridge 1 during 2023.

Higher generation year-over-year was primarily attributed to Goreway's increased output to backstop tight market conditions in the Ontario power market. Despite higher generation, revenues and other income was lower for the year ended December 31, 2023 compared with the same period in 2022 as a result of low wind resources experienced at Port Dover and Nanticoke and soft pricing received at Goreway partly driven by lower recovery of natural gas expense resulting from declining natural gas prices. Adjusted EBITDA for the year ended December 31, 2023 was lower compared with 2022 primarily due to lower generation at York Energy as a result of its planned outage combined with the above mentioned financial outcome at Port Dover and Nanticoke, partially offset by favorable maintenance expense at Goreway year-over-year as a result of its strong availability in 2023.

U.S. contracted facilities

Availability for the year ended December 31, 2023 was comparable to the same period in 2022. Strong generation year-over-year was primarily attributable to a full year of results from Midland Cogeneration and more frequent dispatch at Arlington Valley. This was partially offset by lower dispatch at Decatur and low wind resources impacting the majority of our U.S. wind facilities.

Revenues and other income for the year ended December 31, 2023 was lower compared with the year ended 2022 primarily due to the above mentioned lower generation at Decatur, and while Arlington Valley was dispatched more frequently, revenues and other income from the facility were dampened by lower recovery of natural gas expense in 2023 compared to 2022 driven by declining natural gas prices. Strong adjusted EBITDA for the year ended December 31, 2023 was primarily a result of Midland Cogeneration's full year's contribution, partially offset by lower results from Decatur. Arlington Valley's adjusted EBITDA year-over-year primarily reflects higher outage costs resulting from increased scope of work in early 2023, as fuel cost is flowed through from the facility to the HRCO counterparty resulting in negligible impact to adjusted EBITDA.

Results for Frederickson 1 for the year ended December 31, 2023 were immaterial given that the transaction closed on December 28, 2023 (see Significant events).

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. Cost recovery revenues are primarily intercompany revenues that are offset by interplant category transactions.

Net corporate revenues and other income for the year ended December 31, 2023 was consistent with the same period in 2022. Lower share-based incentive contributed to the favorable adjusted EBITDA year-over-year.

Consolidated net income and results of operations

Unrealized changes in fair value of commodity derivatives and emission credits

(unaudited, $ millions)	Year ended December 31			
	2023	2022	**2023**	2022
Unrealized changes in fair value of commodity derivatives and emission credits	Revenues and other income[1]		Income before tax[1]	
Unrealized gains (losses) on Alberta power derivatives	**414**	(384)	**363**	(362)
Unrealized gains (losses) on U.S. power derivatives	**124**	(150)	**124**	(150)
Unrealized gains (losses) on natural gas derivatives	**26**	91	**(179)**	66
Unrealized gains on emission derivatives	**–**	12	**–**	12
Unrealized gains on emission credits held for trading	**–**	–	**13**	5
	564	(431)	**321**	(429)

[1] 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 year ended December 31, 2023, the Company recognized unrealized gains of $363 million on Alberta power derivatives due the reversal of prior period unrealized losses on positions that settled in the year and reduced forward prices on net forward sale contracts. Inversely, during comparable period 2022, the Company recognized losses of $362 million on Alberta power derivatives due to increasing forward prices on net forward sale contracts, partially offset by the reversal of prior period unrealized losses on positions that settled in the year.

During the year ended December 31, 2023, the Company recognized unrealized gains of $124 million on U.S Power Derivatives due to net impacts of the reversal of prior period unrealized losses on positions that settled in the year and decreased forward power prices on net forward sales contracts related to Bloom, New Frontier and Cardinal Point Wind facilities, partially offset by increased forward power pricing on the net forward sales contract related to the Buckthorn Wind facility. Inversely, during the comparable period of 2022, the Company recognized unrealized losses of $150 million on U.S power derivatives due to the impact of increasing forward prices on net forward sale contracts related to the Bloom, New Frontier, Cardinal Point and Buckthorn Wind facilities. These were partially offset by the reversal of prior period unrealized losses on positions that settled in the year.

During the year ended December 31, 2023, the Company recognized unrealized losses of $179 million on natural gas derivatives due to the impacts of decreased forward prices on net forward purchase contracts and the reversal of prior period unrealized gains on positions that settled in the year. Inversely, during the comparable period of 2022, the Company recognized unrealized gains of $66 million on natural gas derivatives due to the impact of increasing forward natural gas prices on net forward purchase contracts. This was partially offset by the reversal of prior period unrealized gains on purchase contracts that settled during the year.

During the year ended December 31, 2023, the Company recognized no net unrealized gains or losses due to the impacts of higher pricing on long positions offset by the reversal of prior period unrealized gains on positions that settled in the year. During the comparable period in 2022, the Company recognized unrealized gains of $12 million on emission derivatives, due to both the reversal of prior period unrealized losses on positions that settled and impacts of increasing forward prices on forward purchase contracts.

During the year ended December 31, 2023, the Company recognized unrealized gains of $13M on emissions credits held for trading due to the impacts of increased pricing on additional inventory held, partially offset by the reversal of unrealized gains on inventory sold. During the comparable period of 2022, the Company recognized unrealized gains of $5 million on emission credits held for trading due to the reversal of prior period unrealized losses on inventory sold.

Consolidated net income and results of operations

Consolidated other expenses and non-controlling interests

(unaudited, $ millions)	Year ended December 31 **2023**	2022
Interest on borrowings less capitalized interest	**(147)**	(131)
Realized gains on settlement of interest rate derivatives	**34**	10
Other net finance expense – interest on off-coal compensation from the Province of Alberta, lease liability interest, sundry interest, guarantee and other fees	**(16)**	(7)
	(129)	(128)
Unrealized (losses) gains representing changes in the fair value of interest rate derivatives	**(14)**	5
Other finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to off-coal compensation from the Province of Alberta	**(23)**	(33)
Total net finance expense	**(166)**	(156)
Depreciation and amortization	**(574)**	(553)
Foreign exchange loss	**(6)**	(15)
Losses on disposals and other transactions	**(3)**	(37)
Other items from joint ventures[1]	**(81)**	(22)
Income tax expense	**(204)**	(13)
Net loss attributable to non-controlling interests	**7**	10

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

Net finance expense

Net finance expense for the year ended December 31, 2023 increased compared with the same period in the prior year largely due to higher interest and increased loans and borrowings outstanding from the green hybrid subordinated notes issued in the third quarter of 2022, $350 million and $850 million medium term notes issued during 2023, increased credit facility usage, and higher unrealized losses on the fair value changes of interest rate derivatives. Net finance expense also included a dividend equivalent payment on subscription receipts in 2023 as it has yet to convert to common shares. 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 gain from settlement of interest rate derivatives

Foreign exchange loss

Foreign exchange loss reflects the translation of monetary items held in foreign currency. Foreign exchange losses for the year ended December 31, 2023, decreased compared with the same period in the prior year due to greater exchange rate increases between the U.S. dollar and Canadian dollar during 2022 compared to 2023.

Losses on disposal and other transactions

Losses on disposal and other transactions for the year ended December 31, 2023 decreased compared with the prior year due to losses on the decommissioning of Roxboro and Southport and termination fees related to existing PPAs of the Bear Branch Solar, Hornet Solar and Hunter’s Cove Solar projects that occurred in the comparative period.

Other items from joint ventures

Other items from joint ventures include Capital Power’s share of finance expense, depreciation expense and unrealized changes in fair value of derivative instruments from our York Energy and Midland Cogeneration joint ventures, which are accounted for under the equity method. Other items from joint ventures increased by $59 million during the year ended December 31, 2023 compared with 2022 primarily due to the acquisition of Midland Cogeneration joint venture in the third quarter of 2022.

Income tax expense

Income tax expense for the year ended December 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

	Year ended December 31	
(unaudited, $ millions)	**2023**	2022
Net income	**737**	128
Other comprehensive income (loss):		
Actuarial (losses) gains related to the Company's defined benefit pension plan	**(2)**	9
Net unrealized gains (losses) on derivative instruments	**155**	(508)
Net realized losses on derivative instruments reclassified to net income	**160**	328
Equity-accounted investments	**(3)**	–
Unrealized foreign exchange (losses) gains on the translation of foreign operations	**(31)**	81
Total other comprehensive income (loss), net of tax	**279**	(90)
Comprehensive income	**1,016**	38

Other comprehensive income (loss) 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 December 31, 2023 were as follows:

	At December 31			
(unaudited, $ millions)	**2023**	2022	**Increase (decrease)**	**Primary reason for increase (decrease)**
Trade and other receivables	**747**	949	(202)	Decrease primarily due to lower AESO pool receipt receivables resulting from lower Alberta pool prices and generation compared with December 2022.
Inventories	**309**	242	67	Increase primarily due to net purchases of emissions offsets held for trading in 2023 and unrealized gains on those offsets.
Intangible assets and goodwill	**775**	817	(42)	Decrease mostly due to the use of emission credits for plant compliance and amortization, partially offset by additions for Genesee Repowering.
Property, plant and equipment	**6,557**	6,360	197	Increase primarily due to additions for Genesee Repowering, Halkirk 2, Ontario growth projects, and acquisition of Frederickson 1. Partially offset by ongoing depreciation.
Trade and other payables	**717**	1,249	(532)	Decrease due to the impact of lower accrued power costs for commercial and industrial customers driven by lower Alberta pool pricing, settlement of prior years' emission compliance liability, and lower natural gas and emission liability accruals.
Subscription receipts liability	**399**	–	399	Increase due to subscription receipt offering related to the acquisitions of La Paloma and Harquahala (see Subsequent events).
Net derivative financial instruments liabilities	**248**	741	(493)	Decrease due to reversal of unrealized losses on power positions that settled during the year as well as the impact of decreasing forward power pricing on forward sale contracts. These were partially offset by the reversal of unrealized gains on natural gas positions that settled during the year, the impact of decreasing forward natural gas pricing on forward purchase contracts and decreasing foreign exchange rates on foreign exchange hedges related to upcoming acquisitions.
Loans and borrowings (including current portion)	**4,716**	3,726	990	Increase due to issuance of medium-term notes (see Significant events). Partially offset by repayments of U.S. and Canadian dollar bank loans and allocation of income tax benefits to tax-equity investors associated with the Company's tax-equity structures.
Deferred revenue and other liabilities	**302**	403	(101)	Decrease due to repayment of deferred financing on capital projects and recognition of deferred Coal Compensation revenue.
Net deferred tax liabilities	**661**	510	151	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)	At December 31		
Cash inflows (outflows)	**2023**	2022	Change
Operating activities	**822**	935	(113)
Investing activities	**(807)**	(910)	103
Financing activities	**1,103**	(102)	1,205

Operating activities

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

- unfavourable changes in non-cash working capital (see Financial position);
- higher income taxes paid mainly due to increased Canadian tax instalments paid as a result of higher overall taxable income;
- higher interest paid mainly due to the issuance of green hybrid subordinated notes in the third quarter of 2022, medium term notes issued during 2023, and higher credit facility borrowings.

Partially offsetting the above decreases are:

- favourable fair value changes in 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 that were realized as cash settlements; and
- favourable changes in distributions received from joint ventures due to the acquisition of Midland Cogeneration in September 2022.

Investing activities

Cash flows used in investing activities for year ended December 31, 2023, decreased compared with the same period in 2022 due to the acquisition of Midland Cogeneration, higher capital expenditures for the construction of Strathmore Solar, Clydesdale Solar, sustaining capital expenditures and higher expenditures on emission credits held for compliance during the comparable period in the prior year, partially offset by higher year to date spend on Halkirk 2 Wind, Ontario growth projects and the acquisition of Frederickson 1 (see Significant events).

Liquidity and capital resources

Capital expenditures and investments

(unaudited, $ millions)	Pre-2022 actual	Year ended December 31 2022 actual	 **2023 actual**	2024 estimated[1,2]	Actual or projected total[2]	Targeted completion
Repowering of Genesee 1 and 2[3]	238	406	**409**	297	1,350	Unit 1 and 2 in 2024 (see Significant events)
Halkirk 2 Wind[4]	–	1	**68**	276	345	Fourth quarter of 2024
Ontario growth projects[5]	–	–	**19**	425	655	York and Goreway BESS in 2025 East Windsor Expansion in 2026
Maple Leaf Solar[5]	–	–	**2**	13	219	Fourth quarter of 2026
Bear Branch Solar[6]	2	1	**3**	N/A	N/A	To be determined
Hornet Solar[6]	2	1	**3**	N/A	N/A	To be determined
Hunter's Cove Solar[6]	2	1	**1**	N/A	N/A	Terminated
Clydesdale Solar	19	102	**4**	–	125	Operations commenced December 2022
Strathmore Solar	51	8	**–**	–	59	Operations commenced March 2022
Whitla Wind phases 2 and 3	242	13	**–**	–	255	Operations commenced December 2021
Commercial initiatives[7]	182	14	**18**	72		
Development sites and projects	60	2	**1**	–		
Subtotal growth projects		549	**528**	1,083		
Sustaining – plant maintenance excluding Genesee mine		138	**101**			
Total capital expenditures[8]		687	**629**			
Emission credits held for compliance		97	**36**			
Capitalized interest		(21)	**(41)**			
Additions of property, plant and equipment and other assets		763	**624**			
Change in other non-cash investing working capital and non-current liabilities		(81)	**99**			
Purchase of property, plant and equipment and other assets, net		682	**723**			

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1 The Company's 2024 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 has been revised for cost escalations and increased labour costs related to the Repowering Project as well as the cancellation of the 210 MW Genesee BESS (see Significant events).

4 Projected total costs have been revised for increased cost pressures on supply chain and impact of foreign exchange. The project is expected to continue to meet targeted return expectations.

5 See Significant events.

6 Capital Power terminated the existing PPAs related to these projects due to industry wide cost pressures impacting the solar development work space. We anticipate re-bidding the Bear Branch Solar and Hornet Solar projects into a future requests for proposal. Hunter's Cove Solar is no longer proceeding in development.

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

8 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.

Liquidity and capital resources

Financing activities

Cash flows from financing activities increased in the year ended December 31, 2023 mainly due to the issuance of medium term notes and subscription receipts during the year as well as the redemption of preferred shares in the comparative year. This is partially offset by higher net repayments of loans and borrowings and higher capitalized interest from the continued advancement of the Genesee repowering project.

Capital Power's credit facilities consisted of:

		At December 31, 2023			At December 31, 2022		
(unaudited, $ millions)	Maturity timing	**Total facilities**	**Credit facility utilization**	**Available**	Total facilities	Credit facility utilization	Available
Committed credit facilities	2028	**1,000**			1,000		
Letters of credit outstanding			**–**			91	
Bankers' acceptances outstanding			**–**			59	
Bank loans outstanding[1]			**266**			281	
		1,000	**266**	**734**	1,000	431	569
Bilateral demand credit facilities	N/A	**1,387**			1,397		
Letters of credit outstanding			**559**			1,171	
		1,387	**559**	**828**	1,397	1,171	226
Demand credit facilities	N/A	**25**	**–**	**25**	25	–	25
		2,412	**825**	**1,587**	2,422	1,602	820

[1] U.S. dollar denominated bank loans outstanding totaling US$201 million (December 31, 2022 – US$207 million).

Liquidity and capital resources

At December 31, 2023, the committed credit facility utilization decreased $165 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 December 31, 2023, $77 million of bonds were issued under these facilities (December 31, 2022 – nil).

Capital Power has a corporate credit rating of BBB- with a stable outlook from Standard & Poor's (S&P) which was affirmed in August 2023. 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.

Capital Power's loan and credit agreements require certain financial covenants as described below:

Financial covenant	Required at the end of each fiscal quarter
Modified consolidated net tangible assets to consolidated net tangible assets ratio[1]	Not less than 0.75 to 1.0
Consolidated senior debt to consolidated capitalization ratio[1]	Not more than 0.65 to 1.0
Consolidated EBITDA to consolidated interest expense[1, 2]	Not less than 2.5 to 1.0

[1] As defined in the relevant agreements.

[2] Only in the event that Capital Power is assigned a rating of less than BBB- by S&P and less than BBB (low) by DBRS.

As of December 31, 2023, Capital Power has met the financial covenants set out in the respective loan and credit agreements.

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 2024 include:

(unaudited, $ millions)	2024 expected cash requirements
Repayment of debt payable[1]	**528**
Interest on loans and borrowings	**206**
Capital expenditures – sustaining	**147**
Capital expenditures – ongoing growth projects[2]	**1,055**
Capital expenditures – commercial initiatives	**72**
Common share dividends[3]	**235**
Preferred share dividends	**32**
	2,275

[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.

Liquidity and capital resources

Off-statement of financial position arrangements

At December 31, 2023, Capital Power has $559 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements, and to satisfy legislated reclamation requirements and $77 million of surety bonds issued for certain capital projects and contracts.

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

	At December 31	
(unaudited, $ millions)	**2023**	**2022**
Loans and borrowings	**4,716**	3,726
Subscription receipts[1]	**399**	–
Lease liabilities[2]	**147**	153
Less cash and cash equivalents	**(1,423)**	(307)
Net debt	**3,839**	3,572
Share capital	**3,524**	3,498
Deficit and other reserves	**(334)**	(1,044)
Non-controlling interests	**(4)**	6
Total equity	**3,186**	2,460
Total capital	**7,025**	6,032

[1] Capital Power's obligation for converting subscription receipts to common shares of Capital Power. Refer to Significant events.

[2] Includes the current portion presented within deferred revenue and other liabilities.

Contractual obligations, contingent liabilities, other legal matters and provisions

Based on available credit facilities (see Liquidity and capital resources), access to capital markets and expectations for future periods' financial results, Capital Power has adequate liquidity to meet our contractual obligations as follows:

	Payments due by period						
(unaudited, $ millions)	2024	2025	2026	2027	2028	Thereafter	Total
Loans and borrowings[1]	528	83	633	491	714	2,020	4,469
Interest on loans and borrowings	206	202	190	163	137	383	1,281
Trade and other payables[2]	676	–	–	–	–	–	676
Subscription receipts[3]	399	–	–	–	–	–	399
Lease liabilities	16	25	14	14	14	185	268
Capital – growth projects[4]	997	259	220	44	34	–	1,554
Capital – commercial initiatives[5]	72	19	–	–	–	–	91
Decommissioning provisions[6]	32	26	45	8	–	516	627
Energy purchase and transportation contracts[7]	250	254	282	201	89	249	1,325
Operating and maintenance contracts	68	95	73	68	68	314	686
Environmental credits[8]	–	76	26	–	–	3	105
Commodity and other derivative liabilities net of financial assets	60	40	45	42	37	203	427
Total	3,304	1,079	1,528	1,031	1,093	3,873	11,908

[1] Repayments of loans and borrowings exclude fair value differentials of $10 million related to debt assumed on previous asset acquisitions and $269 million related to repayments of tax-equity financing through non-cash tax-equity attributes.

[2] Excluding accrued interest on loans and borrowings of $41 million.

[3] Capital Power's obligation for converting subscription receipts to common shares of Capital Power. Refer to Significant events.

[4] Capital Power's obligations for capital – growth projects in future periods include the repowering of Genesee 1 and 2, Ontario growth projects and the various renewables projects listed in the Liquidity and Capital Resources section over the construction periods of those projects, as well as expected spend on other development sites and projects in 2024. These obligations exclude interest to fund construction of $79 million and refundable transmission system contribution payments.

[5] Capital Power's obligations for capital – commercial initiatives in future periods include various projects designed to either increase the capacity or efficiency of their respective facilities or to reduce emissions.

[6] Capital Power's decommissioning provisions reflect the undiscounted cash flows required to settle obligations for the retirement of its generation facilities and the Genesee Mine.

[7] Energy purchase and transportation contracts include natural gas transportation contracts which are based on estimates that are subject to changes in regulated rates for transportation and natural gas purchase contracts. The estimates for natural gas purchase contracts are subject to changes in expected consumption levels and have expiry terms ranging from 2024 to 2037.

[8] Future environmental credit purchases are presented net of future environmental credits sales.

Contractual obligations, contingent liabilities, other legal matters and provisions

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 arising from these claims is immaterial and therefore no provision has been made.

Other legal matters

From 2017 through 2023, the Government of Alberta (GoA) withheld approximately $2.7 million per year from the Company's annual off-coal payment, on the basis of an alleged "implied term" of the Off-Coal Agreement. Capital Power believes there was no such implied term and has therefore sued the GoA for recovery of the withheld amount and specific performance for future payments.

In addition, the GoA amended its Linear Property Assessment Guidelines (the Guidelines) in 2017 to eliminate the anticipated cessation of coal emissions (and related business closures) from being considered in property tax assessments, which erroneously suggests that the off-coal payments were intended to compensate the Company for non-net book value related costs. In response, Capital Power and TransAlta jointly commenced litigation on the basis that the Guidelines discriminatorily applied only to three coal generators. The Court of King's Bench issued a decision on January 15, 2021 rejecting all of Capital Power and TransAlta's arguments and the Alberta Court of Appeal issued a decision on November 23, 2022 unanimously rejecting the joint appeal that was submitted. Capital Power has decided to not pursue leave to appeal to the Supreme Court of Canada (SCC). If TransAlta is granted leave to the SCC, Capital Power will remain a named appellant only for the purposes of the hearing.

Line Loss Rule Proceeding

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

As a result of the LLR Proceeding, Capital Power incurred additional charges related to historical periods. The invoicing process resulted in gross billings to Capital Power of which those amounts not attributable to Capital Power were largely recovered from the appropriate parties, with the exception of those related to the Sundance C PPA from the Balancing Pool.

The Balancing Pool is disputing its liability to make payment for the LLR adjustment invoices related to the Sundance C PPA, which amounts to a net potential exposure to Capital Power of approximately $25 million. The Company believes the various agreements governing the termination and transfer of the Sundance C PPA and related transmission agreements with the AESO had the effect of transferring all past liabilities for the Sundance C PPA to the Balancing Pool. Capital Power has therefore filed a statement of claim at the Alberta Court of Queen's Bench on January 11, 2021 against the Balancing Pool, the Province of Alberta and the AESO in which it is seeking, among other relief, recovery from the Balancing Pool and the Province of Alberta of all amounts Capital Power was compelled to pay to the AESO on account of the LLR adjustment invoices relating to the Sundance C PPA as well as interest and legal costs, including the portion invoiced to the Balancing Pool but not received by the Company pertaining to all tranches of invoices. This process remains ongoing. On May 31, 2022, an Alberta Government bill was passed with the intent to dissolve the Balancing Pool. Capital Power continues to expect that it will ultimately realize the full amount of the gross receivables related to line losses upon resolution of the dispute before the Court whether it be from the Balancing Pool or the designated entity assuming its residual responsibilities as will be identified in forthcoming amendments to provincial regulation enacting the dissolution.

Risks and risk management

Events within and outside of Capital Power bring both risk and opportunity and effective risk management is a critical factor in protecting shareholder value. The principles of risk management are embedded into all aspects of our operations to ensure risks are effectively managed across the organization. We view risk management as an ongoing process and continually look for ways to enhance our risk management programs and procedures.

Capital Power maintains strong risk governance and oversight practices with the Board of Directors and its committees' terms of reference outline risk oversight responsibilities. Our Board is responsible for understanding Capital Power's principal risks and determining whether the Company achieves a proper balance between risk and returns and that Management ensures that systems are in place to address the risks identified. The Company employs an ERM program to support the Board's governance requirements and the Company's overall risk monitoring and management.

Capital Power's ERM Program aligns with the Committee of Sponsoring Organizations' standard for enterprise risk management and is supported by our ERM policy framework. The ERM program is the mechanism used to identify, assess, categorize, respond to, report on, and monitor key risks. Risks are assigned to individual executive risk owners who are accountable for carrying out the risk management and response strategies, with the President and CEO having ultimate accountability for managing the Company's risks.

Our ERM program uses a systematic approach to perform risk assessments with subject matter experts across Capital Power, which are incorporated in two key annual corporate processes: (1) strategic and long-term planning and (2) operational planning and budgeting. A comprehensive analysis of the risk assessments performed during these two key corporate processes are reported to Capital Power's Board of Directors with material updates to risks as required. Results of the risk assessments are also shared with Capital Power's Internal Audit team to inform the annual risk-based internal audit plan. This audit plan seeks to provide Capital Power's Board of Directors and Management with independent assurance that key risks are being effectively managed and that the systems of internal controls are properly designed and working effectively.

In addition to the ERM program, Capital Power has risk management and compliance functions across the organization, including in the Finance, Legal, Operations and Planning departments.

Capital Power's principal risk factors could have an adverse impact on the Company's business operations and results, financial condition and strategy, ability to execute our growth strategy, or reputation. Capital Power's principal risk factors and the associated risk mitigation strategies are described below.

Climate change

Capital Power's pathway to net zero by 2045 and our sustainability targets are based on numerous assumptions listed in our Forward Looking Information section. Changes to these assumptions, including our ability to proceed with the Genesee CCS projects, may impact the Company's ability to achieve our sustainability and net zero targets. Capital Power has prepared an assessment of climate-related risks and opportunities to conform with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). This involved assessing the risks and opportunities that may arise under different climate scenarios, including a more stringent policy pathway that maintains global warming below 2 degrees Celsius and achieves net zero by 2045. The resilience of our strategy was assessed under the various scenarios, and our responses to the risks and opportunities are included in our disclosures. This information can be accessed in the TCFD alignment appendix in this report.

Climate change risk discussion is incorporated across this and other subsections of this Risks and risk management section including power price, fuel supply and price, supply chain, growth execution, political, regulatory, business resilience, disruptive technology, people, operation and maintenance of equipment, stakeholder activism, and reputation risks.

Climate change will continue to be a primary theme driving the industry in which Capital Power operates for the foreseeable future. Capital Power's portfolio of assets includes a diversity of fuel types, including thermal facilities in Canada and the U.S. Decarbonization trends therefore create risks, particularly around carbon price and policy which may result in higher compliance obligations and reduced margins for our thermal fleet. Carbon pricing is a central mechanism of climate policy in Canada, compared to the U.S. where it has been adopted in certain states and regions and will be priced in more indirectly or otherwise addressed through clean air regulation for the foreseeable future. Government policy impacts how and the extent to which thermal generation may operate.

In addition to risk, decarbonization trends also create a significant opportunity for power generation, and Capital Power has initiated work to directly integrate these opportunities into Capital Power's annual business strategy and long-term planning process. The Company continues to monitor these trends and assess the resilience of our strategy in the short, medium, and long term under various scenarios.

Risks and risk management

Strategies employed for managing climate change risk:

- Technology focus of wind, solar and natural gas with the integration of energy storage and the advancement of decarbonization technologies.
- Monitoring decarbonization solutions and its applications to our facilities, including carbon capture, utilization, and storage (CCUS), hydrogen blending and direct air capture.
- Advancing our decarbonization efforts through the repowering of Genesee 1 and 2, our Genesee Performance Standard (GPS) program, natural gas conversion of Genesee 3, advancing our Ontario battery energy storage systems, developing our pipeline of renewables opportunities, and advancing our proposed Genesee CCS projects.
- Regular engagement with government bodies to participate in the development of carbon and other environmental policy.
- Compliance cost management via an active presence in environmental commodity markets.
- Proactive pursuit of opportunities to enhance fleet reliability and efficiency through our ongoing Ops 2030 initiative.
- Fleet-wide study to understand the potential effects of extreme weather will continue through 2024, reviewing each facilities preparedness along with a proactive pursuit of opportunities to harden our assets.
- Due diligence for all development projects, acquisitions and commercial decisions, considering technology selection, jurisdiction, siting, environmental risks and scenarios and sensitivity analysis for carbon price and policy.
- Actively monitoring the insurance market for material changes to insurance policies that may affect the Company's ability to seek coverage for high-risk assets.

Power price

Capital Power is impacted by the market price for power in the jurisdictions and markets where the Company has un-contracted generation exposure, with the largest exposure being in the Alberta power market. Market power prices are dependent on a number of factors, including electricity supply and demand, the cost and availability of natural gas, applicable environmental and regulatory compliance costs, competitors' bidding strategies, power market structures, and weather conditions to name a few. It is not possible to predict future power prices with certainty, and power price volatility could have a material effect on Capital Power.

Capital Power manages price risk by using physical and derivative instruments, including futures, forwards, options, and swaps, to manage its commodity price and market risks inherent in its electricity generation operations. These activities, although primarily intended to mitigate earnings volatility, expose Capital Power to other risks. For example, selling forward may result in losses if the assets from which that power is sold forward are unexpectedly unavailable. In addition, Capital Power enters commodity contracts to generate trading revenue, which can result in financial gains or losses. In the future, Capital Power could recognize financial losses on these contracts because of: i) volatility in the market values of the underlying commodity; or ii) entering into heat rate call options, power purchase agreements or tolling arrangements on thermal assets where the counterparty has the right to call power in exchange for fixed monthly premiums plus reimbursements for the fuel at an indexed price, variable operating and maintenance expenses and start charges. Asset unavailability can affect the long-term contracts in various ways. Generally, the contracts provide provisions for long-term outages and force majeure events.

Capital Power is also exposed to node-to-hub basis risk at many of its U.S. facilities. Basis risk is the difference between the power price at the node, where the power is produced, and the hub, where the power is financially settled with the off-taker. This risk can be exacerbated by events such as transmission congestion and extreme weather.

Strategies employed for managing power price risk:

- Strong governance and oversight. Examples include:
  - Risk Oversight Council (consisting of senior management representatives appointed by the President and CEO) which establishes the structure, conduct and control of Capital Power's commodity exposure management program, both in physical and financial derivatives markets.
  - Maintain a commodity risk management program which provides the infrastructure to manage commodity and trading risks associated with the commodity business.
  - Take market risk positions within authorized limits approved by Capital Power's Executive Team and Board of Directors. The Company operates under specific policy limits, such as total commodity risk and stop-loss limits, and generally trades in electricity to reduce the Company's exposure to changes in electricity prices or to match physical or financial obligations.
  - The Executive Team has access to daily risk reports which provide key risk measures in relation to applicable limits and quarterly risk reports are reviewed by Capital Power's Audit Committee.

Risks and risk management

- Execute the Company's growth strategy and re-contract generation facilities under new or extended contracts to maintain a balance of contracted and non-contracted facilities.
- Invest in operational efficiencies to maintain the competitiveness of the Company's assets in the supply stack.
- Limit exposure to market price volatility by entering long-term power contracts. Examples include contracts-for-differences, back-to-back physical and financial contracts to lock in a margin, heat rate call options, and other long-term fixed price contracts.
- Perform regular commodity portfolio stress testing to observe the effects of plausible scenarios considering historical price movements and certain hypothetical extreme events.
- Proactively forecast exposure to price fluctuations. To do this, Capital Power relies on proprietary forecasting models in concert with 3rd party service providers.
- Continually evolving the sophistication of our risk management program and our strong expertise in the jurisdictions in which we operate.

Fuel supply and price

Capital Power requires energy from sources such as natural gas, coal, wind, and the sun to generate electricity. A disruption in the supply, a significant increase in the price of supply or the availability of these sources could have a material adverse strategic and financial impact on Capital Power.

The price of natural gas depends on supply and demand fundamentals for natural gas across North America and globally.

Capital Power uses both physical products and derivative instruments to manage its natural gas price risk and for merchant trading activities. Capital Power could realize financial losses on these derivative instruments because of volatility in the market values of the underlying commodities and potential mismatch between purchased gas and gas required to be consumed at power plants. Forward buying may result in losses if the assets for which that gas is bought are unexpectedly unavailable.

Capital Power's natural gas-fired facilities which are uncontracted are susceptible to the risks associated with the volatility of natural gas prices. Natural gas purchases for these facilities are made under variable price contracts and facility availability or efficiencies changes can add to the risks. Our risk exposure to variable natural gas pricing for Decatur Energy, Midland Cogeneration, Frederickson 1, East Windsor, Goreway, Island Generation, and York Energy is substantially or fully mitigated by their long-term PPAs. Arlington Valley's risk exposure to variable natural gas pricing is mitigated in the non-summer months under a heat rate call option, and in the summer months of June through September via its tolling agreement.

Capital Power depends on pipeline infrastructure owned and operated by external parties to deliver natural gas to its natural gas facilities. If the infrastructure is inadequate to supply natural gas, there may be a material adverse effect on Capital Power's ability to produce power from those facilities. Capital Power procures firm transportation services where warranted with pipeline companies to ensure the delivery of natural gas and has insurance coverage to mitigate, but not eliminate, business interruption risk.

Capital Power plans to be completely off coal in 2024 through the repowering of Genesee 1 and 2 and the natural gas conversion of Genesee 3. The Company's exposure to coal will be eliminated in subsequent years. For 2024, coal for the Genesee units is supplied through remaining inventory from 2023 mining activities and therefore not subject to coal market price volatility. A shortage of coal supply resulting from insufficient inventories for 2024 remains a risk and will be mitigated through weekly optimization of dispatch hours off of the assets coal-to-gas ratios in Genesee 1 and 2.

Capital Power's wind and solar power facilities are dependent on the availability and constancy of sufficient wind and solar resources to meet projected capacity factors or production target requirements in tax-equity financing arrangements. Fluctuations in wind speed, direction or duration, as well as hours of sunlight could have a material negative impact on revenues and cash allocations for these facilities in any year.

Strategies employed for managing fuel supply and price risk:

- The strategies described in power price risk above, such as the Risk Oversight Council, commodity risk management program, corporate governance over market positions and key risk measures and commodity portfolio stress testing also apply to fuel supply and price risk related to natural gas.
- Fuel-type diversification across our fleet.
- Establish long-term natural gas transportation agreements and storage capabilities, where applicable.
- Maintain coal stockpile inventories where applicable.
- Establish contracts with fuel cost, including carbon cost, flow-through provisions, where possible.

Risks and risk management

- Limit exposure to market price volatility by entering long-term natural gas hedges. Examples include contracts-for-differences, and back-to-back physical and financial contracts to lock in a margin.
- Manage compliance costs via an active presence in environmental commodity markets.
- Ongoing asset optimization initiatives targeting efficiency and performance improvements.
- Thorough due diligence on natural gas supply, wind and solar data prior to development or acquisition of facilities.

Operation and maintenance of equipment

Failure of generation equipment, transmission lines, pipelines or other equipment and availability of water for cooling could impede the Company's ability to maintain reliable operations of its facilities. It is possible that staffing levels at our facilities in the future could be limited by the availability of healthy staff and required external service providers due to future pandemics. Global supply chain issues could also impact the timely availability of parts and equipment.

The inability of Capital Power's generation facilities to generate the expected amount of electricity to be sold under contract or to the applicable market could have a significant adverse impact on the Company's revenues. In addition, counterparties to PPAs have remedies available to them if Capital Power fails to operate facilities in accordance with contract requirements, including the recovery of damages and termination of contractual arrangements. To the extent that facility equipment requires significant capital and other operation and maintenance expenditures to maintain efficiency, requires longer than forecast downtimes for maintenance and repair, experiences outages due to equipment failure or suffers disruptions of power generation for other reasons, Capital Power's cost of generating electricity will increase and its revenues may be negatively affected. As an adopter of new technology, Capital Power can be exposed to design flaws or other issues, the impacts of which may not be covered by warranties or insurance. The failure of Capital Power's facilities to operate at required capacity levels may result in the facilities having their contracted capacity reduced and, in certain cases, Capital Power having to make payments on account of reduced capacity to power purchasers.

The terms of the PPAs for owned facilities provide appropriate incentives to facility owners to keep the facilities well maintained and operational. They also provide force majeure protection for high-impact, low-probability events including major equipment failure.

Many of Capital Power's generation facilities operate under PPAs or other similar contracts which are subject to a number of risks. PPA contracts contain performance benchmarks that must be achieved and other obligations that must be complied with by Capital Power. Capital Power may incur charges in the event of unplanned outages or variations from the contract performance benchmarks. PPAs expire at various times and there can be no assurance that a subsequent PPA will be available or, if available, that it will be on terms, or at prices that permit the operation of the facility on a profitable basis.

Capital Power depends on transmission facilities owned and operated by external parties to deliver the wholesale power from its power generation facilities to its customers. If transmission is disrupted or if the transmission capacity infrastructure is inadequate, there may be a material adverse effect on Capital Power's ability to sell and deliver wholesale power.

Strategies employed for managing operation and maintenance of equipment risk:

See Business resilience for certain strategies that also apply to managing operation and maintenance of equipment risk.

- Establish long-term service agreements with original equipment manufacturers (OEMs) on key assets including access to replacement components to limit down time in the event of a unit failure.
- Ensure constructive relationships with OEMs.
- Maintain an inventory of strategic spare parts which can reduce downtime in the event of failure.
- Execute appropriate operating and maintenance standards, procedures and programs to ensure high reliability and availability of our facilities.
- Employ a root cause analysis program to ensure that problems are properly identified and addressed and that learnings are shared across the fleet.
- Complete Integrated Site Assurance Team audits and loss control visits on a rotational basis across the fleet.
- Ensure operations and sustainment projects are properly resourced with qualified and trained staff and contractors.

Risks and risk management

- Managing water security critical to plant operations through the Company's Water Management Strategy.
- Establish and maintain appropriate business interruption, property, and boiler and machinery insurance to reduce the impact of prolonged outages caused by insured events.
- Thorough due diligence on the adequacy of transmission capacity infrastructure for acquisitions.

Growth execution

While assessing development and acquisition opportunities, Capital Power may be required to incur significant expenditures, such as those related to preliminary engineering, permitting, legal and other expenses, before determining whether a project is feasible and economically viable. Competition on acquisition and development opportunities is significant, and there can be no assurance that Capital Power will pursue or win any opportunity assessed.

The risks associated with acquisitions of additional companies or assets in the power generation industry include the failure to identify material problems during due diligence, the overpayment for assets and the inability to arrange financing for an acquisition. Further, the integration and consolidation of acquisitions requires substantial human, financial and other resources. There can be no assurances that any future acquisitions will perform as expected or that the returns from such acquisitions will cover the cost of financing incurred to acquire them or the capital expenditures needed to develop them.

Capital Power must complete numerous tasks in our development and construction projects. Tasks include obtaining government permits and approvals, site agreements, construction contracts, access to power grids, access from landowners, electrical transmission agreements, fuel supply and transportation agreements, equipment, and financing. There can be no assurance that Capital Power will be successful in completing such tasks on a timely basis or at all. The development and future operation of our projects can be adversely affected by changes in government policy and regulation, environmental concerns, stakeholder activism, inflation, increases in capital costs, shipping delays, increases in interest rates, competition in the industry, labour and parts availability, labour disputes, increases in material costs, our ability to secure off-take agreements and other matters beyond the control of Capital Power. If a project is not completed or does not operate at anticipated performance levels, Capital Power may not be able to recover its investment.

Strategies employed for managing growth execution risk:

- Strong governance and oversight. Examples include:
  - Business development commercial opportunities are pursued in consultation with our Board of Directors and in accordance with the Company's corporate long-term plan and corporate strategy.
  - Internal policy in place to govern the process for how Capital Power develops business opportunities from the initial phase through to the integration of an asset into the Company. This process provides a framework for accountability and helps identify and mitigate risks associated with major projects.
  - Strong project management.
- Perform detailed project analyses, risk assessments and due diligence, including exploring opportunities to add operational value, prior to and during construction or acquisition.
- Hurdle rates are reviewed annually, at minimum.
- Perform post-implementation evaluation of all major projects to improve internal capabilities and processes and to leverage lessons learned for future projects. When necessary, corrective actions are taken to increase the likelihood of investment recovery.
- Establishing a development pipeline in target areas.
- Enter favourable long-term contracts for the projects' output, minimizing the time between commercial operation dates and contract signing, whenever possible.
- Establish and maintain constructive relationships with suppliers and stakeholders, including collaborative contracting for construction projects.

Supply chain

In the course of its day-to-day operations and in the construction of development projects, Capital Power procures goods and services from a range of suppliers with a local to international scope. Some of the goods procured are specialized parts used to operate our facilities and have naturally long lead times. Supply chain and labour challenges have been prevalent throughout 2023. This has resulted in a shifting supply chain landscape where availability and extended lead times have become the normal course of business. Disruption, inflation, or price volatility within Capital Power's supply chain could delay construction of development projects, require significant additional expenditures, and/or disrupt operations. In addition, unsustainable practices within Capital Power's supply chain could put the long-term resilience of our supply chain at risk and have reputational impacts to the Company.

Risks and risk management

Strategies employed for managing supply chain risk:

See Operation and maintenance of equipment risk for strategies employed that also apply to managing the Company's supply chain exposure to specialized parts in the operation of its facilities.

- Maintain an inventory of critical spares.
- Project planning and key part orders being placed earlier to account for availability shortages.
- Establish and maintain constructive relationships with key suppliers.
- Maintain multiple sources for a good or service wherever possible.
- Having a Sustainable sourcing strategy. Key aspects include:
  - Sourcing from a diverse set of suppliers including local and indigenous sources where practical, which can reduce transportation costs and require less lead-time as well as improve the economic well-being in the communities we operate and where our employees live.
  - Establishing minimum standards related to human rights and environmental considerations, which can mitigate reputation risks and prioritize sustainable practices to ensure long-term supply chain resilience.
  - Verifying that prospective suppliers comply with sustainable best practices.
- Entering purchase commitments to lock in prices.
- Internal policy that requires Board reapproval for cost overruns exceeding a certain threshold.

Political

Capital Power is subject to risk associated with changing political conditions and with changes in federal, provincial, state, or local laws and regulations or common law and their interpretation by relevant authorities. In 2023, the Canadian federal government released the first draft of the Clean Electricity Regulations (Draft CER) that would establish the performance standard framework applicable to existing and new natural gas generation facilities to achieve the federal government's objective of achieving a net zero electricity system by 2035. The Draft CER has encountered opposition from utilities and provincial governments across Canada given concerns with the potential implications of the framework, as proposed, for reliability and affordability of electricity. Capital Power shares these concerns. The final CER is expected to be issued in 2024. The final framework could have implications in terms of the timing and potential cost of measures that may be required to achieve compliance with the framework, and could present opportunities for Capital Power's decarbonization efforts as we grow our renewables portfolio and advance on CCUS, hydrogen blending, and direct air capture technologies. In 2023, the United States Environmental Protection Agency (EPA) announced a proposed rule that aims to curb greenhouse gas emissions for coal-, gas-, and oil-fired power plants that run at least 50% of the time. The proposed limits would require existing gas plants to utilize hydrogen co-firing beginning in 2032, or carbon capture and sequestration/storage (CCS) beginning in 2035. These ambitious targets could rapidly accelerate necessary decarbonization efforts within the US for Capital Power's existing gas portfolio.

Capital Power operates in multiple jurisdictions with each governmental body (federal, provincial, and state) developing their own net zero frameworks, of which, many have not aligned on timing nor method. With both congressional and a presidential election in the United States in 2024, it is not possible to predict the speed or magnitude of changes in political sentiment and their resulting impact on the Company's business and operations.

Strategies employed for managing political risk:

- Predict and identify existing, new or changed laws or regulations, or changed interpretations of such, and prepare and advocate appropriate responses or plans.
- Support the timely development of appropriate transmission capability through active relationships with all levels of government.
- Establish constructive relationships with relevant levels and branches of government, including key political advisors and influencers.
- Participation in relevant associations developing electricity markets.
- Include change-in-law provisions in material contracts where possible.
- Maintain a mix of technologies and geographies across our fleet.

Regulatory

Capital Power is required to maintain numerous licenses, permits and governmental approvals for the development, construction and operation of its projects and participation in its markets. If Capital Power fails to satisfy the conditions of these instruments, there could be an adverse impact on the effectiveness and cost of those projects or operations, absent the incorporation of CCUS and direct air capture technologies.

Capital Power's thermal assets consume water to generate electricity and are emitters of various air pollutants in addition to greenhouse gases, including NO_x, SO_2, mercury, and particulate matter. Accordingly, Capital Power's operations are subject to extensive environmental laws, regulations and guidelines relating to the generation

Risks and risk management

and transmission of electricity, pollution and protection of the environment, extreme weather, health and safety, air emissions, water usage, wastewater discharges, hazardous material handling and storage, treatment and disposal of waste and other materials, remediation of sites, land-use responsibility, and ISO market rules.

These regulations can impose a liability for costs to investigate or remediate contamination. Compliance with new regulatory requirements may require Capital Power to incur significant capital expenditures, additional operating expenses or cause operations at certain facilities to end prior to the end of their economic life; failure to comply with such regulations could result in fines, penalties or the curtailment of operations. Further, there can be no assurance that compliance with or changes to environmental regulations will not materially adversely impact Capital Power's business prospects, financial condition, or operations.

The Company is subject to requirements around minimizing the impact to wildlife at its wind facilities. Capital Power complies with all regulatory requirements which include completing pre-disturbance bird and bat studies and post-construction bird and bat monitoring programs. We could see a financial impact on our wind facilities, in certain jurisdictions, should they be curtailed to prevent wildlife loss or if more stringent policies and regulations are in place to protect wildlife.

The operations of the Company's wind assets are also required to follow appropriate sound level regulations and could be exposed to facility curtailment in the event of non-compliance. Capital Power complies with all applicable regulations, including completing applicable noise impact assessments.

Capital Power's ability to develop new projects is also affected by the availability of transmission and distribution systems. If restrictive transmission price regulation is imposed, transmission companies may not have sufficient incentive to invest in expansion of the transmission infrastructure. In addition, the Alberta power market has several existing transmission connections to neighbouring external markets. Any material expansion of those existing interconnections, or the creation of new interconnections could have a material adverse impact on Capital Power's business in Alberta. Capital Power cannot predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets.

See Regulatory matters for further discussion of current regulatory items.

Strategies employed for managing regulatory risk:

- Predict and identify existing, new or changed laws or regulations, or changed interpretations of such, and prepare and advocate appropriate responses or plans.
- Comply with all applicable laws, regulations and guidelines and monitor compliance.
- Perform environmental compliance audits and take corrective actions as necessary.
- Establish constructive relationships with relevant levels of government, agencies and stakeholders.
- Participate in all relevant consultation processes. Execute on-time permitting, license renewals and other activities associated with laws and regulations.
- Proactively identify environmental risks within operations, maintenance and construction activities and promote awareness throughout and at all levels of the Company.
- Managing water compliance with operating permits and legal requirements under Capital Power's Water Management Strategy.
- Monitoring evolving water policy in the jurisdictions Capital Power operates.
- Ensure that contractors align with Capital Power's environmental policies and procedures.
- Support the timely development of appropriate transmission capability through active relationships with regulators.
- Work with third parties to develop technologies to deter wildlife at wind facilities.
- Management actively monitors emission abatement technologies and assesses opportunities to expand the Company's portfolio of technologies that may have direct application in reducing emissions in natural gas generating assets.
- Maintain a mix of technologies and geographies across our fleet.

Business resilience

Capital Power's ability to maintain safe and reliable operations can be disrupted by extreme events such as pandemics, natural disasters, extreme weather conditions, physical terrorist attacks and major accidents or events including environmental incidents. Climate change could cause an increase in the frequency and severity of extreme weather events, which could adversely impact Capital Power's current and future assets. If the Company is unable to quickly adapt to such disruptions, our people, assets, reputation, and business operations could be at risk.

Strategies employed for managing business resilience risk:

- Establish and maintain emergency and other related contingency planning measures to enable the timely response to and recovery from extreme weather and other events.
- Monitoring of conditions in our various jurisdictions and the collective experience of managing through the pandemic to maintain workplace safety through remote work capabilities.

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- Regular assessment of our facilities for physical risks, including impacts resulting from extreme weather or other climate-change risks and, where beneficial, undertake physical changes at our facilities to mitigate those risks.
- Regular communication with external governmental and industry groups to share threat intelligence, trend analysis, and best practices.
- Annual testing of plans through tabletop exercises and participation in large scale, multi-industry exercises.
- Establish and maintain a physical security management program that is based on industry guidelines and best practices.
- Periodic internal audits of our facilities to ensure that physical security measures are aligned with the Company's risk profile.
- Maintain appropriate insurance coverage.
- Maintain fuel-type and geographic diversity.

Disruptive technology

Evolving technologies in the power industry may impact the competitiveness of Capital Power's fleet and the success of our strategy (see Delivering on our strategy). Technological advancement may improve the competitiveness of alternative power technologies over time, resulting in their expanded deployment across power markets. Capital Power's facilities may face increased competition as these technologies are increasingly relied on to supply power and ancillary services in the markets we operate.

Climate change will drive significant innovation and transformation of the power sector, including energy production and consumption. Capital Power's focus on sustainability is a key component in ensuring that the Company's business model remains flexible and resilient as technology evolves.

Strategies employed for managing disruptive technology risk:

- Capital Power's Management and Board of Directors evaluate the Company's strategy on an ongoing basis, including anticipating disruptive technologies that may create risks to or complement the Company's strategy.
- Management monitors emerging technologies with regular assessments and evaluations of economics of competing technologies.
- Management actively monitors emission abatement technologies and assesses opportunities to expand the Company's portfolio of technologies that may have direct application in reducing emissions from natural gas generating assets.
- Management continuously evaluates opportunities to enhance competitiveness of existing assets through optimization and efficiency initiatives.

Cyber-security and systems

Capital Power's ability to carry out its normal business processes is dependent on the performance and security of the key information and operational technology systems that support its core operations. Cyber attacks on the Company or through our supply chain continue to be a risk and could result in the loss or misuse of sensitive information or damage to physical assets and have significant adverse impacts on the Company's operations. Failure of key information or operational technology systems, during or after implementation, could result in significant lost revenues, increased costs or regulatory fines, and reputational damage.

Capital Power maintains a flexible work arrangement incorporating a hybrid model of working from home and in the office for non-plant staff. Having a hybrid workforce increases the number of access points thereby increasing the possibility of certain cyber threats, such as increased malicious network traffic and physical vulnerabilities. Capital Power continues to evolve the security of our systems, both physical and virtual, through measures such as secure remote access with multifactor authentication, remote patching and deployment of malware updates and a rigorous cyber-security training and awareness program.

Strategies employed for managing cyber-security and systems risk:

- The Cyber Security Leadership Council, comprised of senior leaders from various areas of the Company, meets regularly to monitor the effectiveness of the strategies above and to address new and evolving risks.
- Disaster recovery and backup plans to ensure critical systems and processes can be recovered in the event of a cyber attack.
- Automated and Artificial Intelligence backed monitoring of the Company's information and operational technology systems, logs, and security events.
- Regular communication with external governmental and industry groups to share threat intelligence, trend analysis, and best practices.
- Periodic external audits of the effectiveness of the Company's information and operational technology security systems and annual penetration tests.
- System safeguards to combat the ever-increasing sophistication in phishing attacks.
- A comprehensive endpoint based Data Loss Prevention program
- Ongoing role based user cyber-security training and awareness program.
- Compliance with North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection standards, based on each respective asset's categorization and the applicable regulatory region's requirements.

Risks and risk management

- Minimize the customization of commercial software, monitor impacts on processes and internal controls and undertake remedial actions, if required.
- Ensure implementation projects are properly resourced with qualified and trained staff and contractors.
- Employ change management to ensure all enhancements are fully tested and approved, prior to production deployment.
- Regular internal and external tabletop/simulated exercises.
- Implementation of a Supply Chain Cyber Risk Mitigation Plan.

People

People are at the heart of our business and the Company places a strategic focus on attracting the right people and creating an experience where they remain engaged, motivated, and empowered. Capital Power's ability to maintain reliable operations of its facilities and to grow the business is dependent upon this and the ability of our workforce to function normally and remain healthy, both physically and mentally.

Capital Power is experiencing a demographic shift as a significant number of its employees are expected to retire over the next several years. Failure to secure sufficient qualified labour may negatively impact Capital Power's operations or construction and development projects or may increase expenses.

Capital Power's current collective bargaining agreements expire periodically. Although not a common occurrence in Capital Power's history, the renegotiation of the collective agreements bears the risk of labour disruption or significant increases in labour costs. Collective bargaining agreements expiring in the near-term or currently being negotiated include:

The Company's collective agreement with IBEW 1007, which represents employees directly engaged in the maintenance of electrical generation at the Genesee power plant, expired December, 2023. All existing terms, conditions and wage rates in the expired collective agreement will continue in force and effect until a new collective agreement is reached. Negotiations related to a new collective agreement commenced in the fourth quarter of 2023 and are ongoing.

Strategies employed for managing people risk:

- Maintain strong people services programs and practices including flexible work arrangements, multi-faceted wellness programs, appropriate ethics and employee conduct policies and programs.
- Equity, diversity and inclusion strategy to ensure we are meeting the unique needs of our employees.
- Track employee engagement.
- Workforce and contingency planning.
- Maintain competitive compensation programs.
- Maintain succession plans for key positions.
- Maintain strong collective bargaining capability, programs, and practices.
- Career development plans and opportunities and talent management programs available to all employees.

The development, construction, ownership and operation of Capital Power's generation assets carry an inherent risk of liability related to public health, and worker health and safety due to exposure to high voltage electricity, high pressure steam, moving and rotating machinery, heavy equipment, driving, environmental hazards, and extreme weather, which can be exacerbated by climate change.

Strategies employed for managing health and safety risk:

- Maintain an organization-wide health and safety culture and system with regular measurements and compliance audits.
- Maintain facility specific safety programs and work procedures.
- Maintain a robust, hybrid work environment granting employees the flexibility of working remotely to limit the potential for spreading illness through the workplace.
- Ensure that contractors and other stakeholders align with Capital Power's health and safety policies and procedures.

Capital Power strives to right size the resources required to operate and grow in its markets and minimize the cost of those resources. Failure to do so could negatively impact culture, growth and earnings and place the Company at a competitive disadvantage.

Strategies employed for managing cost optimization and efficiency risk:

- Set performance targets and measure and report results compared with those targets. Measure performance against benchmarks.
- Develop and undertake efficiency initiatives and programs.
- Support internal resources by utilizing retention programs and assessing employee engagement with appropriate communication and follow-up.

Risks and risk management

Stakeholder activism

Effective community engagement is an important element in the development, construction, and operation of Capital Power's facilities. Accordingly, progress in the Company's development, construction and operational activities could be impeded by stakeholder intervention and/or activism. Changes in law and regulatory requirements may also adversely impact the market dynamics for Capital Power, the participation levels of counterparties that Capital Power relies on to support its portfolio optimization strategies and the costs associated with participating in these markets.

Strategies employed for managing stakeholder activism risk:

- Engage with communities in an open, honest and straightforward manner with a focus on building and operating mutually beneficial facilities.
- Follow our internal standards that provide a framework for accountability and best practices for Capital Power's stakeholder engagement processes, which include emphasis on accurate data management and providing all parties with copies of documentation and sharing information transparently.
- Continuous learning and process improvements with debriefs after completing significant engagement processes to leverage lessons learned for future projects.
- Participate in all relevant stakeholder consultation processes.
- Build and maintain strong relationships in the communities we operate through regular and ongoing community engagement and investment.
- Identify and assess potential stakeholder concerns when screening growth opportunities.
- Adopted an Indigenous Relations Policy to formalize our approach to Indigenous relations and our commitment to being active participants in Canada's national reconciliation process in Indigenous Peoples.

Finance

Capital Power's ability to fund current and future capital requirements, along with its working capital needs is dependent upon access to financial markets. Uncertainty and volatility in the Canadian and U.S. financial markets may adversely affect Capital Power's ability to access and arrange financing under favourable terms and conditions. Our cost of capital will also depend upon prevailing market conditions, and in the case of our sustainability-linked credit facilities, whether our annual targets for Scope 1 CO_2 emissions intensity levels are met. Our ability to access capital will also depend upon the Company's business and ESG performance as indicated by the assigned corporate credit and ESG ratings. See Liquidity and capital resources.

The ongoing volatility in financial markets driven by inflation and a fluctuating interest rate environment as well as changing political and regulatory climates in Canada and the U.S. could create additional uncertainty when accessing capital. If Capital Power is unable to access sufficient capital on acceptable terms, there could be an adverse effect on its business plan and financial condition. Additionally, Capital Power is exposed to changes in interest rates on its cash and cash equivalents, and floating rate current and non-current loans and borrowings. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Capital Power's Audit Committee of the Board of Directors, in its oversight role, monitors the assessment of financial risk management controls and procedures to ensure compliance with applicable policies, including the Company's financial exposure management policy. Additional strategies employed to manage finance risk are outlined below.

Strategies employed for managing credit rating risk:

- Maintain constructive relationships with credit rating agencies.
- Expand and enhance the level of disclosure of Capital Power's sustainability initiatives and targets.
- Develop flexible financial structuring to adapt if circumstances would cause a credit rating downgrade from investment grade.
- Manage overall debt levels within credit metric guidelines and financial covenants.

When Capital Power uses financial instruments to sell or purchase power and/or gas forward, it may be required to post significant amounts of cash collateral or other credit support such as letters of credits to its counterparties.

Strategies employed for managing liquidity and interest rate risk:

- Monitor cash and currency requirements on a regular basis by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and liabilities to identify financing requirements.
- Monitor levels of other credit support required on a regular basis.
- Laddered debt maturities to avoid large debt repayments in a single year.
- Maintain constructive relationships with banks, investment banks and other financial counterparties.
- Meet financing requirements through a combination of committed and demand revolving credit facilities, financings in public and private capital debt markets, and equity offerings.
- Balance the use of fixed rate and floating rate financing options.
- Utilize derivative and swap instruments to manage interest rate risk.

Risks and risk management

Counterparty risk is the possibility of financial loss associated with the inability of counterparties to satisfy their contractual obligations to Capital Power, including payment and performance. Capital Power is also dependent upon its cogeneration hosts and suppliers of fuel to its plants. If a wholesale electricity market counterparty defaults, Capital Power may not be able to replace such counterparty to effectively manage short or long energy positions, resulting in reduced revenues or increased power costs. Furthermore, a prolonged deterioration in economic conditions could increase the foregoing risks.

Strategies employed for managing counterparty credit risk:

- Maintain a credit policy including limits for credit risk exposure levels.
- Enter arrangements largely with creditworthy counterparties.
- Monitor existing counterparties' credit ratings for changes on an ongoing basis and conduct periodic credit reviews.
- Use credit enhancements such as cash deposits, prepayments, parent company guarantees, bank letters of credit, master netting agreements, margin accounts and credit derivatives.
- Monitor and report credit risk exposures.

Tax

Capital Power's operations are complex, and the determination of income taxes involves income tax interpretations, regulations and legislation that are continually changing. Our tax filings are subject to audit by taxation authorities. Management believes that it has adequately provided for income taxes as required by International Financial Reporting Standards, based on all information currently available. It is not possible to predict, with complete accuracy, changes in the legislative environment or their impact on the Company's income tax status. Future changes in tax legislation may have an adverse impact on Capital Power, its shareholders, and the value of the Company's common shares.

Capital Power's tax filings are subject to audit by taxation authorities. While Capital Power maintains that its tax filings have been made in accordance with all such tax interpretations, regulations, and legislation, Capital Power cannot guarantee that it will not have disagreements with taxation authorities with respect to its tax filings.

The effective income tax rate can change depending on the mix of earnings from various jurisdictions, and on deductions and inclusions in determining taxable income that do not fluctuate with earnings.

Strategies employed for managing tax risk:

- Consult with all levels of government with respect to tax policy development and proposed legislation.
- Develop and maintain tax expertise and resources necessary, including third party advisors, in the application of tax legislation.
- Internal policy that guides the roles and responsibilities of our Tax Team.
- Comply with tax laws of jurisdictions that Capital Power operates in.

Foreign exchange

Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar affect Capital Power's capital and operating costs, revenues and cash flows and could have an adverse impact on Capital Power's financial performance. The U.S. facility operations and the foreign-sourced equipment required for capital projects are transacted in U.S. dollars. In addition, certain indebtedness is denominated in U.S. dollars.

Strategies employed for managing foreign exchange risk:

For the Company's facilities that have a U.S. functional currency, foreign exchange movements are largely matched within its U.S. operations and hence foreign exchange exposure is mitigated. The Company enters economic hedges on capital costs denominated in U.S. dollars to mitigate exposure.

- Utilize foreign currency forward contracts.
- Utilize cross-currency interest rate swap contracts.
- Contract significant purchases or borrowings in Canadian dollars.
- Utilize U.S. dollar denominated borrowings and/or tax equity debt financing to finance U.S. developments.

Reputation

Investors and other stakeholders are increasingly focused on our exposure to the impacts of climate change as well as our progress towards our Sustainability targets and commitments. This creates public perception or cost of capital risks related to Capital Power's portfolio which includes thermal assets. The Company also considers reputation risk to be a consequence of all other risks that it faces. If a certain risk factor results in positive or negative consequences to the Company, its reputation may also be positively or negatively affected.

Risks and risk management

Strategies employed for managing reputation risk:

In part, the Company manages its reputation risk by employing appropriate risk management strategies for all identified risks. Additional strategies include:

- Fostering a highly ethical culture.
- Compliance with all regulations.
- Public ESG targets and transparent reporting on progress toward those targets.
- Leadership compensation linked to ESG performance.
- Integration of ESG criteria in investment decisions to ensure appropriate consideration of ESG risks.
- Commitment to transparent reporting and disclosure to assist in addressing concerns and risks with investors and other stakeholders.
- Maintain regular, timely and ongoing open and transparent reporting to our investors and stakeholders about our performance, operations, developments, purpose, values and goals.
- Ongoing monitoring of the Company's social media and media presence for content and tone to promptly identify and address any reputational concerns.

General economic conditions, business environment and other risks

In addition to all the risks previously described, the Company is subject to adverse changes in its markets, general economic conditions, inflation, recession, as well as business model disruption. The Company is exposed to risks associated with weather variability, legal and arbitration proceedings, and risks that are not fully covered by various insurance policies.

Fluctuations in general economic conditions and inflationary pressures could expose Capital Power to higher operations, maintenance and labour costs, as well as higher construction costs for development projects. Inflationary pressures may also lead to a higher interest rate environment that could result in the risk of fluctuations in the Company's share price. These additional costs would be offset by higher revenues from our off-take agreements where inflation escalation clauses exist. The Company includes inflation clauses in the long-term contracts for our facilities output, whenever possible. The Company is exposed to financial loss should the inflation indices in the contracts for our facilities output not keep pace with the inflation indices in our long-term service agreements with OEM's. The Company remains focused on efficiencies and cost management of plant operation and maintenance, with prudent increases to headcount to support its growth. Impacts of a severe and prolonged economic downturn may include decreasing demand for power which may impact the Company's revenue as well as exposure to counterparty risks. Refer to Finance risk above for mitigations for counterparty credit risks.

The Company is dependent upon cash dividends, distributions or other transfers from its subsidiaries, including CPLP, in order to repay any debt the Company may incur, to make dividend payments to its shareholders and to meet its other obligations. The right of the Company, as a unitholder or shareholder of these entities, to realize on the assets of these entities in the event of their bankruptcy or insolvency, would be subordinate to the rights of their creditors and claimants preferred by statute. The terms of the credit facilities of the Company's subsidiaries prohibit them from making distributions if an event of default has occurred and is continuing or would reasonably be expected to result from the distribution. As of December 31, 2023, the Company loaned $3,857 million to the respective subsidiaries under subordinated debt agreements. The terms of these agreements allow interest to be deferred. If interest is deferred, then CPLP has covenanted not to make distributions on any of its outstanding common limited partnership units.

The Company relies on operational and financial partnerships to grow its fleet. Failure to negotiate favourable terms with financial partners, particularly tax equity partners, could have an impact on the Company's ability to successfully execute its growth strategy. Some of Capital Power's assets are operated through joint arrangements under which Capital Power is not the operator of the associated assets. There is a risk that the assets will not be operated in accordance with Capital Power's expectations or requirements which could result in financial loss to the Company. While contractual agreements help minimize risk, there can be no assurance that such operations will continue to be effective.

Capital Power relies on contracted cash flows to maintain its investment grade credit rating and provide a stable and growing dividend to its shareholders. The Company focuses its growth on strategically positioned contracted assets that have a high likelihood to be re-contracted. To further minimize the risk of its contracted assets becoming merchant facilities post existing contracts, the Company establishes and maintains constructive relationships with contract counterparties, engages in early contract renewal discussions where possible, and deploys asset optimization initiatives to increase the competitiveness of its assets.

In the normal course of Capital Power's operations, the Company may become involved in various legal proceedings including arbitration of the interpretation of any contract. The outcome with respect to outstanding, pending, or future proceedings cannot be predicted with certainty. However, the Company does not believe that the outcome of any claims or potential claims of which it is aware, which have not already been provided for, will have a material adverse effect on Capital Power's financial condition and results of operations (see Contractual obligations, contingent liabilities, other legal matters and provisions).

Risks and risk management

Capital Power's property, boiler and machinery, business interruption and liability insurance coverages are established and maintained to minimize financial exposures associated with extreme weather and other events. The insurance coverages are subject to deductibles, limits, and exclusions, and may not provide sufficient coverage for these and other insurable risks. There can be no assurance that such insurance will continue to be offered on an economically feasible basis or that all events that could give rise to a loss or liability are insurable.

The various risks noted within this Risks and risk management section may be compounded by the level of exposure to a given geographic area, regulatory environment, or technology. The Company continues to mitigate these risks through its development and acquisition activities. These activities have allowed the Company to reduce its proportionate exposure to Alberta, while expanding its footprint in Ontario and the United States. These activities have also resulted in an increase to the Company's proportionate investment in renewables and natural gas assets compared to coal assets as well as an increase in contracted cash flows. Diversifying the Company's portfolio can result in the Company entering new markets which can bring new uncertainties which the Company mitigates as described above under strategies employed for managing competition, acquisition, development, and construction risk.

There can be no assurance that any risk management steps taken by Capital Power with the objective of mitigating the foregoing risks will avoid future loss due to the occurrence of such risks.

Environmental matters

Capital Power recorded decommissioning provisions of $324 million at December 31, 2023 ($278 million at December 31, 2022) for our generation facilities and the Genesee Mine as it is obliged to remove the facilities at the end of their useful lives and restore the facility and mine sites to their original condition. Decommissioning provisions for the Genesee Mine were incurred over time as new areas were 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 $985 million and forward contracts to sell environmental credits totaling $1,018 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 sale amounts related to other emissions trading activities.

Regulatory matters

Canada

Federal Budget 2023 and 2023 Fall Economic Statement

The Federal 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 (CCFDs) and a commitment that the CGF began 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 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 Fall Economic Statement 2023 was tabled on November 21, 2023. It provided direction that the CGF would allocate capital to issue all forms of CCFDs and offtake agreements to support de-risking of decarbonization technologies. The Budget Implementation Act, which included provisions to implement the CCUS ITC and Clean Technology ITC programs, was also introduced in November 2023.

Environment and Climate Change Canada (ECCC) Draft Clean Electricity Regulations (the "Draft CER")

On August 19, 2023, ECCC released the Draft CER with the proposed details of the framework the Federal Government intends to establish for physical performance standards that would apply to natural gas and fossil-fuel based electricity generation facilities in all provinces and territories across Canada. The CER Public Update released by ECCC on February 16, 2024 summarized feedback received in respect of the Draft CER and described a new design option that was under consideration for the Final CER. The CER Public Update did not include any proposed details for any of the design components of the new option.

Management is currently assessing the potential impacts the new option may present for Capital Power's existing or prospective thermal generating units in Canada. Comments on the new option are due by March 15, 2024. ECCC is targeting to publish the final version of the Clean Electricity Regulations by mid-2024.

Alberta

Transmission Policy Review

In October 2023, the Government of Alberta (GOA) released a discussion paper (Discussion Paper) identifying different features of the existing transmission policy framework that are being reviewed to ensure the affordability, reliability and decarbonization of Alberta's electricity system. Among other things, the Discussion Paper discusses potential changes to the current framework for allocating wires and ancillary services costs between different transmission users, the transmission planning framework, and provisions for intertie restoration and expansion. The GOA invited comments to inform potential next steps and what changes, if any, may be warranted. Management has actively participated in the process. At this time, the nature of any change(s) to the aforementioned transmission policy elements, and corresponding potential impacts to Capital Power, are unknown.

Market Pathways

The AESO has indicated that there is a need to review the market structure due to key operational and reliability challenges that are occurring as a result of the energy transition. A key focus of this work for the AESO will be on how to achieve reliability and affordability through competition.

Capital Power believes the objectives the AESO was directed to address can be met through enhancements within the energy-only market framework. The AESO provided its recommendations to the Government, and the Government is currently expected to provide further direction on potential steps on Alberta market design issue by the end of the first quarter of 2024.

Regulatory matters

Alberta Utilities Commission Inquiry and Renewables Approval Pause

On August 3, 2023 the Government of Alberta announced that it had directed the Alberta Utilities Commission (AUC) to pause approvals of renewable generation projects until February 29, 2024 and had also directed the AUC to initiate an inquiry into the ongoing economic, orderly and efficient development of electricity generation in Alberta. The AUC was directed to provide a report to the Minister of Affordability and Utilities by March 29, 2024 with recommendations.

On August 29, 2023, the AUC advised that it plans on continuing to process applications but not issue any approvals until after the pause and, on September 6, 2023, provided interim information requirements for any new renewable facility applications.

The Company did not have any active or outstanding applications impacted by the announcement of the AUC inquiry. The timing for AUC consideration and approval of any future renewable facility applications that may be brought forward by the Company may be impacted by any recommendations made by the AUC and accepted by the Government, though the nature of any such recommendations is unknown at this time.

Most severe single contingency (MSSC) limit

On June 27, 2023 the AESO released its decision to maintain the MSSC limit at 466 MW and will be procuring frequency stability services to enable this limit to also be applied when the province is islanded from the rest of Western Electricity Coordinating Council (WECC). The AESO indicated that they will be exploring a new ancillary service product, Fast Net Demand Response (FNDR), which is intended to respond in a way that it would support the grid following an instantaneous loss of supply within Alberta. The AESO has indicated that FNDR would enable an increase to the MSSC limit. The Company will continue to actively engage with the AESO on the MSSC and the development of the FNDR product.

Alberta's Emissions Reduction and Energy Development Plan

On April 19, 2023, the Government of Alberta (GOA) released "Alberta's Emissions Reduction and Energy Development Plan" (ERED). The ERED included an "aspiration" of achieving a carbon neutral economy – net zero – by 2050 in Alberta and does not specify any other targets. It noted Alberta's plan for emissions reduction will rely heavily on technology such as carbon capture and storage, hydrogen, and SMR and be balanced with a commitment to maintaining affordability, reliability and energy security. The province sees a continued role for natural gas generation in the province for decades to come and expressed concern with the Federal government's net zero electricity grid by 2035 goal and Federal Clean Electricity Regulations (CER).

The ERED's recognition of the important continued role for natural gas in Alberta's power system, and the role for CCUS, among other technologies, are consistent with the Company's expectations for decarbonization of Alberta's electricity system. The Company will continue to engage with the government on matters relating to decarbonization and Alberta's electricity system.

Technology Innovation and Emissions Reduction (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 tCO_2e/MWh in 2030. In 2023, the electricity benchmark is 0.3626 tCO_2e/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 was \$65/tCO_2e and will increase annually by \$15/tCO_2e per year, including to \$80/tCO_2e in 2024 and reaching \$170 in 2030.

Regulatory matters

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% for 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 while 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)

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, effective January 1, 2023.

Under the EPS, the carbon price will align with the minimum Federal carbon price of $65/tCO$_2$e for the 2023 compliance period, increasing by $15 per year to $170 for the 2030 compliance period. The performance standard for generating electricity using fossil fuels declined from 0.370 tCO$_2$e/MWh to 0.310 tCO$_2$e/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.

Market Renewal Program (MRP)

Ontario's Market Renewal Program is a set of coordinated market and IESO system reforms intended to improve market transparency, competitiveness, and real-time unit scheduling. It will introduce Locational Marginal Pricing and a financially binding Day-Ahead Market. The IESO is now completing detailed design and implementation work, including updates to systems, market rules, and settlement calculations to accommodate the changes. The Company is participating in the Market Renewal Program stakeholder engagement sessions and consultation processes. The Market Renewal Program is expected to be in place sometime in 2025.

IESO Potential Gas Phase-Out Impact Assessment, Pathways to Decarbonization and Powering Ontario Growth Plan

In October 2021, the Minister of Energy issued a letter directing the IESO to evaluate a moratorium on the procurement of new natural gas generation and to develop an achievable pathway to zero-emissions in the electricity system. This directive came almost immediately after the IESO stated it was not feasible to phase out natural gas generation by 2030.

The IESO published its Pathways to Decarbonization report in response to the Minister's directive in December 2022. The IESO stated it was possible to decarbonize the electricity system by 2050 but did acknowledge the sheer magnitude and cost of the undertaking. An acceleration in the development of transmission and non-emitting supply including nuclear, long-duration storage, hydroelectric facilities, and emerging technologies would be required. The report also confirmed the importance of natural gas generating assets in providing continuous, flexible, year-round energy that is currently not matched by any other technology. It concluded that a moratorium on the procurement of natural gas generation may only be possible after the IESO completes its current round of electricity resource procurements, if investment in non-emitting resources and other needed infrastructure starts immediately, and emerging technology including small modular reactors and low-carbon fuels comes to fruition.

Regulatory matters

In July 2023 and in response to the IESO's Pathways to Decarbonization report, the Minister of Energy released its Powering Ontario Growth Plan. The plan includes several critical initiatives including predevelopment work to site new large-scale nuclear generation at the Bruce generating facility, development of three small modular reactors at the Darlington site, planning for future procurements of non-emitting electricity resources, advancement of large hydroelectric storage projects, optimization of hydroelectric generating assets, rollout of energy efficiency programs, and new transmission development. The plan also considers IESO procurements for new zero-emitting energy sources including wind, solar, and batteries.

Management believes the direction provided by the Powering Ontario Growth Plan will support future investment opportunities for Capital Power in Ontario.

British Columbia

BC Hydro Integrated Resource Plan (IRP)

On October 25, 2021, the Government of British Columbia released "CleanBC: Roadmap to 2030" which identified a number of measures and initiatives that British Columbia would undertake as part of a plan and to achieve its 2030 emissions targets and net zero emissions by 2050. Among other measures, the Government of British Columbia intends to increase the Clean Electricity Delivery Standard for the BC Hydro integrated grid to 100%, which it expects BC Hydro to meet in part by phasing out its remaining natural gas-fired facilities on the grid by 2030.

On June 15, 2023 BC Hydro released their "signpost" update to their integrated resource plan (IRP). The update indicates an increase in BC Hydro's demand forecast and also a reduction in supply expectations resulting in the need for BC Hydro to accelerate its plans to address both capacity and energy shortfalls. To address the energy shortfall BC Hydro's updated IRP outlines that it will extend electricity purchase agreement renewals past 2026 and look to procure approximately 700 GWh of new clean or renewable energy from existing sources. BC Hydro intends to achieve this through bilateral negotiations with independent power producers (IPPs). Additionally, it has initiated a call for power to acquire around 3,000 GWh of new clean energy from greenfield projects that are able to achieve operations as early as fall 2028. To meet capacity shortfalls BC Hydro has indicated that it will accelerate its efforts on utility scale batteries and look to move forward additional energy efficiency, demand response, and industrial load curtailment programs. While BC Hydro has brought forward the need for new resources, the updated IRP is silent on any potential to use Island Generation as a resource option to defer these needs.

The British Columbia Utilities Commission is in the process of finalizing its hearing of BC Hydro's 2021 IRP, which will allow BC Hydro to focus on its next IRP and call for power. Capital Power submitted argument in the proceeding highlighting the reliability value that Island Generation brings to the BC Hydro system on December 21, 2023. BC Hydro filed its reply argument on January 28, 2024. A Commission decision is expected by mid-2024. BC Hydro's call for power schedule includes the issuance of request for proposals in April 2024 with contract awards in November 2024.

British Columbia Output-Based Carbon Pricing System

As part of Budget 2023, the Government of British Columbia (B.C.) announced the transition to an output-based carbon pricing system (B.C. OBPS) beginning in April 2024. The B.C. OBPS will ensure emissions reductions for industry continue while also providing flexible options, such as carbon offsets, to meet compliance obligations. B.C.'s current industrial pricing system will remain in place for a transition year (2023) with OBPS implementation starting in April 2024. Further details about the system and performance standards will be available later in 2024.

Net Zero New Industry Intentions

On July 5, 2023, the BC Climate Action Secretariat (CAS) released the Net Zero New Industry Intentions Paper (Paper). B.C. is proposing to amend the Greenhouse Gas Industrial Reporting and Control Act (GGIRCA) and its regulations to implement the Net Zero New Industry Policy (Policy). The Paper did not discuss the benchmarks for any industrial sector. Under the Policy, new facilities will be required to develop net zero plans to achieve net zero emissions in 2050 (2030 for LNG projects) and every year thereafter. The net zero plan would have to be approved by the CAS before a facility is permitted to proceed.

The contract for Capital Power's Island Generation has provisions that trigger amendments as a result of changes in GHG costs, the effect of which will limit the impact of changes to carbon compliance costs.

Regulatory matters

United States

U.S. Clean Air Act

On May 23, 2023, the Environmental Protection Agency (EPA) announced a proposed rule that aims to curb greenhouse gas emissions for coal-, gas-, and oil-fired power plants that run at least 50% of the time, with initial requirements for gas-fired power plants beginning as early as 2032. The proposed limits would require existing gas plants to utilize hydrogen co-firing or CCS within the next decade and the emission guidelines proposal will apply to existing natural gas power plants facilities with a 300 MW capacity or higher. Management issued a draft comment on the proposed EPA rule and continues to monitor the progress of the proposal through the rulemaking process. Under the scope of the proposed rule, the Company expects our Midland Cogeneration and Frederickson 1 facilities to be exempt, and Decatur and Arlington facilities to be in scope of the draft rule, but that analysis is subject to any changes in the final rule. The current risk assessment of the natural gas fleet will change depending upon future acquisition opportunities, as new acquisitions may be required to convert to hydrogen co-firing or utilize carbon capture in accordance with the EPA rule. A final rule is expected in mid 2024 and it is anticipated it will be subject to litigation challenges.

Inflation Reduction Act (IRA)

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.

In 2024, the Treasury Department will prioritize finalizing rules for provisions that allow the transfer and direct payment of clean energy tax credits according to comments made by the assistant Treasury secretary for tax policy. Those provisions of the law are meant to extend credits to tax-exempt entities that have previously not been able to participate in the traditional tax equity market, including nonprofits and state and local governments. More than 200 entities registered to use elective pay or transferability and submitted pre-filing registrations for more than 1,600 projects in anticipation of the guidance.

In addition, Treasury plans to issue initial guidance on the technology-neutral clean electricity production and investment credits that begin in 2025. Enacted in the Inflation Reduction Act, the tech-neutral breaks will be available for clean energy projects that start construction in 2025. This guidance is a step towards replacing the Section 45 production tax credit (PTC) and Section 48 investment tax credit (ITC) — two breaks widely viewed as instrumental in the ongoing expansion of American solar and wind. Only certain technologies are currently eligible for the two credits: Section 45 allows wind, biomass, geothermal, solar, irrigation power, municipal solid waste, hydropower and marine energy, while Section 48 allows fuel cells, wind, waste energy, storage, biogas, microgrids and other energy properties. The new rules will offer tax credit eligibility awarded to zero-emissions energy sources, regardless of the technology. That includes fossil fuel generation, so long as it is certified as zero-emission.

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, while higher domestic content requirements create more regulatory hurdles for solar and wind developments.

Michigan Legislation

On November 28, 2023, the Michigan Governor signed a legislative package that includes a goal of 100% Clean Energy in the state by 2040, and sets new renewable energy targets for the Michigan state. The legislation requires Midland Cogeneration to achieve GHG emission reductions that are the functional equivalent of deploying on site Carbon Capture and Storage with a 90% capture rate at the facility. Management is working towards a plan to achieve that clean energy goal and it must be submitted under the legislation to the Michigan Public Service Commission by 2030.

Use of judgments and estimates

In preparing our audited consolidated financial statements, management made judgments, estimates and assumptions that affect the application of our accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Critical judgments in applying accounting policies

The main judgments that were used in preparing Capital Power's audited consolidated financial statements relate to:

Judgment	Management applies judgment to evaluate	Resulting conclusions
Cash generating units	What constitutes a CGU based on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.	CGUs were determined giving consideration to geographic proximity and shared risk exposure and risk management.
Asset impairment	Whether events or circumstances may indicate that an asset's carrying amount exceeds its recoverable amount.	No indicators were identified during 2023 that required impairment testing beyond annual testing of the East Windsor CGU which contains goodwill.
Whether an arrangement contains a lease and classification of leases	Whether a PPA or similar contract conveys the right to control the Company's property, plant and equipment in return for payment, and, if so, a lease exists. Whether substantially all the risks and rewards of ownership of property are transferred to determine if the lease is accounted for as a finance lease or, if not, the lease is accounted for as an operating lease.	Contracts that convey the right to control Capital Power's property, plant and equipment and, therefore, contain a lease: Operating leases with the Company as the lessor (substantially all the risks and rewards remain with Capital Power): • Island Generation EPA (through April 30, 2022) • Decatur Energy tolling agreement • Arlington Valley tolling agreement Finance lease with the Company as the lessor (substantially all the risks and rewards are transferred): • Island Generation EPA (effective May 2022) The Company has been determined to be the lessee for the following: • Beaufort Solar sale and leaseback agreement • Various office, equipment and land leases
Control of subsidiaries that are less than wholly-owned	Whether certain subsidiaries are controlled by the Company even though the subsidiaries are less than wholly-owned.	Since the Company has majority rights, the Genesee Mine and Macho Springs Wind facility are consolidated and have non-controlling interests.

Use of judgments and estimates

Judgment	Management applies judgment to evaluate	Resulting conclusions
Classification of joint arrangements	How joint arrangements structured through a separate vehicle should be classified; either as a joint venture or a joint operation.	York Energy and Midland Cogeneration are accounted for as joint ventures and accounted for under the equity method. The Company's obligations are limited to their respective capital contributions to the joint arrangements, and the Company's receipts of the economic benefits of the joint arrangements are primarily from the quarterly distributions and operating management fees. As a result, there is no indication that the Company has rights to the assets or obligations for the liabilities of the joint arrangements and the investments have been classified as a joint venture. Joffre, Shepard, and Frederickson 1 are accounted for as joint operations because each of the joint operators has rights to the assets and obligations for the liabilities of the arrangements and rights to the corresponding revenues and obligations for the corresponding expenses.
Operating segments	Whether the Company operates in one or multiple business segments, and if the Company operates in multiple segments, how the aggregation criteria are applied to reportable segments.	The Company has aggregated its operating segments into one reportable business segment as its operating segments have similar products, production processes, types of customers, product distribution methods, regulatory environments and economic characteristics. Each operating segment is involved with the generation and sale of electricity, which includes the process of turning various fuel sources into electricity and managing the revenues and costs of such electricity, including engaging in trading activities. The Company's customers tend to be large industrial and commercial customers, independent system operators and government owned or sponsored entities. Given the similar size and credit profiles of these counterparties, they are deemed to be similar types of customers. The method of distributing electricity is the same across all facilities, and none of the Company's entities are rate-regulated.

Use of judgments and estimates

Assumptions and estimation uncertainties

The following identifies key information about assumptions and estimation uncertainties that could have a significant risk of resulting in material adjustments:

Estimate	Impacts and assumptions subject to estimation uncertainty
Measurement of fair values	Carrying amounts for financial instruments • Amounts and timing of future cash flows • Future prices • Future generation forecasts • Future interest rate yield curves • Volatility
	Impairment of financial and non-financial assets and liabilities • Discount rates • Growth rates • Other cash flow assumptions including revenues, expenses and capital expenditures • Future generating capacity • Contract renewals and rates adjusted for inflation • Fuel mix at optimized levels
	Decommissioning and other provisions • Discount rates • Amount and timing of asset retirement • Extent of site remediation required • Future cash flows based on amount and timing of settlement of obligation • Expected customer renewals for other provisions
	Purchase price allocations for financial and non-financial assets and liabilities • Same fair value measurement factors and assumptions as applicable to determine carrying amounts for derivative financial instruments, impairment of financial and non-financial assets and liabilities, and decommissioning and other provisions.

Estimate	Impacts and assumptions subject to estimation uncertainty
Depreciation and amortization	Assets useful lives are based on the life characteristics of common assets.
Recognition of deferred tax assets and availability of future taxable income against which carry forward tax losses can be used	Deferred tax assets and income tax provisions are based on the likelihood that tax losses will be recovered from future taxable income.

Financial instruments

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

	December 31, 2023			December 31, 2022	
(unaudited, $ millions)	**Fair value hierarchy level[1]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets:					
Amortized cost					
Cash and cash equivalents	N/A	**1,423**	**1,423**	307	307
Trade and other receivables[2]	N/A	**689**	**689**	892	892
Government grant receivable[3]	Level 2	**327**	**295**	367	317
Fair value through income or loss					
Derivative financial instruments assets[4]	See below	**284**	**284**	405	405
Fair value through other comprehensive loss					
Derivative financial instruments assets[4]	See below	**68**	**68**	78	78
Financial liabilities:					
Other financial liabilities					
Trade and other payables	N/A	**717**	**717**	1,249	1,249
Subscription receipts	N/A	**399**	**399**	–	–
Loans and borrowings[3]	Level 2	**4,716**	**4,690**	3,726	3,590
Fair value through income or loss					
Derivative financial instruments liabilities[4]	See below	**536**	**536**	944	944
Fair value through other comprehensive loss					
Derivative financial instruments liabilities[4]	See below	**64**	**64**	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 our commodity risk group and by management.

[2] Excludes current portion of government grant receivable.

[3] Includes current portion.

[4] Includes current and non-current.

Financial instruments

Risk management and hedging activities

Capital Power is exposed to changes in energy commodity prices, foreign currency exchange rates and interest rates. We use various risk management techniques, including derivative instruments such as forward contracts, fixed-for-floating swaps, and option contracts, to reduce this exposure. These derivative instruments are recorded at fair value on the Consolidated Statements of Financial Position except for non-financial derivatives that are entered into and continue to be held for the purpose of receipt or delivery of a non-financial item in accordance with expected purchase, sale or usage requirements.

Unrealized changes in the fair value of financial and non-financial derivatives that do not qualify for hedge accounting and non-financial derivatives that do not qualify for the expected purchase, sale or usage requirements are recognized in net income as revenues, energy purchases and fuel, foreign exchange gain or loss or net finance expense. The corresponding unrealized changes in the fair value of the associated economically hedged exposures are not recognized in income. Accordingly, derivative instruments that are recorded at fair value can produce volatility in net income as a result of fluctuating forward commodity prices, foreign exchange rates and interest rates which are not offset by the unrealized fair value changes of the exposure being hedged on an economic basis. As a result, accounting gains or losses relating to changes in fair values of derivative instruments do not necessarily represent the underlying economics of the hedging transaction.

For example, Capital Power usually has more physical supply of power in Alberta from our facilities than has been contracted to physically sell. Capital Power utilizes financial sale contracts to reduce our exposure to changes in the price of power in Alberta. Economically, Capital Power benefits from higher Alberta power prices due to the net long position held since our expected physical supply is in excess of our physical and financial sale contracts. However, financial sale contracts that are not hedged for accounting purposes are recorded at fair value at each statement of financial position date and the offsetting anticipated future physical supply or economically hedged item is not. Accordingly, an increase in forward Alberta power prices can result in fair value losses for accounting purposes whereas on an economic basis, these losses are offset by unrecognized gains on the physical supply. The economic gains will be recognized in later periods when the power is produced and sold. The opposite is true for forward price decreases in Alberta power.

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

		At December 31, 2023				
(unaudited, $ millions)	Fair value hierarchy level	Commodity cash flow hedges	Commodity non-hedges	Interest rate cash flow hedges	Foreign exchange cash flow hedges	Total
Derivative financial instruments assets	**Level 2**	**26**	**268**	**42**	**–**	**336**
	Level 3	**–**	**16**	**–**	**–**	**16**
		26	**284**	**42**	**–**	**352**
Derivative financial instruments liabilities	**Level 2**	**(22)**	**(223)**	**(14)**	**(28)**	**(287)**
	Level 3	**–**	**(313)**	**–**	**–**	**(313)**
		(22)	**(536)**	**(14)**	**(28)**	**(600)**
Net derivative financial instruments assets (liabilities)		**4**	**(252)**	**28**	**(28)**	**(248)**

Financial instruments

		At December 31, 2022				
unaudited, $ millions)	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.

Disclose controls and procedures and internal control over financial reporting

At December 31, 2023, management conducted an evaluation of the design and operation of Capital Power's disclosure controls and procedures to provide reasonable assurance that:

(i) material information relating to the Company is made known to management by others, particularly during the period in which the Company's annual filings are being prepared, and

(ii) information required to be disclosed by Capital Power in our annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The evaluation took into consideration our Disclosure Policy and internal sub-certification process, and the functioning of our Disclosure Committee. In addition, the evaluation covered our processes, systems and capabilities relating to public disclosures and the identification and communication of material information. Based on that evaluation, Capital Power's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are appropriately designed and effective.

At December 31, 2023, management conducted an evaluation of the design and operation of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the internal controls over financial reporting are appropriately designed and effective.

These evaluations were conducted in accordance with the Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission and the requirements of the Canadian Securities Administrators' National Instrument 52-109.

Summary of quarterly results

(GWh)		Three months ended							
Electricity generation		Dec 2023	Sep 2023	Jun 2023	Mar 2023	Dec 2022	Sep 2022	Jun 2022	Mar 2022
Total generation		8,692	8,521	7,857	7,417	8,049	6,993	6,638	6,893
Alberta commercial facilities	Genesee 1	801	829	793	809	869	863	733	790
	Genesee 2	848	798	759	883	916	803	843	817
	Genesee 3	1,017	1,023	1,000	998	543	988	1,010	980
	Clover Bar Energy Centre 1, 2 and 3	163	294	130	150	278	218	72	112
	Joffre	138	110	150	154	45	135	187	209
	Shepard	781	768	741	715	829	824	814	786
	Halkirk Wind	139	85	107	122	139	87	124	150
	Clover Bar Landfill Gas	–	2	1	3	2	2	3	–
		3,887	3,909	3,681	3,834	3,621	3,920	3,786	3,844
Western Canada contracted facilities	Island Generation	–	–	2	–	4	–	–	7
	Quality Wind	135	74	73	104	124	93	70	126
	EnPower	5	4	3	4	4	2	4	8
	Whitla Wind	345	222	280	384	381	238	349	436
	Strathmore Solar[1]	7	24	28	12	10	26	26	3
	Clydesdale Solar[2]	7	57	54	27	6	N/A	N/A	N/A
		499	381	440	531	529	359	449	580
Ontario contracted facilities	York Energy	4	8	3	4	5	8	6	8
	East Windsor	3	5	3	1	4	6	3	3
	Goreway	552	800	608	358	655	721	234	599
	Kingsbridge 1	28	11	16	31	36	14	23	35
	Port Dover and Nanticoke	81	41	54	87	91	50	67	100
		668	865	684	481	791	799	333	745
U.S. contracted facilities	Decatur Energy, Alabama	666	723	494	240	617	785	752	617
	Arlington Valley, Arizona	1,067	1,007	908	513	907	685	659	476
	Beaufort Solar, North Carolina	6	8	8	6	5	8	9	6
	Bloom Wind, Kansas	169	107	153	186	171	126	208	180
	Macho Springs Wind, New Mexico	26	21	41	44	31	17	48	34
	New Frontier Wind, North Dakota	110	74	83	108	117	83	116	122
	Cardinal Point Wind, Illinois	167	69	134	174	170	86	167	196
	Buckthorn Wind, Texas	94	81	77	108	82	75	81	99
	Midland Cogeneration, Michigan[3]	1,333	1,276	1,154	1,192	1,008	61	N/A	N/A
	Frederickson 1, Washington[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		3,638	3,366	3,052	2,571	3,108	1,915	2,070	1,724

1 Strathmore Solar was commissioned on March 17, 2022.

2 Clydesdale Solar was commissioned on December 13, 2022.

3 Midland Cogeneration was acquired on September 23, 2022.

4 Frederickson 1 was acquired on December 28, 2023 (see Significant events). Due to the proximity of the acquisition to December 31, 2023, generation is immaterial.

Summary of quarterly results

(%)		Three months ended							
Facility availability		**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**
Total average facility availability		**93**	**96**	**95**	**94**	90	96	92	95
Alberta commercial facilities	Genesee 1	**92**	**95**	**95**	**97**	99	99	86	93
	Genesee 2	**96**	**93**	**91**	**100**	99	93	100	95
	Genesee 3	**100**	**100**	**100**	**99**	54	99	100	99
	Clover Bar Energy Centre 1, 2 and 3	**56**	**95**	**47**	**69**	84	93	89	87
	Joffre	**89**	**76**	**95**	**96**	53	81	96	100
	Shepard	**100**	**99**	**98**	**85**	100	98	100	100
	Halkirk Wind	**95**	**91**	**96**	**97**	96	94	98	97
	Clover Bar Landfill Gas	**–**	**48**	**58**	**83**	82	69	74	92
		93	**95**	**91**	**93**	84	95	96	96
Western Canada contracted facilities	Island Generation	**100**	**100**	**100**	**100**	91	100	100	100
	Quality Wind	**98**	**96**	**92**	**98**	97	99	98	93
	EnPower	**91**	**91**	**94**	**73**	99	92	99	99
	Whitla Wind	**96**	**94**	**94**	**98**	96	92	97	98
	Strathmore Solar[1]	**88**	**97**	**98**	**96**	100	100	100	100
	Clydesdale Solar[2]	**88**	**97**	**97**	**97**	100	N/A	N/A	N/A
		97	**97**	**96**	**98**	95	96	99	98
Ontario contracted facilities	York Energy	**100**	**99**	**89**	**100**	100	96	100	100
	East Windsor	**97**	**95**	**99**	**99**	73	93	76	97
	Goreway	**96**	**100**	**98**	**91**	99	100	59	100
	Kingsbridge 1	**91**	**92**	**89**	**95**	98	96	99	98
	Port Dover and Nanticoke	**97**	**95**	**96**	**96**	96	90	99	99
		97	**99**	**96**	**94**	97	98	71	99
U.S. contracted facilities	Decatur Energy, Alabama	**79**	**98**	**100**	**99**	76	98	100	94
	Arlington Valley, Arizona	**98**	**100**	**98**	**81**	99	97	96	78
	Beaufort Solar, North Carolina	**100**	**99**	**99**	**99**	99	100	99	100
	Bloom Wind, Kansas	**96**	**91**	**98**	**97**	94	95	94	94
	Macho Springs Wind, New Mexico	**97**	**96**	**98**	**99**	98	97	98	97
	New Frontier Wind, North Dakota	**91**	**97**	**94**	**95**	92	94	95	96
	Cardinal Point Wind, Illinois	**94**	**92**	**95**	**93**	96	96	98	95
	Buckthorn Wind, Texas	**96**	**93**	**94**	**95**	93	92	90	92
	Midland Cogeneration, Michigan[3]	**93**	**97**	**94**	**95**	92	86	N/A	N/A
	Frederickson 1, Washington[4]	**N/A**	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	N/A
		90	**97**	**97**	**94**	89	96	97	90

[1] Strathmore Solar was commissioned on March 17, 2022.

[2] Clydesdale Solar was commissioned on December 13, 2022.

[3] Midland Cogeneration was acquired on September 23, 2022.

[4] Frederickson 1 was acquired on December 28, 2023 (see Significant events). Due to the proximity of the acquisition to December 31, 2023, availability is immaterial.

Summary of quarterly results

Financial results

(unaudited, $ millions)	Dec 2023	Sep 2023	Jun 2023	Mar 2023	Dec 2022	Sep 2022	Jun 2022	Mar 2022
	Three months ended							
Revenues and other income								
Alberta commercial facilities and portfolio optimization	**604**	**694**	**613**	**687**	656	573	423	456
Western Canada contracted facilities	**47**	**32**	**32**	**41**	41	29	30	50
Ontario contracted facilities	**93**	**94**	**90**	**97**	118	126	89	104
U.S. contracted facilities	**115**	**112**	**99**	**138**	198	110	122	104
Corporate[1]	**27**	**35**	**35**	**33**	33	33	33	32
Unrealized changes in fair value of commodity derivatives and emission credits	**98**	**183**	**12**	**271**	(117)	(85)	16	(245)
	984	**1,150**	**881**	**1,267**	929	786	713	501
Adjusted EBITDA[2]								
Alberta commercial facilities and portfolio optimization	**175**	**218**	**169**	**239**	162	234	182	192
Western Canada contracted facilities	**36**	**18**	**20**	**28**	28	17	20	40
Ontario contracted facilities[3]	**60**	**58**	**60**	**62**	67	59	56	65
U.S. contracted facilities[3]	**69**	**122**	**85**	**72**	62	92	67	53
Corporate	**(27)**	**(2)**	**(7)**	**–**	(16)	(19)	(6)	(2)
	313	**414**	**327**	**401**	303	383	319	348

[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 Cogeneration 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, 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 our power, natural gas, interest rate and foreign exchange derivative contracts.

Summary of quarterly results

Financial highlights

	Three months ended							
(unaudited, $ millions except per share amounts)	**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**
Revenues and other income	**984**	**1,150**	**881**	**1,267**	929	786	713	501
Adjusted EBITDA[1, 2]	**313**	**414**	**327**	**401**	303	383	319	348
Net income (loss)	**95**	**272**	**85**	**285**	(99)	31	77	119
Net income (loss) attributable to shareholders of the Company	**97**	**274**	**87**	**286**	(98)	34	80	122
Basic earnings (loss) per share ($)	**0.74**	**2.27**	**0.68**	**2.39**	(0.91)	0.21	0.59	0.96
Diluted earnings (loss) per share ($)[3]	**0.74**	**2.26**	**0.67**	**2.38**	(0.91)	0.20	0.59	0.96
Net cash flows (used in) from operating activities	**(18)**	**480**	**11**	**349**	42	370	108	415
Adjusted funds from operations[1]	**162**	**296**	**151**	**210**	140	328	180	200
Adjusted funds from operations per share ($)[1]	**1.38**	**2.53**	**1.29**	**1.80**	1.20	2.81	1.55	1.72
Purchase of property, plant and equipment and other assets, net	**244**	**262**	**131**	**86**	179	224	147	132

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

	Three months ended							
Spot price averages	**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**
Alberta power ($ per MWh)	**82**	**152**	**160**	**142**	214	221	122	90
Alberta natural gas (AECO) ($ per GJ)	**2.19**	**2.49**	**2.39**	**3.08**	4.91	4.02	6.86	4.54
Capital Power's Alberta portfolio average realized power price ($ per MWh)	**84**	**93**	**85**	**98**	111	101	85	84

Summary of quarterly results

Factors impacting results for the fourth quarter of 2023

For the quarter ended December 31, 2023, Capital Power recorded AFFO of $162 million compared to $140 million for the quarter ended December 31, 2022. AFFO was higher than the corresponding period primarily due to lower overall sustaining capital expenditures resulting from less outage activities, and higher adjusted EBITDA (see below). This was partially offset by higher current income tax due to higher overall consolidated net income before tax. Adjusted EBITDA of $313 million for the quarter ended December 31, 2023, was moderately higher than the corresponding period in 2022 of $303 million. The was mainly a result of realized gains on the Company's Alberta commercial portfolio optimization activities combined with lower emission compliance expenses driven by use of offsets inventory and the conversion of G3 from coal to natural gas, and lower transmission costs at the Alberta Commercial facilities more than offset the lower power prices realized during the quarter compared to the prior period.

Factors impacting results for the previous quarters

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

Third quarter of 2023 – For the quarter ended September 30, 2023, Capital Power recorded AFFO of $296 million compared to $328 million for the quarter ended September 30, 2022. AFFO was lower than the corresponding period primarily due to higher current income tax due to higher overall consolidated net income before tax, higher finance expense due to the issuance of green hybrid subordinated notes issued in the third quarter of 2022 and lower realized gains on settlement of interest rate derivatives, partially offset by lower sustaining capital expenditure as a result of less outage activities and lower preferred share dividends. Adjusted EBITDA of $414 million for the quarter ended September 30, 2023 was higher than the corresponding period in 2022 of $383 million. Results from Midland Cogeneration, which was acquired in September 2022, more than offset lower contributions from the Company's Alberta Commercial facilities and portfolio optimization due to lower realized power pricing on the portfolio combined with unfavourable fuel costs and higher emission costs due to increased compliance costs.

Second quarter of 2023 – For the quarter ended June 30, 2023, Capital Power recorded AFFO of $151 million compared to $180 million for the quarter ended June 30, 2022. AFFO was lower than the corresponding period primarily due to higher current income tax due to higher overall consolidated net income before tax, higher sustaining capital expenditures mostly related to Genesee sustaining capital related work. Partially offsetting these decreases was higher AFFO from joint ventures due to the acquisition of Midland Cogeneration. Adjusted EBITDA was mainly consistent with the corresponding period with results from the acquisition of Midland Cogeneration partially offset by the Company's Alberta Commercial facilities as outages at Genesee 2 during high Alberta power prices and low wind generation led to the need to procure high-priced MWhs to backstop the portfolio position. Net income attributable to shareholders of $87 million was recorded for the second quarter ended June 30, 2023 compared to $80 million for the quarter ended June 30, 2022. In addition to the factors mentioned above, favourable changes in unrealized gains on commodity derivatives and emission credits, and decreased foreign exchange losses contributed to the increase in net income attributable to shareholders. Favourable changes on commodity derivatives related most notably to the reversal of Alberta and U.S. unrealized positions that settled during the quarter as well as the impact of decreasing forward power prices on forward sale contracts associated with the Company's U.S Wind facilities.

Summary of quarterly results

First quarter of 2023 – For the quarter ended March 31, 2023, Capital Power recorded AFFO of $210 million compared to $200 million for the quarter ended March 31, 2022. Contributing to the AFFO for the quarter ended March 31, 2023 was AFFO due to the acquisition of Midland Cogeneration and higher adjusted EBITDA from our Alberta commercial facilities mainly due to higher realized power pricing. In addition, we incurred lower sustaining capital expenditures during the quarter compared to the first quarter of 2022. These favourable impacts to AFFO were partially offset by: higher current income tax expense, lower adjusted EBITDA at Island Generation due to new EPA classification as a finance lease, and lower adjusted EBITDA from our Ontario thermal facilities due to lower dispatch from warmer temperatures and higher renewable generation during the first quarter of 2023 compared to 2022. Net income attributable to shareholders of $286 million was recorded in the first quarter ended March 31, 2023 compared to net income attributable to shareholders of $122 million for the quarter ended March 31, 2022. In addition to the factors mentioned above, further contributions to the net income in the first quarter of 2023 included higher unrealized gains on commodity derivatives and emission credits most notably related to the reversal of Alberta and U.S. unrealized losses on positions that settled in the first quarter of 2023. This was partially offset by unrealized losses 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.

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 Cogeneration 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 unfavourable 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.

Summary of quarterly results

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.

Share and partnership unit information

Quarterly common share trading information

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

	Three months ended							
	Dec 2023	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**	**Sep 2022**	**Jun 2022**	**Mar 2022**
Share price ($/common share)								
High	**39.88**	**42.34**	**46.73**	**46.90**	50.28	51.90	46.51	41.98
Low	**35.11**	**37.84**	**41.16**	**40.06**	40.69	44.34	40.48	36.35
Close	**37.84**	**37.92**	**42.10**	**41.64**	46.33	46.90	45.01	40.71
Volume of shares traded (millions)	**26.0**	**18.6**	**20.7**	**25.1**	23.4	28.2	19.9	21.6

Outstanding share and partnership unit data

At February 23, 2024, the Company had 126.333 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 February 23, 2024 were 128.069 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 February 23, 2024, CPLP had 250.360 million general partnership units outstanding and 931.795 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.sedarplus.ca**.

FORWARD-LOOKING INFORMATION

Forward-looking information or statements included in this Integrated Annual Report 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.

Forward-looking information

The forward-looking information in this Integrated Annual Report 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 Integrated Annual Report includes expectations regarding:

- our priorities and long-term strategies, including our corporate, and decarbonization strategies;
- our company-wide targets and plans specific to climate-related performance, including reduction of emissions and our pathway to net zero by 2045, repowering of Genesee 1 and 2, moving off coal, investing in renewables, storage and natural gas, advancement of the Genesee and Midland Cogeneration CCS projects and commercial application of carbon conversion, capture and storage technologies and the anticipated impact of those plans;
- our efforts to create a more equitable workplace and our goals for diversity of our workforce;
- our efforts to implement our Indigenous Relations strategy, including potential opportunities and partnerships with Indigenous communities;
- our goals for long-term Total Shareholder Return and future dividend growth;
- our 2024 performance targets, including for facility availability, sustaining capital expenditures, AFFO and adjusted EBITDA;
- future revenues, expenses, earnings, adjusted EBITDA and AFFO;
- the future pricing of electricity and market fundamentals in existing and target markets;
- our future cash requirements including interest and principal repayments, capital expenditures, dividends and distributions;
- our sources of funding, adequacy and availability of committed bank credit facilities and future borrowings;
- expectations pertaining to the use of proceeds from the $850 million medium term note offering and the $400 million subscription receipt offering;
- the timing of, funding of and costs of, generation capacity of, costs of technologies selected for, environmental and sustainability benefits, 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 and carbon conversion ready)), the Genesee carbon capture and storage (CCS) project, the upgrade at Goreway and York Energy, Goreway Battery Energy Storage System (BESS), York Energy BESS, East Windsor expansion, Maple Leaf Solar project, and La Paloma and Harquahala acquisitions);
- the financial impacts of Frederickson 1 Generating Station, and the La Paloma and Harquahala acquisitions;
- the future development opportunities of Frederickson 1 Generating Station;
- future growth and emerging opportunities in our target markets;
- market and regulation designs and regulatory and legislative proposals and changes, regulatory updates and the impact thereof on the Company’s core markets and business; and
- the impact of climate change, including our assumptions relating to our identification of future risks and opportunities from climate change, our plans to mitigate transition and physical climate risks, and opportunities resulting from those risks.

Forward-looking information

These statements are based on certain assumptions and analyses made by Capital Power considering its experience and perception of historical and future 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 and impact of policy, legislation and regulations;
- effective tax rates;
- the development and performance of technology;
- foreign exchange rates;
- other matters discussed under the Performance targets for 2024: enhancing shareholder value section.

Whether actual results, performance or achievements will conform to our expectations and predictions is subject to several 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 our 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 our review of acquired assets;
- changes in general economic and competitive conditions, including inflation and recession;
- 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.

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.

ASSURANCE

KPMG have been engaged by the management of Capital Power to undertake a limited assurance engagement, in respect of the year ended December 31, 2023, on certain quantitative performance information disclosed in Capital Power's 2023 Integrated Annual Report.

Independent practitioner’s limited assurance report

INDEPENDENT PRACTITIONER’S LIMITED ASSURANCE REPORT

To the management of Capital Power Corporation (the ‘Entity’)

We have undertaken a limited assurance engagement, in respect of the year ended December 31, 2023, on certain quantitative performance information disclosed in the Entity’s 2023 Integrated Annual Report (the “Report”).

Subject matter information and applicable criteria

The scope of our limited assurance engagement, as agreed with management, comprises the following performance information (collectively, the ‘subject matter information’) and applicable criteria:

Subject Matter Information	Units	Applicable Criteria
Total GHG Emissions - Scope 1 (MtCO2e)	16.2 MtCO2e	The Greenhouse Gas Protocol developed by the World Business Council for Sustainable Development/World Resource Institute (the ‘GHG Protocol’)
Greenhouse Gas (GHG) Intensity (tCO2e/MWh)	0.48 tCO2e/MWh	GHG Protocol
Innovation Spend (Million $)	$28 million	Internally developed criteria
Total recordable injury frequency (“TRIF”) (work-related injury/200,000 hours worked) for Corporate/Operations	0.97	Internally developed criteria
% of women by employee group	Executive - 44% Upper Management - 30% Professional - 35% Operations - 9% Admin - 93% Trading - 19%	Internally developed criteria
% of women new hires	34%	Internally developed criteria

The subject matter information is indicated with the symbol ☑ within the Report.

Other than as described in the preceding paragraph, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

There are no mandatory requirements for the preparation or presentation of sustainability performance metrics. As such, the Entity applies the GHG Protocol and its own internally developed criteria, which is presented in the GRI Content index of the Report (the “applicable criteria”).

Management’s Responsibility

Management is responsible for the preparation and presentation of the subject matter information in accordance with the applicable criteria.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the subject matter information that is free from material misstatement, whether due to fraud or error. This responsibility includes determining the Entity’s objectives in respect of sustainability performance and reporting, including the identification of stakeholders and material issues, and selecting or developing appropriate criteria.

Practitioner’s Responsibilities

Our responsibility is to express a limited assurance conclusion on the subject matter information based on evidence we have obtained. We conducted our limited assurance engagement in accordance with Canadian Standards on Assurance Engagements (CSAE) 3000 *Attestation Engagements Other than Audits or Reviews of Historical Financial Information* and CSAE 3410 *Assurance Engagements on Greenhouse Gas Statements*. These standards require that we plan and perform our procedures to obtain a meaningful level of assurance about whether the subject matter information is properly prepared and presented, in all material respects, as the basis for our limited assurance conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, it is not a guarantee that a limited assurance engagement conducted in accordance with this standard will always detect a matter that causes the practitioner to believe that the subject matter information is materially misstated.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.

The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the subject matter information.

The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both assurance and in the applicable subject matter, including environmental, social and governance aspects.

Assurance Approach

Our engagement included, amongst others, the following procedures:

- Inquiries of management to gain an understanding of the Entity’s processes for determining the material issues for the Entity’s key stakeholder groups;
- Inquiries with relevant staff at the corporate and facility level to understand the data collection and reporting processes for the subject matter information;
- Assessment of the suitability and application of the criteria in respect of the subject matter information;

Independent practitioner's limited assurance report

- Where relevant, performing walkthroughs of data collection and reporting processes for the subject matter information;
- Comparing a sample of the reported data for the subject matter information to underlying data sources;
- Inquiries of management regarding key assumptions and, where relevant, the re-performance of calculations on a sample basis;
- Completion of in-person site visits to a sample of the Entity's facilities, including walkthrough of data collection and reporting processes, interviews with senior management and relevant staff; and,
- Reviewing the presentation of the subject matter information in the Report to determine whether it is consistent with our overall knowledge of, and experience with, the sustainability performance of the Entity.

Practitioner's Independence and Quality Management

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Significant Inherent Limitations

Historical non-financial information, such as that contained in the Report, is subject to more inherent limitations than historical financial information, given the qualitative characteristics of the underlying subject matter and methods used for determining this information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques, which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in the applicable criteria, may change over time, and it is important to read the Entity's reporting methodology.

Emphasis of Matter

As discussed in the Appendix - GRI disclosure 2-4, the 2020 and 2021 comparative greenhouse gas emissions – Scope 1 absolute and Scope 1 emissions intensity, have been restated to reflect the structural change that resulted from the acquisition of Midland Cogeneration in 2022. Our conclusion is not modified with respect to this matter.

Other Matter

We have not been engaged to, and therefore do not, provide any assurance in respect of the restatements discussed in the Appendix - GRI disclosure 2-4. Our conclusion is not modified with respect to this matter.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Based on the procedures performed and evidence obtained, no matters have come to our attention to cause us to believe that the Entity's subject matter information as at December 31, 2023, is not prepared and presented, in all material respects, in accordance with the applicable criteria.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

February 27, 2024

CONSOLIDATED FINANCIAL STATEMENTS

Management’s responsibility for financial reporting

The preparation and presentation of the accompanying consolidated financial statements of Capital Power Corporation (the Company) are the responsibility of management and the consolidated financial statements have been approved by the Board of Directors. In management’s opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily requires judgment and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to February 27, 2024. Financial information presented elsewhere in the Company’s Integrated Annual Report is consistent with that in the consolidated financial statements.

To discharge its responsibility for financial reporting, management maintains systems of internal controls designed to provide reasonable assurance that the Company’s assets are safeguarded, that transactions are properly authorized and that reliable financial information is relevant, accurate and available on a timely basis. The internal control systems are monitored by management, and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board of Directors.

The consolidated financial statements have been examined by KPMG LLP, the Company’s external auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The independent auditors’ report outlines the scope of their audit examination and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is comprised of independent directors, meets regularly with management, the internal auditors and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and Integrated Annual Report and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee is also responsible for reviewing and recommending the annual appointment of the external auditors and approving the annual external audit plan.

On behalf of management,

Avik Dey
President and Chief Executive Officer

Sandra Haskins
Senior Vice President, Finance and
Chief Financial Officer

February 27, 2024

Independent auditor's report

KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB   T5J 0H3
Canada
Telephone 780-429-7300
Fax 780-429-7379

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Capital Power Corporation

Opinion

We have audited the consolidated financial statements of Capital Power Corporation (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the fair value of level 3 derivative financial instruments

Description of the matter

We draw your attention to Note 2(k), Note 3, Note 14, and Note 31 to the financial statements. The Entity has recorded derivative financial instrument assets of $16 million and liabilities of $313 million within level 3 of the fair value hierarchy at December 31, 2023. The estimate of fair value for level 3 derivative financial instruments contains significant unobservable inputs, including forward pricing and anticipated generation based on internally developed models.

Why the matter is a key audit matter

We identified the evaluation of the fair value of level 3 derivative financial instruments as a key audit matter. This matter represented an area of significant risk of material misstatement requiring significant auditor effort and specialized skills and knowledge to evaluate the Entity's internally developed fair value models.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We inspected the terms of relevant underlying contracts and compared these to the Entity's internally developed models of fair value for the level 3 derivative financial instruments.

For level 3 derivative financial instruments where anticipated generation was an unobservable input:

- To assess the appropriateness of the Entity's internally developed models we compared them to the models used in the prior year.
- To assess the appropriateness of anticipated generation used in the models for operating assets, we compared the anticipated generation predicted by the models in the prior year to the actual generation.

Independent auditor's report

For level 3 derivative financial instruments where forward pricing was an unobservable input:

- To assess the appropriateness of the Entity's internally developed models we compared them to the models used in the prior year.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Integrated Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the "2023 Integrated Annual Report" as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Robert Borrelli.

Edmonton, Canada
February 27, 2024

Consolidated statements of income

(In millions of Canadian dollars, except per share amounts)

Years ended December 31	2023	2022
Revenues	**$ 4,068**	$ 2,712
Other income (note 6)	**214**	217
Energy purchases and fuel	**(2,166)**	(1,578)
Gross margin	**2,116**	1,351
Other raw materials and operating charges	**(159)**	(154)
Staff costs and employee benefits expense (note 7)	**(179)**	(184)
Depreciation and amortization (note 7)	**(574)**	(553)
Other administrative expense	**(153)**	(143)
Foreign exchange loss	**(6)**	(15)
Operating income	**1,045**	302
Losses on disposals and other transactions (note 5)	**(3)**	(37)
Net finance expense (note 8)	**(166)**	(156)
Income from joint ventures (note 34)	**65**	32
Income before tax	**941**	141
Income tax expense (note 9)	**(204)**	(13)
Net income	**$ 737**	$ 128
Attributable to:		
Non controlling interests	**$ (7)**	$ (10)
Shareholders of the Company	**$ 744**	$ 138
Earnings per share (attributable to common shareholders of the Company):		
Basic (note 10)	**$ 6.07**	$ 0.85
Diluted (note 10)	**$ 6.04**	$ 0.84

See accompanying notes to the consolidated financial statements

Consolidated statements of comprehensive income

(In millions of Canadian dollars)

Years ended December 31	2023	2022
Net income	**$ 737**	$ 128
Other comprehensive income (loss)		
Items that will not be reclassified to net income:		
Actuarial (losses) gains on defined benefits plans[1]	**(2)**	9
	(2)	9
Items that are or may be reclassified subsequently to net income:		
Cash flow hedges:		
Unrealized gains (losses) on derivative instruments[2]	**155**	(508)
Reclassification of losses on derivative instruments to income for the year[3]	**160**	328
Equity-accounted investments[4]	**(3)**	–
Net investment in foreign subsidiaries:		
Unrealized (losses) gains on foreign currency translation[5]	**(31)**	81
	281	(99)
Total other comprehensive income (loss), net of tax	**279**	(90)
Total comprehensive income	**$ 1,016**	$ 38
Attributable to:		
Non-controlling interests	**$ (7)**	$ (10)
Shareholders of the Company	**$ 1,023**	$ 48

[1] For the years ended December 31, 2023 and December 31, 2022, net of income tax recoveries of $1 and income tax expenses of $3, respectively.

[2] For the years ended December 31, 2023, net of income tax expenses of $55 and December 31, 2022, net of income tax recoveries of $154.

[3] For the years ended December 31, 2023 and December 31, 2022, net of reclassifications of income tax recoveries of $49 and $99, respectively.

[4] For the years ended December 31, 2023 and December 31, 2022, net of income tax recoveries of $1 and nil, respectively.

[5] For the years ended December 31, 2023 and December 31, 2022, net of income tax expenses of nil.

Consolidated statements of financial position

(In millions of Canadian dollars)

At December 31	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (note 11)	**$ 1,423**	$ 307
Trade and other receivables (note 12)	**747**	949
Inventories (note 13)	**309**	242
Derivative financial instruments assets (note 14)	**153**	188
	2,632	1,686
Non-current assets:		
Other assets	**110**	49
Derivative financial instruments assets (note 14)	**199**	295
Finance lease receivable (note 15)	**25**	34
Government grant receivable (note 16)	**269**	310
Deferred tax assets (note 17)	**16**	20
Equity-accounted investments (note 34)	**455**	437
Right-of-use assets (note 18)	**118**	127
Intangible assets and goodwill (note 19)	**775**	817
Property, plant and equipment (note 20)	**6,557**	6,360
Total assets	**$ 11,156**	$ 10,135

Approved on behalf of the Board:

Barry Perry

Jill Gardiner
Director and Chair of the Board

Barry Perry
Director and Chair of the Audit Committee

At December 31	2023	2022
Liabilities and equity		
Current liabilities:		
Trade and other payables (note 21)	**$ 717**	$ 1,249
Subscription receipts (note 22)	**399**	–
Derivative financial instruments liabilities (note 14)	**178**	600
Loans and borrowings (note 23)	**590**	133
Deferred revenue and other liabilities (note 25)	**96**	158
Provisions (note 26)	**67**	72
	2,047	2,212
Non-current liabilities:		
Derivative financial instruments liabilities (note 14)	**422**	624
Loans and borrowings (note 23)	**4,126**	3,593
Lease liabilities (note 18)	**140**	146
Deferred revenue and other liabilities (note 25)	**206**	245
Deferred tax liabilities (note 17)	**677**	530
Provisions (note 26)	**352**	325
	5,923	5,463
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 27)	**3,524**	3,498
Deficit	**(404)**	(835)
Other reserves	**70**	(209)
Deficit and other reserves	**(334)**	(1,044)
	3,190	2,454
Non-controlling interests	**(4)**	6
Total equity	**3,186**	2,460
Total liabilities and equity	**$ 11,156**	$ 10,135

See accompanying notes to the consolidated financial statements

Consolidated statements of changes in equity

(In millions of Canadian dollars)

	Share capital (note 27)	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 at January 1, 2023	$ 3,498	$ (264)	$ 53	$ (8)	$ 10	$ (835)	$ 2,454	$ 6	$ 2,460
Net income	–	–	–	–	–	744	744	(7)	737
Other comprehensive income (loss):									
Defined benefit plan actuarial loss	–	–	–	(3)	–	–	(3)	–	(3)
Cash flow derivative hedge gains	–	210	–	–	–	–	210	–	210
Reclassification of derivative hedge losses to net income	–	209	–	–	–	–	209	–	209
Equity-accounted investments	–	(4)	–	–	–	–	(4)	–	(4)
Unrealized losses on foreign currency translation	–	–	(31)	–	–	–	(31)	–	(31)
Tax on items recognized directly in equity	–	(103)	–	1	–	–	(102)	–	(102)
Other comprehensive income (loss)	$ –	$ 312	$ (31)	$ (2)	$ –	$ –	$ 279	$ –	$ 279
Total comprehensive income (loss)	–	312	(31)	(2)	–	744	1,023	(7)	1,016
Distributions to non-controlling interests	–	–	–	–	–	–	–	(3)	(3)
Common share dividends (note 27)	–	–	–	–	–	(279)	(279)	–	(279)
Preferred share dividends (note 27)	–	–	–	–	–	(32)	(32)	–	(32)
Tax on preferred share dividends	–	–	–	–	–	(2)	(2)	–	(2)
Dividends reinvested	17	–	–	–	–	–	17	–	17
Share-based payments	–	–	–	–	1	–	1	–	1
Share options exercised	9	–	–	–	(1)	–	8	–	8
Equity at December 31, 2023	$ 3,524	$ 48	$ 22	$ (10)	$ 10	$ (404)	$ 3,190	$ (4)	$ 3,186

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

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(In millions of Canadian dollars)

	Share capital (note 27)	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial (losses) gains[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non controlling interests	Total
Equity at January 1, 2022	$ 3,631	$ (84)	$ (28)	$ (17)	$ 10	$ (671)	$ 2,841	$ 18	$ 2,859
Net income	–	–	–	–	–	138	138	(10)	128
Other comprehensive (loss) income:									
Defined benefit plan actuarial gain	–	–	–	12	–	–	12	–	12
Cash flow derivative hedge losses	–	(662)	–	–	–	–	(662)	–	(662)
Reclassification of derivative hedge losses to net income	–	427	–	–	–	–	427	–	427
Unrealized gains on foreign currency translation	–	–	81	–	–	–	81	–	81
Tax on items recognized directly in equity	–	55	–	(3)	–	–	52	–	52
Other comprehensive (loss) income	$ –	$ (180)	$ 81	$ 9	$ –	$ –	$ (90)	$ –	$ (90)
Total comprehensive (loss) income	–	(180)	81	9	–	138	48	(10)	38
Distributions to non-controlling interests	–	–	–	–	–	–	–	(2)	(2)
Common share dividends (note 27)	–	–	–	–	–	(263)	(263)	–	(263)
Preferred share dividends (note 27)	–	–	–	–	–	(37)	(37)	–	(37)
Tax on preferred share dividends	–	–	–	–	–	(2)	(2)	–	(2)
Preferred share redemption (note 27)	(150)	–	–	–	–	–	(150)	–	(150)
Share-based payments	–	–	–	–	1	–	1	–	1
Share options exercised	17	–	–	–	(1)	–	16	–	16
Equity at December 31, 2022	$ 3,498	$ (264)	$ 53	$ (8)	$ 10	$ (835)	$ 2,454	$ 6	$ 2,460

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[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 consolidated financial statements.

Consolidated statements of cash flows

(In millions of Canadian dollars)

Years ended December 31	2023	2022
Cash flows from operating activities:		
Net income	$ 737	$ 128
Non-cash adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization (note 7)	574	553
Net finance expense (note 8)	166	156
Fair value changes on commodity derivative instruments and emission credits held for trading	(321)	429
Foreign exchange losses	6	15
Income tax expense (note 9)	204	13
Income from joint ventures (note 34)	(65)	(32)
Recognition of government grant deferred revenue	(126)	(126)
Tax equity attributes (note 6)	(71)	(83)
Other items	13	39
Change in fair value of derivative instruments reflected as cash settlement	249	(213)
Distributions received from joint ventures (note 34)	36	16
Interest paid	(111)	(89)
Income taxes paid	(214)	(37)
Other cash items	(29)	(13)
Change in non-cash operating working capital (note 28)	(226)	179
Net cash flows from operating activities	822	935
Cash flows used in investing activities:		
Purchase of property, plant and equipment and other assets, net[1]	(723)	(682)
Business acquisition, net of acquired cash (note 4)	(134)	–
Acquisition of equity-accounted investment (note 4)	–	(273)
Government grant received	50	50
Other cash flows used in investing activities	–	(5)
Net cash flows used in investing activities	(807)	(910)

Years ended December 31	2023	2022
Cash flows from (used in) financing activities:		
Proceeds from issue of loans and borrowings (note 23)	1,200	447
Net proceeds from issuance of subscription receipts[2] (note 22)	399	–
Repayment of loans and borrowings	(145)	(71)
Issue costs on loans and borrowings	(6)	(4)
Repayment of lease liabilities	(6)	(6)
Proceeds from exercise of share options	8	16
Redemption of preferred shares (note 27)	–	(150)
Dividends paid (note 27)	(290)	(296)
Capitalized interest paid	(41)	(21)
Distributions to non-controlling interests	(3)	(2)
Income taxes paid on preferred share dividends	(13)	(15)
Net cash flows from (used in) financing activities	1,103	(102)
Foreign exchange loss on cash held in a foreign currency	(2)	(3)
Net increase (decrease) in cash and cash equivalents	1,116	(80)
Cash and cash equivalents, beginning of year	307	387
Cash and cash equivalents, end of year	$ 1,423	$ 307

[1] Reflects total additions for the year ended December 31, 2023, increased by $99 million for changes in non-cash investing working capital and other non-current assets (2022 – reduced by $81 million), to arrive at cash additions of property, plant and equipment and other assets.

[2] Includes non-cash financing working capital of $7 million related to dividend equivalent payments.

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

(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".

2. Material accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements have been prepared under the historical cost basis, except for the Company's derivative instruments, emission credits held for trading, defined benefit pension plan assets and cash-settled share-based payments, which are stated at fair value.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 27, 2024.

(b) Basis of consolidation:

These consolidated financial statements include the accounts of Capital Power and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases to exist.

The Company has a 100% interest in each of Capital Power L.P. (CPLP), Capital Power L.P. Holdings Inc., and Capital Power (US Holdings) Inc. (2022 – 100%), which are all controlled by Capital Power and are therefore treated as subsidiaries of the Company.

Non-controlling interests in subsidiaries are identified separately from equity attributable to shareholders of the Company. The non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquired business' identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intercompany balances and transactions have been eliminated on consolidation.

(c) Current accounting changes:

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 – Income Taxes)

The Company has adopted Deferred Tax related to Assets and Liabilities from a Single Transaction (Amendments to IAS 12) as of January 1, 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Company has historically recognized separate deferred tax assets and deferred tax liabilities arising from a single transaction. Therefore, there is no impact to the Company for this amendment to IAS 12.

(d) Business combinations and goodwill:

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of acquisition in exchange for control of the acquired business. Goodwill is measured as the excess of the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately into net income.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Where an acquisition involves consideration contingent on future events, any changes in the amount of consideration paid will be recognized into net income.

The Company elects on a transaction-by-transaction basis whether to measure a non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs and other acquisition costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

2. Material accounting policies, continued:

(e) Investments in joint arrangements:

Investments in joint operations

Capital Power has interests with other parties (the Joint Operators), whereby in each case the Joint Operators have a contractual arrangement that establishes the Joint Operators' rights to the assets and obligations for the liabilities of the arrangement and the Joint Operators' rights to the corresponding revenues and obligations for the corresponding expenses. These arrangements are considered to be joint operations.

In these situations, Capital Power recognizes its share of the joint operations' assets and liabilities in accordance with those associated rights and obligations, along with its share of the revenues from the output of the joint operation and its share of any expenses incurred. The accounting policies of these joint operations are aligned with the accounting policies of the Company.

Investment in joint ventures

When the Company has joint control in a partnership with an external party where, by contractual agreement, each of the Partners effectively has rights to the net assets of the arrangement, the arrangement is considered to be a joint venture.

The Company's investment in joint ventures are accounted for under the equity method and recognized initially at cost. The carrying amount is increased or decreased to recognize the Company's share of the joint ventures' total comprehensive income or loss after the date of acquisition, until the date on which significant influence ceases. Distributions received from joint ventures reduce the carrying amount of the investment. The accounting policies of joint ventures are aligned with the accounting policies of the Company.

(f) Foreign currency translation:

Transactions in foreign currencies are translated to the respective functional currencies of the Company, or the subsidiary concerned, at exchange rates in effect at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the date of the statement of financial position. The translation for other non monetary assets is not updated from historical exchange rates unless they are carried at fair value. Revenues, other income and expenses are translated at average exchange rates prevailing during the period. The resulting foreign exchange gains and losses are included in net income.

On consolidation, the assets and liabilities of U.S. operations that have a functional currency that is different from the Company's functional currency of Canadian dollars are translated into Canadian dollars at the exchange rates in effect at the date of the statement of financial position. Revenues, other income and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are deferred and included in accumulated other comprehensive income (loss) as unrealized gains and losses on net investment in foreign subsidiaries.

(g) Government grant:

The Company's government grant reflects compensation to be received from the Province of Alberta (the Province) through 2030 related to the phase-out of coal-fired generation (see note 16). The Company recognizes government grants initially at fair value, and subsequently at amortized cost using the effective interest method and records such grants as a receivable and deferred revenue when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Interest income is accrued on the government grant receivable, within net finance expense, until the final payment is received in 2030 and the associated deferred revenue is recognized as other income on a straight-line basis over the depreciable life of the coal-fired assets.

The Company also applies the recognition and measurement principles of IAS 20 – Accounting for government grants and disclosure of government assistance for certain U.S. income tax benefits received under tax-equity structures with participating project investors, refer to note 2(j).

(h) Revenue recognition:

The Company's revenues from contracts with customers are disaggregated by major type of revenues and operational groupings by facility category. Major types of revenues include energy revenues and emission credit revenues. When multiple promises exist in a single customer contract, management exercises judgement to identify whether these promises are distinct performance obligations or a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. This determination of performance obligations affects whether the transaction price is recognized over time or at a point in time. Revenues excluded from the scope of IFRS 15 - Revenue from Contracts with Customers are disclosed as revenues from other sources and consist of contracts accounted for under IFRS 16 – Leases (note 2(i)) and IFRS 9 – Financial Instruments as described in the following table. Disaggregated revenues are disclosed in note 37.

Notes to the consolidated financial statements

2. Material accounting policies, continued:

(h) Revenue recognition, continued:

Contracts with customers by operational groupings

Operational grouping	Description
Alberta Commercial	Power sold into energy markets on a merchant or non-contracted basis is included in energy revenues. Renewable Energy Credit (REC) sales from Halkirk Wind are also within the scope of IFRS 15 and are described in the contracts with customers table below. The Company's portfolio optimization activities and associated revenues are excluded from the scope of IFRS 15.
Western Canada Contracted	Power generation revenue from the Western Canada Contracted facilities is sold pursuant to long-term energy supply contracts which are included in energy revenues within the scope of IFRS 15. REC sales from a portion of Whitla Wind are within the scope of IFRS 15 and are described in the contracts with customers table below. The following are excluded from the scope of IFRS 15: • Energy sales from Island Generation are managed under an electricity purchase agreement that is considered a lease and accounted for under IFRS 16. • Certain contracts to sell renewable generation and environmental attributes from the renewable facilities are accounted for under IFRS 9.
Ontario Contracted	Power generation revenue from the Ontario Contracted facilities is sold pursuant to long-term energy supply contracts which are included in energy revenues within the scope of IFRS 15.
U.S. Contracted	Power generation revenue from the U.S. Contracted facilities that are managed under power purchase agreements or arrangements (PPAs) and emission credit revenues under fixed price contracts are included in energy revenues and emission credit revenues, respectively, within the scope of IFRS 15. Power generation revenues from U.S. Contracted facilities that are managed under tolling agreements are leases and accounted for under IFRS 16 and excluded from the scope of IFRS 15. Certain U.S. renewable facilities contain revenue swap arrangements that are accounted for under IFRS 9 which are also excluded from the scope of IFRS 15.

Contracts with customers

Revenue type	Description
Energy revenues	Electricity and natural gas supply contracts include a single performance obligation that is satisfied over time. Revenues from the sale of electricity and natural gas are recognized under the right to invoice practical expedient. The right to invoice practical expedient allows an entity to recognize revenue when it has the right to invoice the customer, if that amount corresponds directly with the value to the customer of the entity's performance completed to date. This occurs upon delivery or availability for delivery under the respective contracts. Customers are billed in the reporting period subsequent to when the performance obligation was met and settlements are in accordance with the agreed-upon contractual terms. In instances where the right to invoice practical expedient cannot be applied, energy revenues are recognized as the performance obligation is satisfied and measured under the output method which is based on energy generated, or availability, depending on the nature of the contracts with customers.
Emission credit revenues	RECs generated by certain of the Company's facilities are sold to the respective customers under the terms of fixed price agreements. REC revenues are recognized when the performance obligations are satisfied at the specified transaction price. This can occur when physical control of RECs is transferred to the customer or recognized upon production and delivery of the electricity pursuant to an agreement for the bundled sale of electricity and RECs.

2. Material accounting policies, continued:

(h) Revenue recognition, continued:

The Company's contracts with customers are billed and paid in accordance with agreed-upon contractual terms. The Company has not incurred additional costs to obtain or fulfil the contracts with its customers.

At December 31, 2023 and 2022, the Company has not recorded any conditional unbilled receivables (contract assets) and has recorded customer advances and deposits (contract liabilities) related to certain joint operation recoveries within deferred revenue and other liabilities (note 25).

Derivative instruments

Revenues also include realized and unrealized gains and losses from derivatives used in the risk management of the Company's generation activities related to commodity prices, and from the Company's proprietary trading activities. Realized gains and losses are recognized when the settlement of trading positions occurs and unrealized gains and losses are recognized as revenues based on the related changes in the fair value of the financial instrument at the end of each reporting period.

Deferred revenue

The Company records any gains resulting from sale and leaseback transactions as deferred revenue on its consolidated statements of financial position and amortizes the gain to depreciation and amortization on a straight-line basis over the lease term.

The government grant described in note 2(g) is recorded as deferred revenue. Accretion of the deferred revenue is recognized in net finance expense on the consolidated statements of income.

Monetary contributions received from external parties used to provide the Company with ongoing access to a supply of goods or services are measured at fair value of the cash received and are initially recorded as deferred revenue. Revenue is recognized straight-line over the life of the associated depreciable asset or as the service is performed, or if an ongoing service is performed as part of an agreement, over the lesser of the life of the agreement and the life of the asset.

(i) Leases or arrangements containing a lease:

At inception of a contract, the Company assesses whether a contract is, or contains a lease. This assessment involves determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset would be depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Lease payments are recorded as interest expense and a reduction of the lease liability. Interest expense is recognized using the effective interest method. The Company is the lessee in contracts for various office, equipment, and land leases.

Lessor

At lease inception the Company determines whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is classified as a finance lease; otherwise, it is classified as an operating lease and revenues are recognized on a straight-line basis as part of energy revenues unless another method better represents the earnings process.

(j) Non-derivative financial instruments:

Classification

The Company classifies its non-derivative financial instruments in the following categories: fair value through income or loss (FVTIL) or amortized cost.

The Company determines the classification of financial assets and liabilities at initial recognition. Classification of financial assets and liabilities is determined based on the business model by which assets and liabilities are managed and their cash flow characteristics.

Financial assets and liabilities are measured at FVTIL if they are classified as held for trading or are designated as such upon initial recognition. The Company may designate financial instruments as held at FVTIL when such financial instruments have a reliably determinable fair value and where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognizing gains and losses on them on a different basis.

Notes to the consolidated financial statements

2. Material accounting policies, continued:

(j) Non-derivative financial instruments, continued:

Measurement

Financial assets and liabilities at fair value through income or loss

Upon initial recognition, transaction costs are recognized into net income as incurred. Financial assets and liabilities classified as held at FVTIL are measured at fair value with the changes in fair value reported in net income. Fair values are determined in the manner described in note 3. Gains or losses realized on derecognition of investments held at fair value through income or loss are recognized into net income.

Financial assets and liabilities at amortized cost

The Company's financial assets measured at amortized cost are comprised of cash and cash equivalents, trade and other receivables, and the government grant receivable.

Financial assets are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition they are measured at amortized cost using the effective interest method less any impairment losses as described in note 2(n). The effective interest method calculates the amortized cost of a financial asset or liability and allocates the interest income or expense over the term of the financial asset or liability using an effective interest rate.

The Company's financial liabilities measured at amortized cost are comprised of loans and borrowings and trade and other payables and are recognized on the date at which the Company becomes a party to the contractual arrangement. Liabilities are derecognized when the contractual obligations are discharged, cancelled or expired.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, such as debenture discounts, premiums and issue expenses. Subsequently these liabilities are measured at amortized cost using the effective interest method.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company participates in tax-equity structures with project investors which have financed the construction of certain renewables projects. Such tax-equity structures are used in the U.S. to provide investors with access to U.S. income tax benefits such as investment tax credits, cash grants, production tax credits, and accelerated tax depreciation. In return for purchasing equity stakes in these projects, the project investors receive a substantial portion of earnings, tax benefits and cash flows from the projects financed with a tax-equity structure until the projects have yielded an agreed-upon target rate of return to the project investors. Immediately thereafter, the structures "flip" such that the Company receives the majority of earnings, tax benefits and cash flows from the projects financed with tax-equity structures. The dates of the "flips" are dependent on the performance of the respective projects. In accordance with the substance of the contractual agreements, the amounts paid by the project investors for their equity stakes are classified as loans and borrowings on the consolidated statements of financial position until the respective "flip" dates of the projects. Subsequent to the "flip" dates, the project investor's equity investments will be accounted for as non-controlling interests. At all times, both before and after the projects "flip", the Company retains control over the projects financed with a tax-equity structure.

The loans and borrowings associated with the tax-equity structures are measured at amortized cost using the effective interest method and are settled over time through the following components:

Components	Description
Production tax credits (PTCs)	Allocation of PTCs to the tax-equity investor derived from the power generated by the respective renewables facility during the period and recognized in other income as earned.
Taxable income (loss), including tax attributes such as accelerated tax depreciation	Allocation of taxable income (loss) and other tax attributes to the tax-equity investor recognized in other income as earned.
Cash distributions	Cash allocation to the tax-equity investor.

Notes to the consolidated financial statements

2. Material accounting policies, continued:

(k) Derivative instruments and hedging activities:

To reduce its exposure to movements in energy commodity prices, interest rates, and foreign currency exchange rates, the Company uses various risk management techniques including the use of derivative instruments. Derivative instruments may include forward contracts, fixed for floating swaps, and option contracts. Such instruments may be used to establish a fixed price for an energy commodity, an interest bearing obligation or an obligation denominated in a foreign currency.

Classification and measurement

All changes in the fair value of derivatives are recorded in net income unless cash flow hedge accounting requirements are met and the derivative is designated as a hedge, in which case such derivatives are classified as fair value through other comprehensive income (FVTOCI). Realized gains and losses on financial energy derivatives classified as FVTOCI are recorded in revenues or energy purchases and fuel. Realized gains and losses on interest rate derivatives classified as FVTOCI are recorded in finance expense during the periods when the variability in cash flows of the hedged items affects net income or as the original hedged item settles. Realized gains and losses on foreign exchange derivatives classified as FVTOCI are recorded in foreign exchange gains or losses, or where the hedged transaction results in the recognition of net assets, those realized gains will flow through the initial carrying amount of those net assets. Unrealized gains and losses are recorded in other comprehensive income or loss. Fair values are determined in the manner described in note 3.

All derivative instruments, including embedded derivatives, are recorded at fair value on the statement of financial position as derivative financial instruments assets or derivative financial instruments liabilities except for embedded derivative instruments that are clearly and closely related to their host contract and the combined instrument is not measured at fair value. Derivative instruments are measured at FVTIL unless cash flow hedge accounting is used, in which case they are measured at FVTOCI. Embedded derivative instruments that are clearly and closely related to their host contract as noted above are never separated and are classified and measured as a combined instrument.

Any contract to buy or sell a non financial item is not treated as a non financial derivative if that contract was entered into and continues to be held for the purpose of the receipt or delivery of a non financial item in accordance with the Company's expected purchase, sale or usage requirements. The Company accounts separately for any embedded derivatives in any hybrid instruments issued or acquired.

The Company does not account for foreign currency derivatives embedded in non financial instrument host contracts when the currency that is commonly used in contracts to purchase or sell non financial items in the economic environment is that currency in which the transaction takes place.

If hedge accounting requirements are not met, unrealized and realized gains and losses on financial energy derivatives are recorded in revenues or energy purchases and fuel as appropriate, unrealized and realized gains and losses on financial interest rate derivatives are recorded in net finance expense and such gains and losses on financial foreign exchange derivatives are recorded in foreign exchange gains and losses.

Hedge accounting

The Company may use hedge accounting when there is a high degree of correlation between the risk in the item designated as being hedged (the hedged item) and the derivative instrument designated as a hedge (the hedging instrument). The Company documents all relationships between hedging instruments and hedged items at the hedge's inception, including its risk management objectives and its assessment of the effectiveness of the hedging relationship.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income (loss), while the ineffective portion is recognized in revenues, energy purchases and fuel, net finance expense or foreign exchange gain/loss as appropriate. The amounts recognized in other comprehensive income (loss) as cash flow hedging gains/losses are reclassified into net income in the same period or periods in which the hedged item occurs and is recorded in net income when it becomes probable that the hedged items will not occur. The Company has not designated any fair value hedges at the date of the statement of financial position.

A hedging relationship is discontinued when it no longer meets the risk management objective and qualifying criteria for hedge accounting. If a cash flow hedging relationship is discontinued or ceases to be effective, any cumulative gains or losses arising prior to such time are deferred in accumulated other comprehensive loss as part of cash flow hedging gains/losses and recognized in net income in the same period as the hedged item, and subsequent changes in the fair value of the derivative instrument are reflected in net income. If the hedged or hedging item matures, expires, or is sold, extinguished or terminated and the hedging item is not replaced, any gains or losses associated with the hedging item that were previously recognized in other comprehensive income (loss) are recognized in net income in the same period as the corresponding gains or losses on the hedged item.

Notes to the consolidated financial statements

2. Material accounting policies, continued:

(k) Derivative instruments and hedging activities, continued:

Hedge accounting, continued

When it is no longer probable that an anticipated transaction will occur near the originally determined period and the associated cash flow hedge has been discontinued, any remaining gains or losses associated with the hedging item that were previously recognized in other comprehensive income (loss) are recognized in net income in the period.

When the conditions for hedge accounting cannot be applied, the changes in fair value of the derivative instruments are recognized in net income. The fair value of derivative financial instruments reflects changes in the commodity market prices, interest rates and foreign exchange rates. Fair value is determined based on exchange or over the counter quotations by reference to bid or asking price, as appropriate, in active markets. In illiquid or inactive markets, the Company uses appropriate valuation and price modeling techniques commonly used by market participants to estimate fair value. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. Fair value amounts reflect management's best estimates using external readily observable market data such as future prices, interest rate yield curves, foreign exchange rates, discount rates for time value, and volatility where available. 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.

(l) Property, plant and equipment:

Property, plant and equipment is recorded at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Capitalization

Cost includes contracted services, materials, borrowing costs on qualifying assets, direct labour, directly attributable overhead costs, development costs associated with specific property, plant and equipment and asset retirement costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of property, plant and equipment is capitalized if it is probable that the future economic benefits of the part will flow to the Company and that its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Costs of day to day repairs and maintenance costs are recognized into net income as incurred.

Depreciation

Depreciation is charged to net income on a straight-line basis over the estimated useful lives of each major component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the asset. Major components of property, plant and equipment are depreciated separately over their respective useful lives which, for our generation facilities and equipment, range from 1 to 50 years. Land and construction work in progress are not depreciated. The estimated useful lives, residual values and methods of depreciation are reviewed annually, and adjusted prospectively if appropriate.

Gains and losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. Gains or losses on disposals are recognized on their own line within the consolidated statements of income while losses on retirements are recognized within depreciation and amortization.

(m) Intangible assets:

Capitalization

Intangible assets with definite lives are recorded at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Intangible assets with definite lives are generally amortized over the related assets useful lives, as described below. Refer to note 19 for additional discussion on intangible assets.

Amortization

Amortization is charged to net income on a straight-line basis to write off the cost less the estimated residual value over the estimated remaining term of the agreement or in line with the life of the related generating facility to which it relates. Software work in progress is not amortized as the software is not available for use. Land lease rights are amortized when the related wind power assets are constructed and commissioned for service over the lives of the related wind power assets or the term of the lease, whichever is shorter. The Company's purchased emission credits held for compliance purposes are not amortized, but are expensed as the associated benefits are realized. Such emission credits have definite lives as prescribed by their respective vintage years and any emission credits not used by the end of their lives would be expensed at that time.

2. Material accounting policies, continued:

(m) Intangible assets, continued:

Amortization, continued

The periods over which intangible assets are amortized are as follows:

Contract rights	16 to 30 years
Software	5 to 35 years

Estimated useful lives, methods of amortization and residual values are reviewed annually, and adjusted prospectively if required.

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized into net income as gains or losses on disposals.

(n) Impairment of assets:

Non-financial assets

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into a cash-generating unit (CGU), which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company reviews the recoverability of non financial assets subject to depreciation or amortization (right-of-use assets, property, plant and equipment and definite life intangible assets) when events or changes in circumstances may indicate or cause the asset's carrying amount to exceed its recoverable amount. The Company reviews the recoverability of goodwill and indefinite life intangibles on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

The asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of expected future cash flows discounted using a post tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value less costs to sell is determined using estimated market values utilizing actual market transactions, if available. When actual market transactions are not available, a valuation model is used.

Any impairment loss is recorded in net income in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is recorded as the excess of the carrying amount of the asset over its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

At the end of each reporting period the Company makes an assessment as to whether there is any indication that previously incurred impairment losses no longer exist. If such an indication exists, the Company estimates the asset's recoverable amount. Any reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, after depreciation or amortization, had the original impairment loss not been recognized. There were no indicators to test non-financial assets for impairment during 2023 and 2022.

Any reversal is recognized into net income for the period. An impairment loss in respect of goodwill is not reversed.

Financial assets

The Company applies the “expected credit loss” (ECL) impairment model which applies to all financial assets. The Company considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies judgment to assess whether there is a significant increase in credit risk and considers available and reasonable forward-looking information in supporting this assessment.

The Company has applied the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables.

For all other financial assets, expected allowances are recognized as 12-month ECLs unless the credit risk of a financial asset has increased significantly, in which case lifetime ECL measurement applies. The Company has identified no financial instruments for which credit risk has increased significantly since initial recognition nor financial assets that are impaired at December 31, 2023. Credit risk management procedures, including risk mitigation practices, are as described in note 32.

Notes to the consolidated financial statements

2. Material accounting policies, continued:

(o) Income taxes:

Income tax expense is comprised of current and deferred tax. Current and deferred tax is recognized in net income or loss, except to the extent that it relates to a business combination, or items recognized directly in equity, other comprehensive income (loss), or in loans and borrowings.

Current income taxes

Current income taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The Company's operations are complex, and the related domestic and foreign tax interpretations, regulations, legislation, and jurisprudence are continually changing. The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. There are usually some tax matters in question that result in uncertain tax positions. The Company recognizes the income tax benefit of an uncertain tax position only when it is more likely than not that the ultimate determination of the tax treatment of the position will result in that benefit being realized; however, this does not mean that tax authorities cannot challenge these positions. Current income taxes also include any tax arising from dividends. Current income tax assets and liabilities are only offset if certain criteria are met.

Deferred income taxes

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the respective amounts used for taxation purposes. Deferred income taxes are not recognized for:

- Temporary differences from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable nor the accounting income and does not give rise to equal taxable and deductible temporary differences;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be used. Future taxable income is determined based on the Company's cash flow projections, which include estimates described in note 3 and on the reversal of relevant temporary differences. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable the related tax benefit will be realized; such reductions are reversed when the probability of future taxable income improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable income will be available against which they can be used.

Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred income taxes reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

(p) Inventories:

Parts and other consumables and fuel, principally all of which are consumed by the Company in the provision of its goods and services, are valued at the lower of cost and net realizable value. Cost includes the purchase price, transportation costs and other costs to bring the inventories to their present location and condition. The cost of any assembled inventory includes direct labour, materials and directly attributable overhead. The costs of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs. Emission credits held for trading are carried at fair value as estimated by quoted market prices available as of the valuation date. Previous write downs of inventories from cost to net realizable value can be fully or partially reversed if supported by economic circumstance.

(q) Cash and cash equivalents:

Cash and cash equivalents include cash or highly liquid investment grade short term investments with original terms to maturity of three months or less, and are measured at amortized cost using the effective interest method.

2. Material accounting policies, continued:

(r) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The obligation is discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted. The change in discount rate due to the passage of time is recognized as a finance expense, and is recorded over the estimated time period until settlement of the obligation. Provisions are reviewed and adjusted, when required, to reflect the current best estimate at the end of each reporting period.

The Company recognizes decommissioning provisions in the period in which a legal or constructive obligation is incurred. A corresponding decommissioning cost is added to the carrying amount of the associated property, plant and equipment, and it is depreciated over the estimated useful life of the asset. Unwinding of the discount rate on the decommissioning provisions is recorded in net finance expense over the estimated useful lives of the assets.

(s) Share-based payments:

The Company operates an equity-settled, share-based compensation plan where each stock option converts into one common share. The fair value of options granted for employee services is recognized over a three-year vesting period as a compensation expense within staff costs and employee benefits expense and credited to the employee benefits reserve. The employee benefits reserve is reduced as the options are exercised and the amount initially recorded as a credit in employee benefits reserve is reclassified to share capital. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

The Company determines the fair value of stock options using a binomial option pricing model at the date of grant. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The Company has incorporated an estimated forfeiture rate for stock options that will not vest into its determination of share-based compensation for each period.

The Company also operates share-based compensation plans for certain senior employees under a Performance Share Unit (PSU) Plan and a Restricted Share Unit (RSU) Plan. Share-based compensation for directors operates under a directors' Deferred Share Unit (DSU) Plan. The fair values of the amounts payable to employees/directors in respect of the PSU Plan, RSU Plan and the DSU Plan, which are settled in cash, are recognized as expenses with corresponding increases in liabilities, over the period that the employees/directors unconditionally become entitled to payments. The PSU Plan and RSU Plan grant date fair values are determined using a binomial lattice valuation based on a five-day weighted average price of the Company's shares immediately prior to the grant, adjusted for estimated forfeitures and discounted using the risk-free interest rate. The DSU Plan grant date fair values are determined using the five-day weighted average price of the Company's shares immediately prior to the grant. The liability is re-measured to fair value at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized in income or loss.

(t) Earnings per share:

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated on the treasury stock method, by dividing income available to common shareholders, adjusted for the effects of dilutive securities, by the weighted average number of common shares outstanding during the period and all additional common shares that would have been outstanding had all potential dilutive common shares been issued.

Notes to the consolidated financial statements

3. Use of judgments and estimates:

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the consolidated financial statements and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The Company reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgment in making these estimates and assumptions.

Critical judgments in applying accounting policies

The main judgments that were used in preparing the Company's consolidated financial statements relate to:

Non-financial assets

The determination of CGUs was based on management's judgment and gives consideration to geographic proximity and shared risk exposure and risk management.

Identifying events or changes in circumstances that may indicate or cause an asset's carrying amount to exceed its recoverable amount requires judgment in assessing what events or circumstances would have such an impact.

Determining whether an arrangement contains a lease

The Company has exercised judgment in determining whether an arrangement contains a lease. This includes assessing whether a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration for each agreement that was evaluated.

As noted in note 2(i), the Company has exercised judgment in determining whether the control of its generation assets which are subject to a PPA are transferred to the contracted purchaser under the PPA, in determining whether a lease exists. Details of those PPAs are provided in note 18.

Classification of joint arrangements structured through a separate vehicle

The Company has exercised judgment in determining the classification of joint arrangements structured through separate vehicles as described in note 34.

Operating segments

As noted in note 37, the Company operates in one reportable business segment. The Company has aggregated its operating segments into one reportable business segment as its operating segments have similar products, production processes, types of customers, product distribution methods, regulatory environments and economic characteristics. Each operating segment is involved with the generation and sale of electricity, which includes the process of turning various fuel sources into electricity and managing the revenues and costs of such electricity, including engaging in trading activities. The Company's customers tend to be large industrial and commercial customers, independent system operators and government owned or sponsored entities. Given the similar size and credit profiles of these counterparties, they are deemed to be similar types of customers. The method of distributing electricity is the same across all facilities, and none of the Company's entities are rate-regulated.

Key sources of estimation uncertainty

The main sources of estimation uncertainty in preparing the Company's consolidated financial statements relate to:

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value represents the Company's estimate of the price that could be agreed on 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, as well as those included within note disclosures, are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs. 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 following levels were established for each input:

- Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical instruments. Assets or liabilities classified in Level 1 include highly liquid short term investments, and traded commodities obtained from active exchanges such as the New York Mercantile Exchange whereby the Company can obtain quoted prices for identically traded commodities.

Notes to the consolidated financial statements

3. Use of judgments and estimates, continued:

Key sources of estimation uncertainty, continued:

Measurement of fair values, continued

- Level 2: Fair value is based on inputs other than quoted prices included in Level 1, which are either directly or indirectly observable at the reporting date. Level 2 includes those assets or liabilities that are valued using commonly used valuation techniques, such as a discounted cash flow model or the Black Scholes option pricing model. Valuation models use inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active but observable, and other observable inputs that are principally derived from or corroborated by observable market data for substantially the full term of the instrument.
- Level 3: Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 includes assets or liabilities that are also valued using commonly used valuation techniques described in Level 2. However, some inputs used in the models may not be based on observable market data, but rather are based on the Company's best estimate from the perspective of a market participant.

The fair value measurement of an asset or liability is included in only one of the three levels, 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.

Further information about the significant assumptions made in measuring certain fair values that are considered to be key sources of estimation uncertainty, is included in the following notes:

- Note 4 – Business Acquisitions;
- Notes 14 and 31 – Financial instruments;
- Note 20 – Property, Plant and Equipment; and
- Note 26 – Provisions.

Depreciation and amortization

Depreciation and amortization allocate the cost of assets and their components over their estimated useful lives on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of the life characteristics of common assets. During 2023 and 2022, management assessed the major components of existing and acquired property, plant and equipment in the respective years (see note 4) and estimated the useful lives of the respective components consistent with the Company's estimated useful lives for existing major components of similar generation facilities and equipment.

Income taxes

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary tax differences. Deferred income tax assets are assessed to determine the likelihood that they will be realized from future taxable income. Details of tax losses expected to be utilized and the basis of utilization are provided in note 17.

4. Business Acquisitions:

Acquisition of Frederickson 1 Generating Station

On December 28, 2023, the Company acquired a 50.15% ownership interest in the Frederickson 1 Generating Station (Frederickson 1) joint operation with Puget Sound Energy for $134 million (US$102 million) including preliminary working capital adjustments, subject to finalization.

Frederickson 1 is a 265 MW natural gas-fired combined-cycle generating facility located in Pierce County, Washington that operates under long-term contracts out to October 2030 with credit-worthy counterparties. Capital Power financed the transaction using cash on hand and its credit facilities.

The Frederickson 1 acquisition supports the Company's growth strategy and increases the Company's geographical diversification and contracted cash flows.

Notes to the consolidated financial statements

4. Business Acquisitions, continued:

Acquisition of Frederickson 1 Generating Station, continued

The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values was as follows:

		December 28, 2023
Trade and other receivables	$	3
Inventories		2
Property, plant and equipment		104
Intangible assets		32
Trade and other payables		(1)
Provisions		(6)
Fair value of net assets acquired	$	134

The results of operations of Fredrickson 1 acquisition are included in the Company's consolidated statements of income and statements of changes in equity from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the consolidated statements of financial position. Due to the proximity of the close of the acquisition to December 31, 2023, revenues and net income of less than $1 million (US$1 million) are included in the consolidated statement of income for the year ended December 31, 2023.

Had the acquisition occurred at January 1, 2023, the combined entity of the Company and the Fredrickson 1 facility would have had a total of $4,089 million of revenues, $219 million of other income and $753 million of net income for the year ended December 31, 2023.

In conjunction with the acquisition of Fredrickson 1, for the year ended December 31, 2023, the Company incurred $3 million (US$2 million) in acquisition costs which have been recorded on the Company's consolidated statements of income as other administrative expenses.

Acquisition of Midland Cogeneration venture:

On September 23, 2022, Capital Power and Manulife Investment Management, on behalf of the Manulife Infrastructure Fund II and its affiliates, each acquired 50% interest in MCV Holding Company LLC through its joint venture partnership, MCV Partners LLC. MCV Holding Company LLC owns 100% of Midland Cogeneration Venture Limited Partnership (Midland Cogen), a 1,633 MW natural gas combined-cycle cogeneration facility located in Michigan, USA.

The Company has assessed MCV Partners LLC as a joint venture as all relevant operating, investing and financing activities of MCV Partners LLC are shared jointly between Capital Power and its joint venture partner. Accordingly, Capital Power's investment in MCV Partners LLC is accounted for under the equity method (note 34).

Capital Power's investment for its 50% ownership of MCV Partners LLC was $280 million (US$208 million) of cash consideration, including working capital and other closing adjustments of $29 million (US$22 million). The Company previously entered into foreign exchange cash flow hedges of US$150 million pertaining to the hedged portion of U.S. dollar denominated funds used to acquire the equity-accounted investment. The hedges settled during the third quarter of 2022 for a gain of $7 million, which was recorded as part of the equity accounted investment balance on the consolidated statements of financial position. Capital Power is responsible for operations and maintenance and asset management for which it will receive an annual management fee.

Substantially all of the underlying assets and liabilities of Midland Cogen relate to the cogeneration facility and the project level debt (note 34).

Notes to the consolidated financial statements

5. Losses on disposals and other transactions:

Year ended December 31		2023		2022
Net losses related to decommissioning of facilities[1]	**$**	**(1)**	$	(24)
Termination fees[2]		**–**		(13)
Insurance recoveries, net of related expenses		**3**		–
Other losses on disposal		**(5)**		–
Total losses on disposals and other transactions	**$**	**(3)**	$	(37)

[1] Include inventory write-downs of $1 million (2022 - $18 million) related to parts and other consumables inventory at the Genesee facility that were specific to coal-fired generation activities. A $6 million adjustment to reflect higher Southport and Roxboro decommissioning costs was also recorded in 2022.

[2] In 2022, a provision of $13 million (US$10 million) was recorded for the termination fees related to existing PPAs of the Bear Branch Solar, Hornet Solar and Hunter's Cove Solar projects due to challenges with cost pressures.

6. Other income:

Year ended December 31		2023		2022
Contributions and grants	**$**	**6**	$	4
Government compensation (note 16)		**126**		126
Production tax credits		**71**		70
Other Tax Equity Investment tax attributes		**–**		13
Other		**11**		4
Other income	**$**	**214**	$	217

7. Expenses:

Year ended December 31		2023		2022
Included in staff costs and employee benefits expense				
Share-based payments (note 30)	**$**	**12**	$	25
Post-employment defined contribution plan expense		**8**		7
Post-employment defined benefit plan expense		**3**		3
		23		35
Included in depreciation and amortization				
Depreciation of property, plant and equipment (note 20)		**489**		462
Amortization of intangible assets (note 19)		**74**		82
Depreciation of right-of-use assets (note 18)		**10**		9
Depreciation of Other Assets		**1**		–
	$	**574**	$	553

8. Net finance expense:

Year ended December 31		2023		2022
Interest expense				
Interest on loans and borrowings	**$**	**195**	$	153
Capitalized interest		**(41)**		(21)
Total interest expense		**154**		132
Other finance expense				
Accretion on decommissioning provisions (note 26)		**11**		7
Interest on lease liabilities		**9**		8
Accretion on deferred government grant revenue		**9**		23
Interest on long-term government grant receivable		**(11)**		(12)
Other		**(6)**		(2)
Net finance expense	**$**	**166**	$	156

Notes to the consolidated financial statements

9. Income tax expense:

Year ended December 31		2023		2022
Current income tax				
Current income tax expense	$	156	$	48
Recognition of previously unrecognized tax benefits		–		(26)
Adjustments for prior periods		(1)		(2)
Total current income tax expense		155		20
Deferred income tax				
Origination and reversal of temporary differences		57		(6)
Recognition of previously unrecognized tax benefits		(8)		(4)
Change in write-downs of deferred tax assets		–		3
Total deferred income tax recovery		49		(7)
Income tax expense	$	204	$	13

Reconciliation of effective income tax rate

Year ended December 31		2023		2022
Income before tax	$	941	$	141
Income tax at the statutory rate of 23%		216		32
Increase (decrease) resulting from:				
Amounts attributable to non-controlling interests and tax-equity interests		(2)		6
Change in unrecognized tax benefits		(8)		(26)
Non deductible amounts		–		7
Statutory and other rate differences		(6)		(6)
Other		4		–
Income tax expense	$	204	$	13

10. 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:

Years ended December 31		2023		2022
Income for the period attributable to shareholders	$	744	$	138
Preferred share dividends[1]		(34)		(39)
Earnings available to common shareholders	$	710	$	99
Weighted average number of common shares		117,057,180		116,537,927
Basic earnings per share	$	6.07	$	0.85
Weighted average number of common shares		117,057,180		116,537,927
Effect of dilutive share purchase options		399,814		683,931
Diluted weighted average number of common shares		117,456,994		117,221,858
Diluted earnings per share	$	6.04	$	0.84

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

Notes to the consolidated financial statements

11. Cash and cash equivalents:

At December 31	2023	2022
Cash on deposit	$ 1,415	$ 297
Cash equivalents	8	10
	$ 1,423	$ 307

Included in the Company's cash and cash equivalents is its proportionate share of its rights to cash and cash equivalents, which are restricted to use within its joint operations and tax-equity interests of $17 million (2022 – $17 million). In addition, includes $400 million in subscription receipts, net of issue costs of $8 million (note 22) and $850 million in medium-term notes (note 23).

12. Trade and other receivables:

At December 31	2023	2022
Accrued revenues	$ 281	$ 765
Trade receivables	281	70
Net trade receivables	562	835
Government grant receivable (note 16)	58	57
Income taxes recoverable	78	11
Prepayments	40	39
Finance lease receivable (note 15)	9	7
	$ 747	$ 949

Details of the aging of trade receivables and analysis of the movement on the allowance for doubtful accounts are provided in note 32.

13. Inventories:

At December 31	2023	2022
Parts and other consumables	$ 106	$ 125
Emission credits	180	93
Fuel	23	24
	$ 309	$ 242

Inventories expensed upon usage for the year ended December 31, 2023 of $116 million (2022 – $139 million) were charged to energy purchases and fuel, and other raw materials and operating charges. Emission credits held for trading are carried at fair value as estimated by quoted market prices available as of the valuation date. Details of the valuation techniques used in determining the fair values are described in note 14.

There were inventory write-downs of $1 million recognized in the year ended December 31, 2023 related to the end of Genesee's coal operations (2022 – $18 million). There were no reversals of previous write-downs recognized and no inventories pledged as security for liabilities in the year ended December 31, 2023 (2022 – nil).

Notes to the consolidated financial statements

14. Derivative financial instruments and hedge accounting:

Derivative instruments assets and liabilities are primarily used for risk management purposes as described in note 32 and consist of the following:

	December 31, 2023					
	Energy and emission allowances		Interest rate	Foreign exchange		
	cash flow hedges	non-hedges	cash flow hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:						
Current	$ 10	$ 103	$ 40	$ –	$ –	$ 153
Non-current	16	181	2	–	–	199
Derivative instruments liabilities:						
Current	(18)	(130)	(2)	(28)	–	(178)
Non-current	(4)	(406)	(12)	–	–	(422)
Net fair value	$ 4	$ (252)	$ 28	$ (28)	$ –	$ (248)
Net notional buys (sells) (millions):						
Megawatt hours of electricity	(5)	(34)				
Gigajoules of natural gas purchased[1]		93				
Gigajoules of natural gas basis swaps[1]		88				
Metric tonnes of emission allowances		1				
Number of renewable energy credits		(9)				
Interest rate swaps			$ 1,256			
Forward currency buys (sells) (U.S. dollars)				$ 886	$ (57)	
Range of remaining contract terms in years	0.1 to 4.0	0.1 to 23.1	0.4 to 3.1	0.2 to 0.9	0.1	

[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.

Notes to the consolidated financial statements

14. 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, when possible, using exchange or over the counter price quotations by reference to quoted bid, ask or closing market prices dependent on which is most representative of fair value in the circumstances, in the principal market for that instrument. The extent to which fair values of derivative instruments are based on observable market data is determined by the extent to which the market for the underlying commodity is judged to be active. When traded markets are not considered to be sufficiently active or do not exist, the Company uses appropriate valuation and price modeling techniques commonly used by market participants to estimate fair value. The Company may also rely on price forecasts prepared by third party market experts to estimate fair value when there are limited observable prices available. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. Fair value amounts reflect management's best estimates and maximize, when available, the use of external readily observable market data including future prices, interest rate yield curves, foreign exchange rates, quoted Canadian dollar swap rates, counterparty credit risk, the Company's own credit risk and volatility. When a valuation technique utilizes unobservable market data, no inception gains or losses are recognized, until inputs become observable. 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. At December 31, 2023 and 2022, the Company classified financial instruments under Level 2 and Level 3 of the fair value hierarchy described in note 3.

14. Derivative financial instruments and hedge accounting, continued:

Unrealized and realized pre tax gains and (losses) on derivative instruments recognized in other comprehensive income (loss) and net income were:

	2023		2022	
	Unrealized gains (losses)	Realized (losses) gains	Unrealized (losses) gains	Realized (losses) gains
Energy cash flow hedges	$ 464	$ (223)	$ (337)	$ (428)
Energy and emission allowances non-hedges	308	(78)	(434)	(211)
Interest rate cash flow hedges[3]	(16)	14	102	1
Interest rate non-hedges[3]	(14)	20	5	9
Foreign exchange cash flow hedges	(29)	–	–	–
Foreign exchange non-hedges	–	–	–	(1)

[3] Includes the settlement of interest rate cash flow hedges of US$335 million in August 2022 for a gain of $35 million of which $27 million was deferred within accumulated other comprehensive income to be reclassified to net income in future periods within the associated net finance expense pertaining to the hedged note offering. The remaining gain of $8 million was previously recognized directly in net finance expense as it relates to the period prior to the hedge designation.

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

	2023	2022
Revenues	$ 279	$ (1,573)
Energy purchases and fuel	(272)	500
Foreign exchange loss	–	(1)
Net finance expense	20	15

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices, interest rate risk relating to future borrowings and foreign exchange risk relating to future capital investment in U.S. dollars. For the year ended December 31, 2023, the amount realized within net finance expense pertaining to the ineffective portion of hedging derivatives was nil (2022 – nil).

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:

At December 31	2023
Within one year	$ (17)
Between one and five years	56
After five years	23
	$ 62

Notes to the consolidated financial statements

15. Finance lease receivable:

In May 2022, Capital Power executed a 4.5-year energy purchase agreement (EPA) for its Island Generation facility with BC Hydro, effective May 2022 through to October 2026. The new EPA is classified as a finance lease, whereas the previous EPA which expired in April 2022 was classified as an operating lease. Accordingly, during the second quarter of 2022, Capital Power derecognized Island Generation's net assets that were previously presented within property, plant and equipment on the consolidated statements of financial position and recognized a corresponding finance lease receivable, with the current portion included within trade and other receivables. The new EPA was approved by the British Columbia Utilities Commission during the fourth quarter of 2022.

Finance income of $12 million was recognized in revenues for the year ended December 31, 2023 (2022 - $9 million).

The following table sets out the maturity analysis of the lease receivable, showing the minimum undiscounted lease payments to be received:

	December 31, 2023	December 31, 2022
Amounts receivable under finance lease:		
Less than one year	**$ 18**	$ 19
Between one and five years	**32**	50
Total undiscounted lease receivable	**50**	69
Unearned finance income	**(16)**	(28)
Net investment in lease	**34**	41
Less: current portion[1]	**(9)**	(7)
	$ 25	$ 34

[1] Included within trade and other receivables.

16. Government compensation:

In 2016, the Company reached an agreement with the Government of Alberta (GoA) related to the 2030 phase-out of coal-fired generation. As compensation for the capital that the Company invested in coal generating assets that would be stranded effective December 31, 2030, the Company was to receive cash payments from the Province of $52 million annually for 14 years, commencing July 31, 2017, for a total of $734 million. This future compensation stream has been recognized as a government grant, recorded within deferred revenue and other liabilities and is being recognized into net income over the useful lives of the related coal-fired generation assets. Additionally, the compensation to be received has been recognized as a government grant receivable which will be drawn down as cash payments are received.

The government grant recorded within deferred revenue and other liabilities are recognized into net income and has been fully amortized as at December 31, 2023.

The GoA conducted an audit on the calculation of net book values driving the compensation payments and has withheld approximately $2.7 million from each of the payments from 2017 through 2023. The Company is disputing the withholding but has reduced the amounts recorded related to the compensation stream to reflect the uncertainty around the withheld portion of the payments (reduction of $1.5 million to the government compensation amount recorded in other income for each of the corresponding years from 2017 through 2023). The respective deferred revenue and government grant receivable amounts were likewise adjusted to reflect total payments over the 14-year term of $712 million.

The main conditions on the government grant include the Company agreeing to cease coal-fired emissions on or before December 31, 2030 and the Company continuing to participate in and make a minimum annual investment of $1 million in the Alberta electricity market, with a minimum total investment in the Alberta electricity market of $70 million by the end of 2030. The Company well exceeded the total required investment in Alberta and continues to invest with the repowering of Genesee 1 and 2 and other renewable projects under construction (see note 35(a)). Additional conditions include the Company supporting the local communities surrounding the coal facilities through 2030, and fulfilling its pension and other commitments to employees.

17. Deferred tax:

Movement of deferred tax balances

	At January 1, 2023	Recognized in net income	Recognized directly in other comprehensive income	Amounts relating to acquisition	Recognized directly in equity	At December 31, 2023	Deferred tax assets	Deferred tax liabilities
Losses carried forward	$ 61	$ (4)	$ –	$ –	$ –	$ 57	$ 57	$ –
Property, plant and equipment	(779)	24	–	–	–	(755)	–	(755)
Intangible assets	(49)	8	–	(2)	–	(43)	18	(61)
Deferred partnership (income) losses	(63)	5	–	–	–	(58)	–	(58)
Derivative financial instruments	238	(83)	(103)	–	–	52	151	(99)
Share issue costs and deferred financing charges	3	(1)	–	–	(1)	1	1	–
Equity-accounted investments	(4)	11	1	–	–	8	17	(9)
Deferred revenue and other liabilities	66	(29)	–	–	–	37	37	–
Right-of-use assets	(28)	2	–	–	–	(26)	–	(26)
Finance lease receivable	(9)	1	–	–	–	(8)	–	(8)
Government grant receivable	(86)	9	–	–	–	(77)	–	(77)
Decommissioning provisions	67	9	–	2	–	78	78	–
Goodwill	7	6	–	–	–	13	13	–
Prepaid reclamation amounts	(12)	1	–	–	–	(11)	–	(11)
Other provisions	18	(1)	1	–	–	18	18	–
Other assets[1]	13	–	–	–	–	13	14	(1)
Other liabilities[2]	9	(6)	–	–	–	3	5	(2)
Lease liabilities	38	(1)	–	–	–	37	37	–
Deferred tax (liabilities) assets	$ (510)	$ (49)	$ (101)	$ –	$ (1)	$ (661)	$ 446	$ (1,107)
Set-off of tax						–	(430)	430
Net deferred tax (liabilities) assets						$ (661)	$ 16	$ (677)

[1] Includes inventories, trade and other receivables, and other assets.

[2] Includes trade and other payables and loans and borrowings.

Notes to the consolidated financial statements

17. Deferred tax, continued:

Movement of deferred tax balances, continued:

	At January 1, 2022	Recognized in net income	Recognized directly in other comprehensive income	Recognized directly in equity	At December 31, 2022	Deferred tax assets	Deferred tax liabilities
Losses carried forward	$ 58	$ 3	$ –	$ –	$ 61	$ 61	$ –
Property, plant and equipment	(764)	(15)	–	–	(779)	–	(779)
Intangible assets	(58)	9	–	–	(49)	33	(82)
Deferred partnership losses (income)	7	(70)	–	–	(63)	–	(63)
Derivative financial instruments	75	109	54	–	238	368	(130)
Share issue costs and deferred financing charges	4	–	–	(1)	3	3	–
Equity-accounted investments	–	(4)	–	–	(4)	4	(8)
Deferred revenue and other liabilities	90	(24)	–	–	66	66	–
Right-of-use assets	(27)	(1)	–	–	(28)	–	(28)
Finance lease receivable	–	(9)	–	–	(9)	–	(9)
Government grant receivable	(95)	9	–	–	(86)	–	(86)
Decommissioning provisions	88	(21)	–	–	67	67	–
Goodwill	7	–	–	–	7	7	–
Prepaid reclamation amounts	(14)	2	–	–	(12)	–	(12)
Other provisions	16	5	(3)	–	18	18	–
Other assets[3]	5	8	–	–	13	13	–
Other liabilities[4]	5	4	–	–	9	10	(1)
Lease liabilities	36	2	–	–	38	38	–
Deferred tax (liabilities) assets	$ (567)	$ 7	$ 51	$ (1)	$ (510)	$ 688	$ (1,198)
Set-off of tax					–	(668)	668
Net deferred tax (liabilities) assets					$ (510)	$ 20	$ (530)

[3] Includes inventories, trade and other receivables, and other assets.

[4] Includes trade and other payables and loans and borrowings.

Notes to the consolidated financial statements

17. Deferred tax, continued:

Unrecognized deferred tax assets

Deferred tax assets have not been recognized on the following items:

At December 31		**2023**		2022
Non-capital losses	**$**	**17**	$	50
Deductible temporary differences with no expiry		**69**		42
	$	**86**	$	92

Tax losses carried forward

	2023			2022		
		Tax losses	**Expiry dates**		Tax losses	Expiry dates
Unrecognized tax losses carried forward	**$**	**17**	**2032-2033**	$	50	2031-2042

At December 31, 2023, the Company has non-capital losses carried forward of $270 million (2022 – $316 million), of which $264 million (US$200 million) (2022 – $311 million (US$229 million)) relates to U.S. subsidiaries. The Company determined that it is probable that there is sufficient future taxable income that would be available to utilize the non-capital losses carried forward that have been recognized.

Global minimum top-up tax

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two), and various governments around the world have issued, or are in the process of issuing, legislation on this. In Canada, the government released draft legislation on Pillar Two in August 2023, but the legislation has not yet been enacted or substantively enacted. The Company is in the process of evaluating the cash tax and accounting implications of the Pillar Two global minimum tax rules under IAS 12 and is currently engaged with tax specialists to assist it with applying the legislation. Recognition of any impact will only occur once legislation has been enacted or substantively enacted.

18. Leases:

Lessee – right-of-use assets

		Land		Offices		Equipment		Total
At January 1, 2022	$	73	$	21	$	26	$	120
Additions		11		–		–		11
Depreciation		(3)		(3)		(3)		(9)
Foreign currency translation adjustments		2		–		3		5
At December 31, 2022	$	83	$	18	$	26	$	127
Additions		**2**		**3**		**–**		**5**
Other adjustments		**(1)**		**(1)**		**–**		**(2)**
Depreciation		**(4)**		**(3)**		**(3)**		**(10)**
Foreign currency translation adjustments		**(1)**		**–**		**(1)**		**(2)**
At December 31, 2023	**$**	**79**	**$**	**17**	**$**	**22**	**$**	**118**

Lessee – lease liabilities

The following table presents amounts recognized in the consolidated statements of income:

At December 31		**2023**		2022
Income from rental and sub-leasing	**$**	**1**	$	1
Interest on lease liabilities		**(9)**		(8)
Variable lease payments not included in the measurement of lease liabilities		**(5)**		(5)

At December 31, 2023, expenses related to short-term and low-value leases was nil (2022 – $1 million).

Notes to the consolidated financial statements

18. Leases, continued:

Lessor – Facilities under operating leases

The Decatur Energy and Arlington Valley power generation facilities are accounted for as assets under operating leases. The Island Generation EPA was accounted for as assets under operating leases through to the end of April 2022 (note 7).

At December 31, 2023, the cost of such property, plant and equipment was $928 million (December 31, 2022 – $935 million), less accumulated depreciation of $244 million (December 31, 2022 – $206 million).

The minimum future rental payments to be received on these PPAs are:

At December 31	2023
2024	$ 110
2025	110
2026	124
2027	130
2028	130
Thereafter	447
Total	$ 1,051

19. Intangible assets and goodwill:

	Intangible work in progress	PPAs	Contract rights	Other rights	Emission credits	Software	Goodwill	Total
Cost								
At January 1, 2022	$ 3	$ 599	$ 82	$ 158	$ 127	$ 67	$ 35	$ 1,071
Additions	44	–	–	2	98	–	–	144
Additions into service	(12)	–	2	6	–	4	–	–
Retirements and other disposals	–	–	–	–	(41)	(16)	–	(57)
Other	6	6	3	4	(2)	–	–	17
At December 31, 2022	$ 41	$ 605	$ 87	$ 170	$ 182	$ 55	$ 35	$ 1,175
Additions	**73**	**–**	**–**	**–**	**36**	**–**	**–**	**109**
Additions into service	**(3)**	**–**	**2**	**(2)**	**–**	**3**	**–**	**–**
Retirements and other disposals	**–**	**(53)**	**–**	**1**	**(58)**	**–**	**–**	**(110)**
Acquisition of Fredrickson 1 (note 4)	**–**	**32**	**–**	**–**	**–**	**–**	**–**	**32**
Transfers to held for sale emission credits inventories	**–**	**–**	**–**	**–**	**(51)**	**–**	**–**	**(51)**
Other	**–**	**(1)**	**(1)**	**(2)**	**–**	**–**	**–**	**(4)**
At December 31, 2023	**$ 111**	**$ 583**	**$ 88**	**$ 167**	**$ 109**	**$ 58**	**$ 35**	**$ 1,151**
Accumulated amortization								
At January 1, 2022	$ –	$ (192)	$ (23)	$ (27)	$ –	$ (45)	$ –	$ (287)
Amortization (note 7)	–	(67)	(4)	(5)	–	(6)	–	(82)
Retirements and other disposals	–	–	–	–	–	16	–	16
Other	–	(5)	–	–	–	–	–	(5)
At December 31, 2022	$ –	$ (264)	$ (27)	$ (32)	$ –	$ (35)	$ –	$ (358)
Amortization (note 7)	**–**	**(61)**	**(4)**	**(5)**	**–**	**(4)**	**–**	**(74)**
Retirements and other disposals	**–**	**53**	**–**	**–**	**–**	**–**	**–**	**53**
Other	**–**	**2**	**–**	**1**	**–**	**–**	**–**	**3**
At December 31, 2023	**$ –**	**$ (270)**	**$ (31)**	**$ (36)**	**$ –**	**$ (39)**	**$ –**	**$ (376)**
Net book value								
At January 1, 2022	$ 3	$ 407	$ 59	$ 131	$ 127	$ 22	$ 35	$ 784
At December 31, 2022	$ 41	$ 341	$ 60	$ 138	$ 182	$ 20	$ 35	$ 817
At December 31, 2023	**$ 111**	**$ 313**	**$ 57**	**$ 131**	**$ 109**	**$ 19**	**$ 35**	**$ 775**

Contract rights include acquired management and operations agreements and an agreement whereby the Company sells RECs produced by Halkirk Wind to a third party.

Other rights include the cost of land lease agreements for use in wind and solar power projects, and pipeline access rights relating to Arlington Valley.

19. Intangible assets and goodwill, continued:

Goodwill impairment testing

As part of the Company's annual impairment testing, the East Windsor CGU, which contains all of the Company's goodwill, was tested for impairment and the carrying amount of the East Windsor CGU falls within range of the estimated recoverable amount for both the 2023 and 2022 annual impairment tests. As such, no impairments were required for the East Windsor CGU.

Capitalized borrowing costs

Borrowing costs were not capitalized on intangible assets during the years ended December 31, 2023 and 2022.

Restrictions on assets

There are no charges over the Company's intangible assets.

20. Property, plant and equipment:

	Construction work in progress	Land	Plant and equipment	Total
Cost				
At January 1, 2022	$ 396	$ 147	$ 7,846	$ 8,389
Additions	640	–	35	675
Additions into service	(312)	–	312	–
Retirements and other disposals	–	–	(36)	(36)
Reclassified to finance lease receivable (note 15)	–	–	(167)	(167)
Revisions to decommissioning costs (note 26)	–	–	(119)	(119)
Foreign currency translation adjustments	1	–	134	135
Other	(6)	–	2	(4)
At December 31, 2022	$ 719	$ 147	$ 8,007	$ 8,873
Additions	**585**	**–**	**25**	**610**
Additions into service	**(93)**	**–**	**93**	**–**
Retirements and other disposals	**(2)**	**–**	**(17)**	**(19)**
Acquisition of Fredrickson 1 (note 4)	**–**	**–**	**104**	**104**
Revisions to decommissioning costs (note 26)	**–**	**–**	**13**	**13**
Other	**(1)**	**–**	**–**	**(1)**
Foreign currency translation adjustments	**(2)**	**–**	**(43)**	**(45)**
At December 31, 2023	**$ 1,206**	**$ 147**	**$ 8,182**	**$ 9,535**

Notes to the consolidated financial statements

20. Property, plant and equipment, continued:

	Construction work in progress	Land	Plant and equipment	Total
Accumulated depreciation				
At January 1, 2022	$ –	$ –	$ (2,186)	$ (2,186)
Depreciation (note 7)	–	–	(462)	(462)
Retirements and other disposals	–	–	35	35
Reclassified to finance lease receivable (note 15)	–	–	124	124
Foreign currency translation adjustments	–	–	(24)	(24)
At December 31, 2022	$ –	$ –	$ (2,513)	$ (2,513)
Depreciation (note 7)	**–**	**–**	**(489)**	**(489)**
Retirements and other disposals	**–**	**–**	**15**	**15**
Foreign currency translation adjustments	**–**	**–**	**9**	**9**
At December 31, 2023	**$ –**	**$ –**	**$ (2,978)**	**$ (2,978)**
Net book value				
At January 1, 2022	$ 396	$ 147	$ 5,660	$ 6,203
At December 31, 2022	$ 719	$ 147	$ 5,494	$ 6,360
At December 31, 2023	**$ 1,206**	**$ 147**	**$ 5,204**	**$ 6,557**

Notes to the consolidated financial statements

20. Property, plant and equipment, continued:

Capitalized borrowing costs

Details of borrowing costs capitalized as part of property, plant and equipment are provided in note 8. The average borrowing rate used to capitalize interest during the year was 5.1% (2022 – 4.8%) for projects financed using general borrowings. For the years ended December 31, 2023 and 2022, there were no projects financed using specific borrowings that were included as part of property, plant and equipment.

Restrictions on assets

Details of charges over land, plant and equipment are provided in note 23.

21. Trade and other payables:

At December 31		**2023**		2022
Operating accruals[1]	**$**	**420**	$	1,025
Trade payables		**183**		117
Dividends payable		**72**		68
Accrued interest		**41**		34
Taxes payable		**1**		5
	$	**717**	$	1,249

[1] As part of its collateral requirements, the Company maintains brokerage margin accounts which are held with specific exchange counterparties and fluctuate daily between negative and positive positions based on fair value changes of certain unsettled derivative financial instruments outstanding as well as the timing of cash deposits and withdrawals made by the Company. At December 31, 2023, the brokerage margin are in a liability position of $30 million (2022 – liability of $219 million).

22. Subscription receipt offering:

In relation to the CXA La Paloma, LLC (La Paloma) and New Harquahala Generating Company, LLC (Harquahala) acquisitions (note 38), the Company completed a bought deal financing, of 8,231,000 subscription receipts (the Subscription Receipts), at an issue price of $36.45 per Subscription Receipt (Offering Price), for gross proceeds of $300 million less issue costs of $6 million.

Additionally, the Company issued, 2,745,000 Subscription Receipts at the Offering Price to Alberta Investment Management Corporation (AIMCo) on a private placement basis (Private Placement), for gross proceeds of approximately $100 million less issue costs of $2 million. The subscription receipts sold pursuant to the Private Placement and the underlying Common Shares will be subject to a statutory hold period of 4 months from the closing date of the Private Placement. The proceeds of the subscription receipt financing are held in escrow pending the completion of the La Paloma and Harquahala acquisition.

Each Subscription Receipt entitles the holder thereof to receive one common share of Capital Power, without payment of additional consideration or further action, upon the first to close of the La Paloma Acquisition and the Harquahala Acquisition. In addition, while the Subscription Receipts remain outstanding, holders were entitled to receive cash payments (Dividend Equivalent Payments) per Subscription Receipt equal to dividends declared by Capital Power on each Common Share. At December 31, 2023, Dividend Equivalent Payments of $7 million was recorded within net finance expense on the consolidated statements of income.

The La Paloma Acquisition closed on February 9, 2024 (see Subsequent event) and each Subscription Receipt have been automatically exchanged in accordance with their terms for one common share of Capital Power. The Harquahala Acquisition closed on February 16, 2024.

Notes to the consolidated financial statements

23. Loans and borrowings:

	Effective interest rate	**December 31, 2023**	December 31, 2022
Unsecured senior medium-term notes, payable semi-annually			
Issued by CPC, at 4.28% due in 2024	4.37%	**$ 450**	$ 450
Issued by CPC, at 4.99% due in 2026	5.07%	**300**	300
Issued by CPC, at 5.38% due in 2027	5.49%	**400**	–
Issued by CPC, at 5.82% due in 2028	5.96%	**350**	–
Issued by CPC, at 4.42% due in 2030	4.49%	**275**	275
Issued by CPC, at 3.15% due in 2032	3.21%	**350**	350
Issued by CPC, at 5.97% due in 2034	6.05%	**450**	–
		2,575	1,375
CPC private placement, payable semi-annually			
Issued by CPC, at 3.85% due in 2026	3.85%	**160**	160
Issued by CPC, at 4.56% due in 2029	4.64%	**210**	210
Issued by CPC, at 4.72% due in 2031	4.79%	**65**	65
Issued by CPC, US$150, at 3.24% due in 2033	3.29%	**199**	203
Issued by CPC, at 4.96% due in 2034	5.02%	**50**	50
		684	688
CPLP unsecured senior notes, payable semi-annually			
US$65, at 5.61% due in 2026	5.67%	**86**	88
		86	88
Subordinated green hybrid notes, payable semi-annually			
Issued by CPC, at 7.95%, due in 2082	8.08%	**350**	350
		350	350

Loans and borrowings, continued:

	Effective interest rate	**December 31, 2023**	December 31, 2022
CPLP non-recourse financing, payable quarterly			
Goreway Power Station, $564 at floating rates, due in 2027	6.72%	**372**	426
East Windsor Cogeneration Project, at 6.28%, due in 2029	6.23%	**82**	94
Macho Springs, US$50 at 6.90%, due in 2031	7.00%	**38**	43
		492	563
Tax-equity financing, payable quarterly[1]			
Bloom Wind, US$53		**71**	89
New Frontier Wind, US$38		**51**	63
Cardinal Point Wind, US$85		**112**	129
Buckthorn Wind, US$46		**61**	73
Committed credit facilities			
CPLP, at floating rates, repaid in 2023	6.40%	**–**	59
CPLP US$201, at floating rates, due in 2028[2]	9.20%	**266**	281
		561	694
Total debt payable		**4,748**	3,758
Less: current portion		**590**	133
		4,158	3,625
Less: deferred debt issue costs		**32**	32
		$ 4,126	$ 3,593

[1] Effective interest rates on tax-equity financing reflect the internal rates of return on the respective tax-equity investments ranging from 6.50% to 8.95%.

[2] At December 31, 2022, CPLP US$207 million, at floating rates, due in 2027 with an effective interest rate of 8.15%.

23. Loans and borrowings, continued:

$850 million medium-term note

On December 15, 2023, the Company closed a public offering of unsecured medium-term notes in the aggregate principal amount of $850 million (the Offering). The Offering consists of $400 million medium-term notes with a coupon rate of 5.378% and $450 million of medium-term notes with a coupon rate of 5.973% and mature on January 25, 2027 and January 25, 2034, respectively.

$350 million medium-term note

On September 15, 2023, the Company closed a public offering of unsecured medium-term notes in the aggregate principal amount of $350 million. The notes have a coupon rate of 5.816% and mature on September 15, 2028.

$350 million Green Hybrid Subordinated Notes offering

On September 9, 2022, the Company closed a $350 million offering of Fixed-to-Fixed Subordinated Notes, Series 1, due September 9, 2082. The Series 1 Subordinated Notes have a fixed 7.95% interest rate, payable semi-annually, which resets on September 9, 2032, and on every fifth anniversary thereafter, based on the five-year Government of Canada yield plus: (i) 5.34% for the period from, and including, September 9, 2032 to, but excluding, September 9, 2052; and (ii) 6.09% for the period from, and including, September 9, 2052 to, but excluding, September 9, 2082. The Series 1 Subordinated Notes are subject to optional redemption by the Company from June 9, 2032 to September 9, 2032 and on any interest payment date or any interest reset date, as applicable.

Non-recourse financing

East Windsor Cogeneration Project financing represents Series 1 Senior bonds issued by the Company. The debt is secured by a charge against project assets which have a carrying amount of $126 million.

Macho Springs financing represents loans for the project. The debt is secured by a charge against project assets which have a carrying amount of $52 million.

Goreway financing represents the asset level debt assumed on acquisition. The debt is secured by a charge against the assets of the facility which have a carrying amount of $533 million.

Tax-equity financing

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

Committed credit facilities

The Company's sustainability-linked credit facilities (SLCs) are committed to July 2027 and includes $1 billion of unsecured credit facilities, comprised of a $700 million syndicated credit facility and an unsecured club credit facility of $300 million. At December 31, 2023, the Company had Canadian loans of nil (2022 – $59 million), U.S. loans of $266 million (US$201 million) (2022 - $281 million (US$207 million)) and letters of credit of nil (2022 - $91 million) outstanding under these facilities as described in note 36.

Bilateral unsecured demand credit facilities are available to Capital Power and include $1,387 million for the issuance of letters of credit and a further $25 million in general facilities. The general facilities are undrawn at December 31, 2023 and 2022 while letters of credit of $559 million (2022 – $1,171 million) have been issued as described in note 36.

Under the terms of the unsecured credit facilities, the Company's subsidiaries may obtain advances by way of Canadian or U.S. prime loans, U.S. base rate loans, U.S. SOFR loans and bankers' acceptances. Amounts drawn by way of prime or base rate loans each bear interest at the prevailing Canadian Prime, U.S. Prime, or U.S. base rate respectively, plus a spread ranging from 0.2% to 1.5%, depending on the Company's credit rating. Amounts drawn by way of U.S. SOFR loans or bankers' acceptances bear interest at the prevailing SOFR rate or applicable bankers' acceptance rate plus a spread ranging from 1.2% to 2.5%, depending on the Company's credit rating.

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 December 31, 2023, $77 million of bonds were issued under these facilities (2022 – nil).

Notes to the consolidated financial statements

24. Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2023	2022
Loans and borrowings[1]		
At January 1	$ 3,726	$ 3,360
Changes from financing cash flows:		
Proceeds from issue of loans and borrowings (note 23)	1,200	447
Repayments	(145)	(71)
Deferred debt issue costs	(6)	(4)
Total changes from financing cash flows	1,049	372
Effect of changes in foreign exchange rates	(14)	49
Non-cash repayments on tax-equity financing	(71)	(83)
Implicit interest on tax-equity financing	23	26
Other non-cash items	3	2
Total other changes	(59)	(6)
At December 31	$ 4,716	$ 3,726

[1] Includes deferred debt issue costs.

	2023	2022
Lease liabilities[2]		
At January 1	$ 153	$ 143
Changes from financing cash flows:		
Repayments	(6)	(6)
Total changes from financing cash flows	(6)	(6)
Additions	5	11
Other adjustments	(3)	–
Effects of changes in foreign exchange rates	(2)	5
Total other changes	–	16
At December 31	$ 147	$ 153

[2] Includes the current portion disclosed within current deferred revenue and other liabilities.

25. Deferred revenue and other liabilities:

At December 31	2023	2022
Deferred government grant revenue (note 16)	$ –	$ 117
Deferred payments on capital project costs	209	196
Contract liabilities[1]	37	41
Other deferred revenue and liabilities	56	49
	302	403
Less current portions:		
Deferred government grant revenue	–	117
Lease liabilities	7	7
Contract liabilities[1]	5	7
Deferred payments on capital project costs	66	11
Other deferred revenue and liabilities	18	16
Total current deferred revenue and other liabilities	96	158
	$ 206	$ 245

[1] At December 31, 2023 $13 million (2022 – $41 million) was recognized as revenues in relation to outstanding contract liabilities settled during the year.

Notes to the consolidated financial statements

26. Provisions:

	Decommissioning	Employee benefits[1]	Other	Total
At January 1, 2023	$ 278	$ 102	$ 17	$ 397
Additional liabilities incurred	25	35	–	60
Liabilities assumed in business acquisition (note 4)	6	–	–	6
Liabilities settled	(8)	(42)	(17)	(67)
Foreign currency translation adjustments	(1)	–	–	(1)
Revisions to decommissioning costs (note 20)	13	–	–	13
Accretion (note 8)	11	–	–	11
At December 31, 2023	$ 324	$ 95	$ –	$ 419
Non-current	301	51	–	352
Current	23	44	–	67
	$ 324	$ 95	$ –	$ 419

[1] Included in the employee benefits provision is $31 million pertaining to the share-based payment obligations described in note 30, of which $11 million is vested at December 31, 2023 (2022 - $39 million total share-based payment obligation, $10 million vested).

Decommissioning provisions

The Company has recorded decommissioning provisions for its power generation facilities and the Genesee coal mine (the Genesee Mine) as it is obliged to remove the facilities at the end of their useful lives and restore the power facilities and mine sites to their original condition. In the fourth quarter of 2023, the Genesee Mine ceased mining. The decommissioning provisions for the Genesee Mine was incurred over time as new areas were mined, and a portion of the liability was settled over time as areas are reclaimed prior to final pit reclamation.

At December 31, 2023, the Company's estimate of the undiscounted cash flow required to settle its decommissioning obligations is approximately $627 million (2022 - $595 million), calculated using an inflation rate of 2% (2022 – 2%). The expected timing for settlement of the obligations is between 2024 and 2057, which reflects reclamation of areas of the Genesee Mine and the anticipated useful lives of the certain power generation facilities.

The payments to settle the obligations are expected to occur between 2024 and 2057 for the power generation facilities. The payments to settle the obligations are expected to occur between 2024 and 2027 for unreclaimed sections of the Genesee Mine that were mined. Discount rates used to calculate the carrying amount of the obligations range from 3.01% to 4.25%. The actual timing and net costs to settle decommissioning obligations may vary from estimates as a result of changes to contractor rates required to perform the decommissioning.

No assets have been legally restricted for settlement of these liabilities.

27. Share capital:

Authorized shares

	Number of shares authorized[1]
Common shares	unlimited
Unlimited preference shares, issuable in series:	
Series 1 and 2	5 million
Series 3 and 4	6 million
Series 5 and 6	8 million
Series 11 and 12	6 million
Special limited voting share	one

[1] In 2022, in connection with the Company's offering of the Series 1 Subordinated Notes, Capital Power issued 350,000 Series 2022-A Class A Preferred Shares to Computershare Trust Company of Canada, to be held in trust as treasury shares to satisfy Capital Power's obligations under the indenture governing the Series 1 Subordinated Notes (note 23). Dividends are not payable on the 2022-A Class A Preferred Shares, nor shall any dividends accumulate or accrue prior to delivery to the holders of Series 1 Subordinated Notes following the occurrence of certain bankruptcy or insolvency events in respect of Capital Power. Thereafter, dividends on the Series 2022-A Class A Preferred Shares are payable on the 9th day of March and September in each year, if, as and when declared by the Board of Directors.

Notes to the consolidated financial statements

27. Share capital, continued:

Issued and fully paid shares

	Common shares		Preference shares	
	Number of shares	Amount	Number of shares	Amount
At January 1, 2022	116,193,681	$ 2,878	31,000,000	$ 753
Share purchase options exercised (note 30)	692,968	17	–	–
Preferred share redemption[2]	–	–	(6,000,000)	(150)
At December 31, 2022	116,886,649	$ 2,895	25,000,000	$ 603
Share purchase options exercised (note 30)	**314,663**	**9**	**–**	**–**
Dividend reinvestment plan[3]	**481,309**	**17**	**–**	**–**
At December 31, 2023	**117,682,621**	**$ 2,921**	**25,000,000**	**$ 603**

[2] On September 30, 2022, the Company redeemed all of its 6 million issued and outstanding 5.75% cumulative rate reset preference shares, Series 9 at a price of $25.00 per share for an aggregate total of $150 million.

[3] Effective for the September 30, 2023 dividend, the Company reinstated its dividend re-investment plan for its common shares.

The Company's shares are subject to a Shareholder Rights Plan (Rights Plan). The objective of the Rights Plan is to ensure, to the extent possible, the fair treatment of all shareholders in connection with any take-over bid for the securities of the Company, and to provide the Board with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize shareholder value. The Rights Plan will continue in force until the end of the annual meeting of shareholders in 2025, at which time the Company expects to extend the Rights Plan for an additional 3 years, subject to Board of Directors and shareholder approval and subject to any changes in applicable securities law requirements.

Cumulative rate reset preference shares

Preferred shares[4]	Dividend per share per annum[5]	Dividend rate reset[6]	Redemption and Conversion option date[7,8]	Right to convert into[8]
Series 1	$0.655	Reset to $0.655 from $0.765 per annum effective December 31, 2020 for the March 31, 2021 dividend payment.	December 31, 2025	Series 2
Series 3	$1.715	Reset to $1.715 from $1.363 per annum effective December 31, 2023 for the March 31, 2024 dividend payment.	December 31, 2028	Series 4
Series 5	$1.658	Reset to $1.658 from $1.125 per annum effective June 30, 2023 for the September 30, 2023 dividend payment.	June 30, 2028	Series 6
Series 11	$1.438	Dividend rate will be reset on June 30, 2024.	June 30, 2024	Series 12

[4] Redemption – Series 9 Shares were redeemed on September 30, 2022 and dividend rate reset and conversion options are no longer applicable.

[5] Dividend rate per annum - Holders of Series 1, Series 3, Series 5, Series 9 and Series 11 shares will be entitled to receive fixed cumulative quarterly dividends that yield 2.62%, 6.86%, 6.63%, 5.75% (effective until Series 9 shares were redeemed on September 30, 2022) and 5.75% respectively, per annum payable on the last business day of March, June, September, and December of each year, as and when declared by the Board of Directors of Capital Power.

[6] Dividend rate reset terms – Dividend rates on Series 1, Series 3, Series 5 and Series 11 shares will be reset every five years following the issuance date or most recent rate reset date at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.17%, 3.23%, 3.15%, and 4.15% (provided that, in any event, such rate shall not be less than 5.75% for Series 11 shares), respectively, as and when declared by the Board of Directors of Capital Power.

[7] Redemption option date and terms – Series 1, Series 3, Series 5, and Series 11 shares are redeemable by Capital Power, at its option, on the redemption date and every five years thereafter.

[8] Conversion option date – Holders of Series 1, Series 3, Series 5, and Series 11 shares will have the right, at their option, on the conversion date and every five years thereafter, to convert all or any part of their shares into Cumulative Floating Rate Preference Shares Series 2, Series 4, Series 6, and Series 12, respectively, subject to certain conditions.

Conversion terms – Holders of Series 2, Series 4, Series 6, and Series 12 shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 2.17%, 3.23%, 3.15%, and 4.15% respectively, as and when declared by the Board of Directors of Capital Power.

Notes to the consolidated financial statements

27. Share capital, continued:

Common and preferred share dividends

The common and preferred share dividends declared and paid by the Company for the years ended December 31, 2023 and 2022 are summarized as follows:

	Dividends declared				Dividends paid			
	2023		2022		**2023**		2022	
	Per share	**Total**	Per share	Total	**Per share**	**Total**	Per share	Total
Common[9.10]	**$ 2.390**	**$ 279**	$ 2.2550	$ 263	**$ 2.355**	**$ 275**	$ 2.2225	$ 259
Preference:								
Series 1	**0.6553**	**3**	0.6553	3	**0.6553**	**3**	0.6553	3
Series 3	**1.3633**	**8**	1.3633	8	**1.3633**	**8**	1.3633	8
Series 5	**1.4836**	**13**	1.3095	11	**1.4836**	**13**	1.3095	11
Series 9[11]	**–**	**–**	1.0781	6	**–**	**–**	1.0781	6
Series 11	**1.4375**	**8**	1.4375	9	**1.4375**	**8**	1.4375	9

[9] On August 1, 2023, the Company's Board of Directors approved an increase of 6% in the annual dividend for holders of its common shares to $2.46 per common share effective for the third quarter of 2023.

[10] For the year ended December 31, 2023, dividends paid on common shares consist of $258 million paid in cash and $17 million paid through the Company's dividend re-investment plan as common share.

[11] The quarterly dividend for the third quarter of 2022 was the final quarterly dividend on the Series 9 Shares and, as the redemption date is also the dividend payment date, the redemption price did not include the quarterly dividend for the third quarter of 2022. Instead, the quarterly dividend for the third quarter of 2022 was paid on the redemption date separately to shareholders of record as of September 19, 2022.

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.

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

Notes to the consolidated financial statements

28. Change in non-cash operating working capital:

Year ended December 31	2023	2022
Trade and other receivables	$ 275	$ (465)
Inventories	(4)	(8)
Trade and other payables	(470)	655
Deferred revenue and other liabilities	(4)	(7)
Provisions	(23)	4
	(226)	179

29. Related party balances and transactions:

Nature of transactions

As described in note 34, the Company is party to a number of joint arrangements, primarily for the construction and operation of power generating facilities. The joint arrangements provide energy to the Company and the Company provides management and operation services to the joint arrangements. Transactions with joint arrangements are eliminated to the extent of the Company's interest in the joint arrangement.

Compensation of key management personnel

Year ended December 31	2023	2022
Short-term employee benefits	$ 11	$ 7
Share-based payments	13	7
	$ 24	$ 14

Key management personnel include certain executive officers of the Company in addition to the directors of the Company.

30. Share-based payments:

Share purchase options

Under the Company's long-term incentive plan, the Company provides share purchase options to certain employees to purchase common shares, provided that the number of shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing and that the aggregate number of shares issued by the Company under this plan will not exceed 9,194,506 common shares. Granted options may be exercised within 7 years of the grant date.

The following illustrates share purchase options activity during the years ended December 31, 2023 and 2022:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, at January 1	1,710,709	$ 30.56	2,136,627	$ 26.87
Granted	399,911	42.45	311,581	40.48
Exercised[1]	(314,663)	25.91	(692,968)	23.53
Forfeited	(55,079)	40.92	(40,804)	32.37
Expired	(4,057)	42.45	(3,727)	32.66
Options outstanding, at December 31	1,736,821	$ 33.78	1,710,709	$ 30.56
Vested options outstanding, at December 31	1,062,752	$ 29.46	1,097,294	$ 27.42

[1] The weighted average share price at the date of exercise was $ 40.22 (2022 - $47.03).

30. Share-based payments, continued:

Share purchase options, continued

The following assumptions were used in estimating the fair value of the granted share purchase options:

	Share purchase options issued in:	
	2023	2022
Share price at grant date	**$ 41.41**	$ 40.48
Weighted average fair values at grant date	**$ 4.38**	$ 3.42
Expected volatility	**18.40%**	17.60%
Expected option life	**4.5 years**	4.5 years
Expected dividend yield	**5.603%**	5.410%
Risk-free interest rate	**3.36%**	1.22%
Exercise price	**$ 41.41**	$ 40.48
Expiry date	**March 11, 2030**	March 11, 2029

During the year ended December 31, 2023, the Company recorded compensation expense of $1 million related to share purchase options in staff costs and employee benefits expense (year ended December 31, 2022 – $1 million).

The weighted average remaining contractual life of the Company's outstanding share purchase options at December 31, 2023 is 3.76 years (2022 – 3.72 years). The exercise prices of share purchase options outstanding at December 31, 2023 range from $17.33 to $42.45 (2022 – $17.33 to $40.48).

Performance share units

Capital Power grants PSUs to certain employees, which make those employees eligible to receive cash payments based on an equivalent number of common shares at a specified release date for an amount based on the 30-day volume-weighted average price (VWAP) of such number of common shares on the release date. PSUs are fully vested three years from the grant date and vest as service is rendered over that three-year period. Payments are based on the number of units vested including dividend equivalents, with the total number of units adjusted for a factor ranging from 0% to 200% based on two objectives: the Company's share price performance relative to a group of peer organizations, as determined by comparing total shareholder return, weighted at 80%; and, certain Environmental, Social and Governance metrics focusing on diversity and emission reduction metrics, weighted at 20%.

	2023	2022
PSUs outstanding, at January 1	**439,157**	308,733
Granted[2]	**140,990**	104,027
Released[3]	**(271,116)**	(98,504)
Dividends reinvested	**19,641**	17,113
Added by Performance Factor	**31,427**	114,374
Forfeited	**(31,173)**	(6,586)
PSUs outstanding, at December 31	**328,926**	439,157

[2] The fair value of the PSUs at the grant date was $42.26 (2022 – $39.39).

[3] The weighted average share price at the date of release was $46.30 (2022 – $39.15).

During the year ended December 31, 2023, the Company recorded a compensation expense of $6 million (2022 – $15 million) related to the outstanding PSUs in staff costs and employee benefits expense.

Notes to the consolidated financial statements

30. Share-based payments, continued:

Restricted share units

Capital Power grants RSUs to certain employees, which make those employees eligible to receive cash payments based on an equivalent number of common shares, including dividend equivalents, at a specified release date for an amount based on the 30-day VWAP of such number of common shares on the release date. RSUs are fully vested three years from the grant date and vest as service is rendered over that three-year period.

	2023	2022
RSUs outstanding, at January 1	**282,928**	286,430
Granted[4]	**125,230**	82,919
Released[5]	**(124,289)**	(89,857)
Dividends reinvested	**14,099**	14,403
Forfeited	**(12,034)**	(10,967)
RSUs outstanding, at December 31	**285,934**	282,928

[4] The fair value of the RSUs at the grant date was $42.26 (2022 – $39.39).

[5] The weighted average share price at the date of release was $46.58 (2022 – $39.16).

During the year ended December 31, 2023, the Company recorded a compensation expense of $4 million (2022 – $5 million) related to the outstanding RSUs in staff costs and employee benefits expense.

Deferred share units

The Company has approved a DSU Plan pursuant to which non-employee directors or executives of the Company may receive their annual equity retainer or their Short-Term Incentive award, respectively, in the form of DSUs. Directors are entitled to elect to receive their annual retainer, committee retainer, and/or committee chair retainer in full or partial DSUs. Executives who are not yet in compliance of their share ownership requirements may elect to defer all or a portion of their Short-Term Incentive award in the form of DSUs. Directors and executives will receive additional DSUs in respect of dividends payable on an equivalent number of common shares of the Company on the recognized record date. DSUs vest immediately and may be redeemed for cash no earlier than six months after a director's resignation from the Board of Directors or no earlier than the executive's resignation from the Company and no later than December 15th of the year following their resignation. The payout uses the volume-weighted average closing price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately before the redemption date. During the year ended December 31, 2023, the Company recorded a compensation expense of $1 million (2022 – $4 million) related to the outstanding DSUs in staff costs and employee benefits expense.

Notes to the consolidated financial statements

31. Financial instruments:

Fair values

The Company classifies and measures its cash and cash equivalents, trade and other receivables, subscription receipts and trade and other payables at amortized cost and their fair values are not materially different from their carrying amounts due to their short term nature.

Details of the Company's derivative instruments are described in note 14.

The classification, carrying amount and fair value of the Company's other financial instruments are summarized as follows:

		December 31, 2023		December 31, 2022	
	Fair value hierarchy level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets[1]					
Government grant receivable (note 16)	Level 2	**$ 327**	**$ 295**	$ 367	$ 317
Financial liabilities[1]					
Loans and borrowings (note 23)	Level 2	**$ 4,716**	**$ 4,690**	$ 3,726	$ 3,590

[1] Includes current portion.

Fair value hierarchy

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 note 3.

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial instruments assets	**$ –**	**$ 336**	**$ 16**	**$ 352**
Derivative financial instruments liabilities	**–**	**(287)**	**(313)**	**(600)**

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

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

The Company has a 20-year revenue offtake swap agreement for Buckthorn Wind expiring in 2038, where the market price is swapped for a fixed price per unit of actual generation. The notional quantities are not set forth in the contract and observable forward market pricing is only available for the next 12 years. As such, the Company has developed a generation forecast for the remainder of the contract and a price forecast for the 3 years for which forward market prices are not available. These are both significant inputs to the determination of fair value, therefore this financial instrument is classified as Level 3.

Notes to the consolidated financial statements

31. Financial instruments, continued:

Fair value hierarchy, continued

Valuation techniques used in determination of fair values within Level 3, continued

The Company has a 10-year renewable energy agreement for Whitla Wind, two 15-year fixed price contracts for Clydesdale Solar (formerly Enchant Solar) and a 25-year fixed price contract for Strathmore Solar, expiring in 2032, 2037 and 2047, respectively, to generate renewable generation and deliver environmental attributes. Observable forward market prices are not available for the full terms of the contracts and notional quantities used to calculate fair value reflect anticipated generation, therefore pricing and generation forecasts have been developed based on internal modelling. Accordingly, these financial instruments are classified as Level 3.

In addition, at December 31, 2023 and December 31, 2022, the Company holds contracts for the sale of RECs for which pricing beyond two years is not readily observable and the contracts are therefore classified in Level 3 of the hierarchy.

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

At December 31	**2023**	2022
REC pricing (per certificate) – Solar	**$3 to $204**	$4 to $172
REC pricing (per certificate) – Wind	**$3 to $7**	$2 to $7
Forward power pricing (per MWh) – Solar	**$34 to $194**	$38 to $335
Forward power pricing (per MWh) – Wind	**$22 to $136**	$27 to $234
Average monthly generation (MWh) – Strathmore Solar	**6,671**	7,124
Average monthly generation (MWh) – Clydesdale Solar	**11,162**	12,054
Average monthly generation (MWh) – Whitla Wind	**39,123**	41,479
Average monthly generation (MWh) – Bloom Wind	**59,471**	59,198
Average monthly generation (MWh) – Buckthorn Wind	**17,620**	17,703

Valuation process applied to Level 3

The valuation models used to calculate the fair value 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:

At December 31	**2023**	2022
REC pricing – Solar	**$ 1**	$ 1
REC pricing – Wind	**3**	3
Forward power pricing – Solar	**19**	24
Forward power pricing – Wind	**71**	85
Generation – Solar	**5**	8
Generation – Wind	**18**	24

31. 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:

		2023		2022
At January 1[2]	$	**(456)**	$	(184)
Unrealized and realized gains (losses) included in net income[3]		**40**		(278)
Settlements[4]		**114**		33
Transfers[5]		**(2)**		(4)
Foreign exchange gains (losses)		**7**		(23)
At December 31	$	**(297)**	$	(456)
Total unrealized and realized gains (losses) for the period included in net income[3]	$	**40**	$	(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 became readily observable.

All instruments classified as Level 3 are derivative type instruments. Gains and losses associated with Level 3 balances may not necessarily reflect the underlying exposures of the Company, as 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.

Financial assets

The fair value of the Company's government grant receivable held at amortized cost is estimated by discounting its expected future cash flows at current market interest rates for comparable instruments with similar terms, plus an estimated credit spread based on the counterparty credit risk at December 31, 2023 and 2022.

Financial liabilities

The fair values of the Company's loans and borrowings are based on determining a current yield for the Company's loans and borrowings at December 31, 2023 and 2022. This yield is based on an estimated credit spread for the Company over the yields of long term Government of Canada and U.S. Government bonds that have similar maturities to the Company's loans and borrowings. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions.

Offsetting of financial assets and liabilities

The Company's commodity trading transactions are typically transacted on an exchange or under International Swap Dealers Association Master Agreements or similar master agreements. In general, under the Company's trading agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. Such amounts meet the criteria for offsetting and are presented as such on the Company's statements of financial position. In certain circumstances, including when a credit event such as a default occurs, generally all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable by one party to the other in settlement of all transactions. Amounts that may only be offset in these circumstances do not meet the criteria for offsetting on the Company's statements of financial position.

The Company also has an agreement in place with one of its energy trading counterparties that conveys to the counterparty the right to set-off amounts receivable and amounts payable between the Company and the counterparty in certain circumstances, including when a credit event such as a default occurs on the part of the Company. Such amounts do not meet the criteria for offsetting on the Company's statements of financial position. The Company issues and accepts collateral in the form of cash and letters of credit in respect of its commodity trading transactions. Such collateral is generally subject to standard industry terms. The terms generally also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

Notes to the consolidated financial statements

31. Financial instruments, continued:

Financial assets subject to offsetting, enforceable master netting arrangements or similar arrangements

Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position[6]	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Collateral received[7]	Net amount
At December 31, 2023						
Commodity trading assets	**$ 601**	**$ (109)**	**$ 492**	**$ (121)**	**$ (10)**	**$ 361**
At December 31, 2022						
Commodity trading assets	$ 1,371	$ (418)	$ 953	$ (143)	$ (1)	$ 809

[6] The net amounts of commodity trading assets presented in the statement of financial position include current derivative instruments assets of $113 million, non-current derivative instruments assets of $197 million and trade and other receivables of $182 million (December 31, 2022 – current derivative instruments assets of $171 million, non-current derivative instruments assets of $251 million and trade and other receivables of $531 million).

[7] Collateral received relating to the net financial assets disclosed above is in the form of letters of credit received from the Company's counterparties.

Financial liabilities subject to offsetting, enforceable master netting arrangements or similar arrangements

Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position[8]	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Collateral pledged	Net amount
At December 31, 2023						
Commodity trading liabilities	**$ 704**	**$ (109)**	**$ 595**	**$ (123)**	**$ (92)**	**$ 380**
At December 31, 2022						
Commodity trading liabilities	$ 2,060	$ (418)	$ 1,642	$ (153)	$ (467)	$ 1,022

[8] The net amounts of commodity trading liabilities presented in the statement of financial position include current derivative instruments liabilities of $148 million, non-current derivative instruments liabilities of $410 million and trade and other payables of $37 million (December 31, 2022 – current derivative instruments liabilities of $597 million, non-current derivative instruments liabilities of $609 million and trade and other payables of $436 million).

32. Risk management

Risk management overview

The Company is exposed to a number of financial risks, arising from business activities and its use of financial instruments, including market risk, credit risk and liquidity risk. The Company's overall risk management process is designed to identify, manage and mitigate business risk which includes, among other risks, financial risk. Risk management is overseen by the Company's Executive Team according to objectives, targets, and policies approved by the Capital Power Board of Directors. The Executive Team is comprised of the most senior management group within the Company.

Risk management strategies, policies, and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and limit the volatility in income and cash flow.

Commodity price risk management and the associated credit risk management are carried out in accordance with the respective commodity, credit, and financial exposures risk management policies, as approved by the Executive Team and the Board of Directors. Financial risk management, including foreign exchange risk, interest rate risk, and liquidity risk, is carried out by a centralized Treasury function, also in accordance with a financial risk management policy approved by the Executive Team and the Board of Directors. Capital Power's Audit Committee of the Board of Directors, in its oversight role, monitors the assessment of financial risk management controls and procedures to ensure compliance with applicable policies.

Market risk

Market risk is the risk of loss that results from changes in market factors such as commodity prices, foreign currency exchange rates, interest rates and equity prices. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and liabilities held, non trading physical asset and contract portfolios, and trading portfolios.

To manage the exposure related to changes in market risk, the Company uses various risk management techniques including derivative instruments. Derivative instruments may include forward contracts, fixed for floating swaps (or contracts for differences), and option contracts. Such derivative instruments may be used to establish a fixed price for an energy commodity, an interest bearing obligation or an obligation denominated in a foreign currency.

Commodity risk exposures are monitored daily against approved risk limits, and control processes are in place to monitor that only authorized activities are undertaken.

The sensitivities provided in each of the following risk discussions disclose the effect of reasonably possible changes in relevant prices and rates on net income at the reporting date. The sensitivities are hypothetical and should not be considered to be predictive of future performance or indicative of income on these contracts. The Company's actual exposure to market risks is constantly changing as the Company's portfolio of debt, foreign currency and commodity contracts changes. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

Commodity price risk

The Company is exposed to commodity price risk as part of its normal business operations, including energy procurement activities in Canada and the U.S. The Company's energy procurement activities consist of power generation, non market traded and market traded electricity, natural gas and emission credits purchase and sales contracts, and derivative contracts. The Company is primarily exposed to changes in the prices of electricity and natural gas. The Company actively manages commodity price risk by optimizing its asset and contract portfolios utilizing the following methods:

- The Company reduces its exposure to the volatility of commodity prices related to electricity sales and natural gas purchases by entering into offsetting contracts such as contracts for differences and firm price physical contracts for periods of varying duration.
- The Company enters into fixed-price energy sales contracts and power purchase arrangements which limit the exposure to electricity prices. The Company has entered into long term tolling arrangements whereby variable changes linked to the price of natural gas are assumed by the counterparty.
- The Company enters into back to back electricity and natural gas physical and financial contracts to lock in a margin.

Notes to the consolidated financial statements

32. Risk management, continued:

Market risk, continued

Commodity price risk, continued

In 2023, 36% of Capital Power's operating income comes from facilities located outside of Alberta. These facilities are under long-term contractual arrangements with investment grade counterparties. As a result, these facilities have little exposure to any downward pressure on electricity prices as a result of lower electricity demand. The Company's thermal facility contracts typically are tolling arrangements in which most of the revenue is in the form of capacity payments that are paid regardless of the degree the facility is run. The Company's wind facilities receive fixed pricing for the power produced. The Company is also exposed to node-to-hub basis risk at many of its U.S. wind facilities. Basis risk is the difference between the power price at the node, where the power is produced, and the hub, where the power is financially settled with the off-taker. In Ontario, where the lower electricity demand could result in some additional physical curtailment of wind facilities, Capital Power is held whole under the contractual arrangements even in the event of physical curtailment.

The balance of the Company's operating income comes from Alberta generation facilities. In 2023, approximately 15% of the Company's operating income from Alberta facilities were under long-term contract with investment grade counterparties, including the tolling arrangement on the Shepard Energy Centre. The balance of the output from the Company's Alberta facilities is sold into the Alberta merchant market. However, the Company continues to manage this exposure by entering into various purchase and sale arrangements for periods of varying duration.

For 2024, the portion of operating income from Alberta facilities under long-term contracts is approximately 18%, and at December 31, 2023, the balance of the Company's Alberta commercial baseload generation not under long-term contract was 10,500 GW sold forward for 2024. The Company balances the risk associated with being exposed to a higher volume of fluctuations in power prices with the risk of missing opportunities to sell power at higher expected prices in future periods. The La Paloma facility acquired on February 9, 2024 (see Subsequent event), will be subject to commodity price exposure.

The Company's portfolio of generation comes from a variety of fuel types which minimizes exposure to any one fuel type. For natural gas, the Company uses long-term supply agreements including natural gas contracts as well as fixed transportation agreements to manage its exposure to increases in natural gas prices. At December 31, 2023, the Company has economically hedged 70,000 TJ of its expected natural gas burn for 2024.

The Company also engages in taking market risk positions within authorized limits approved by Capital Power's Executive Team and Board of Directors. The trading portfolio includes electricity and natural gas physical and financial derivative contracts which are transacted with the intent of benefiting from short term actual or expected differences between their buying and selling prices or to lock in arbitrage opportunities.

The fair value of the Company's energy related derivatives at December 31, 2023, that are required to be measured at fair value with the respective changes in fair value recognized in net income are disclosed in note 14.

The Company employs a Value-at-Risk (VaR) methodology to manage risk exposures to commodity prices on a consolidated basis. VaR measures the estimated potential loss in a portfolio of positions associated with the movement of commodity prices for a specified time period and a given confidence level. Capital Power's VaR for positions expected to settle in 2024, at December 31, 2023, uses a statistical confidence level of 99% over a 10-business-day holding period. This measure reflects a 1% probability that, over the 10-day period commencing with the point in time that the VaR is measured, the fair value of the overall commodity portfolio could decrease by an amount in excess of the VaR amount. The VaR methodology is a statistically defined, probability based approach that takes into consideration market price volatilities and risk diversification by recognizing offsetting positions and correlations between products and markets. This technique makes use of historical data and assesses the market risk arising from possible future changes in commodity prices over the holding period.

VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- VaR calculated based on a holding period may not fully capture the market risk of positions that cannot be liquidated or hedged within the holding period.
- The Company computes VaR of the portfolios at the close of business and positions may change substantially during the course of the day.
- VaR, at a 99% confidence level, does not reflect the extent of potential losses beyond that percentile. Losses on the other 1% of occasions could be substantially greater than the estimated VaR.

32. Risk management, continued:

Market risk, continued

Commodity price risk, continued

These limitations and the nature of the VaR measurements mean that the Company can neither guarantee that losses will not exceed the VaR amounts or that losses in excess of the VaR amounts will not occur more frequently than 1% of the time. As VaR is not a perfect predictor of risk, the Company undertakes back testing and periodically calibrates the VaR calculation to a 99% confidence level.

The estimation of VaR takes into account positions from all wholly owned subsidiaries and subsidiaries in which the Company has a controlling interest, and reflects the Company's aggregate commodity positions from its trading and asset portfolios. Capital Power's Board of Directors has approved the methodology for the ongoing determination of commodity risk limits, under their commodity risk management policy. The Executive Team has access to daily risk reports which provide key measures in relation to applicable limits and quarterly risk reports are reviewed by Capital Power's Audit Committee. The portfolios are stress tested regularly to observe the effects of plausible scenarios taking into account historical price movements and certain hypothetical extreme events. At December 31, 2023, the VaR of the Company's commodity trading and assets portfolios for 2024 as a result of unfavourable market price changes is $67 million based on a 99% confidence level and a holding period of 10 days.

Foreign exchange risk

The Company is exposed to foreign exchange risk on foreign currency denominated forecasted transactions, firm commitments, and monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign operations. The Company's operations expose it to foreign exchange risk arising from transactions denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the U.S. dollar but it is potentially exposed to changes in other currencies if and when it transacts in other currencies. The risk is that the functional currency value of cash flows will vary as a result of the movements in exchange rates.

The Company's foreign exchange management policy is to limit economic and material transactional exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's exposure to foreign exchange risk arises from future anticipated cash flows from its U.S. operations, debt service obligations on U.S. dollar borrowings, and from certain capital expenditure commitments denominated in U.S. dollars or other foreign currencies.

The Company coordinates and manages foreign exchange risk centrally, by identifying opportunities for naturally occurring opposite movements and then dealing with any material residual foreign exchange risks; these are hereinafter referred to as being economically hedged. The Company may also use derivative instruments to manage foreign exchange risk.

For the Company's facilities that have a U.S. functional currency, foreign exchange movements are largely matched within its U.S. operations and hence foreign exchange exposure is mitigated. The largest exposure the Company had to foreign exchange movements in 2023 was related to the acquisition of Frederickson 1 Generating Station and capital costs associated with the Halkirk 2 Wind project. The Company has entered into cash flow hedges, which have settled and will settle during 2023 and 2024 respectively, to mitigate the foreign exchange exposure on those transactions. At December 31, 2023, the Company held foreign exchange derivatives as disclosed in note 14.

At December 31, 2023, holding all other variables constant, a $0.10 strengthening or weakening of the Canadian dollar against the U.S. dollar would have decreased or increased net income attributable to shareholders by $23 million (2022 – decreased or increased by $1 million) and would have decreased or increased other comprehensive income by $1 million (2022 – nil). This sensitivity analysis excludes translation risk associated with the translation of subsidiaries that have a different functional currency to the functional currency of the Company and financial instruments denominated in the functional currency in which they are transacted and measured. As a result, the impact to other comprehensive income reflects only the sensitivity relating to the foreign exchange cash flow hedges.

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, and floating rate current and non-current loans and borrowings. The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. The Company uses floating rate funding for current borrowings and other liquidity requirements. At December 31, 2023, the proportion of fixed rate loans and borrowings was approximately 87% of total loans and borrowings outstanding (2022 - 80%). The Company uses derivative instruments to manage interest rate risk. At December 31, 2023, the Company held interest rate derivatives as disclosed in note 14 which effectively fixed the Company's interest rate spread and increased the proportion of fixed rate loans and borrowings to 94% (2022 – 91%) at December 31, 2023.

32. Risk management, continued:

Market risk, continued

Interest rate risk, continued

Assuming that the amount and mix of fixed and floating rate loans and borrowings and net loans and borrowings remains unchanged from that held at December 31, 2023, a 100 basis point decrease or increase to interest rates would increase or decrease full year net income attributable to common shareholders by $2 million (2022 – $3 million) and would have no direct impact on other comprehensive income.

The effect on net income does not consider the effect of an overall change in economic activity that would accompany such an increase or decrease in interest rates.

Credit risk

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Company. The Company's counterparty credit risk management policy is established by the Executive Team and approved by the Board of Directors. The associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into any agreements or transactions with the counterparty. Credit exposures and concentrations are subsequently monitored and are regularly reported to management on an ongoing basis. Counterparty creditworthiness also continues to be evaluated on an ongoing basis after transactions have been initiated.

Credit risk is managed and mitigated through a number of risk mitigation practices such as securing parent company guarantees to enhance counterparty credit quality, negotiating and obtaining security (such as cash deposits, letters of credit or property) to offset potential losses, and margining to limit credit risk where applicable.

Maximum credit risk exposure

The Company's maximum credit exposure was represented by the following financial assets:

At December 31	**2023**	2022
Cash and cash equivalents (note 11)	**$ 1,423**	$ 307
Trade and other receivables (note 12)[1]	**747**	949
Derivative financial instruments assets (note 14)[1]	**352**	483
Finance lease receivable (note 15)	**25**	34
Government grant receivable (note 16)	**269**	310
	$ 2,816	$ 2,083

[1] The Company's maximum credit exposures related to trade and other receivables and derivative financial instruments assets by major credit concentration are comprised of maximum exposures of $551 million (2022 – $723 million) for wholesale counterparties and $548 million (2022 – $709 million) for generation and other counterparties at December 31, 2023.

The Company is not permitted to sell or re-pledge collateral in the absence of default of the collateral providers. At December 31, 2023, the Company also held other forms of credit enhancement in the forms of letters of credit of $44 million (2022 - $36 million), parental guarantees of $3,463 million (2022 - $3,094 million) and property registrations of nil (2022 - $9 million) related to the financial assets noted above. At December 31, 2023 and 2022, the Company also held parental guarantees which do not have a defined amount or limit, but which provide full support on any outstanding positions related to counterparty performance for power purchase arrangements and certain other operating and construction contracts.

Credit quality and concentrations

The Company is exposed to credit risk on outstanding trade and other receivables associated with its generation and optimization activities including power purchase arrangements, agreements with independent system operators, power sales contracts, energy supply agreements with government sponsored entities, wholesale customers, and trading counterparties. The Company is also exposed to credit risk related to its cash and cash equivalents (which include short-term investments), financial and non-financial derivative instruments assets and long-term financing arrangements.

The credit quality and concentrations of the Company's trade and other receivables and other financial assets, by major credit concentrations are the following:

32. Risk management, continued:

Credit risk, continued

Cash and cash equivalents

The Company has significant credit and performance exposures to financial institutions as they provide committed credit lines and cash deposit facilities, are the primary counterparty of the Company's interest rate and foreign exchange derivative instruments, and facilitate letters of credit to mitigate the Company's exposure to certain counterparties. The Company manages its credit risk on cash and cash equivalents, and short-term investments by dealing with investment grade rated banks and financial institutions and reviewing each investment vehicle to ensure the underlying credit risk is known.

Trade and other receivables and financial derivative instruments

Trade and other receivables are substantially made up of receivables related to the generation and sale of electricity to customers including industrial and commercial customers, independent system operators from various regions and government-owned or sponsored entities and the settlement of financial derivative instruments related to merchant price risk mitigation and trading activities. The Company manages its credit risk on these financial assets through its credit adjudication process, dealing with creditworthy counterparties and utilizing the credit risk mitigation practices noted above.

Generation credit risk

Credit risk exposure from PPAs, agreements with independent system operators, power sales contracts, and certain energy supply agreements is predominantly restricted to trade and other receivables and contract default. In certain cases, the Company relies on a single or small number of customers to purchase all or a significant portion of a facility's output.

The failure of any one of these counterparties to fulfill its contractual obligations could negatively impact the Company's financial results. Financial loss resulting from events of default by counterparties in certain PPAs may not be recovered since the contracts may not be replaceable on similar terms under current market conditions. Consequently, the Company's financial performance depends on the continued performance by customers and suppliers of their obligations under these long-term agreements. Credit risk exposure is mitigated by dealing with creditworthy counterparties that are determined to be investment grade based on the Company's internally assigned ratings or employing mitigation strategies as noted above, netting amounts by legally enforceable set-off rights, and, when appropriate, taking security from the counterparty. Credit risk with counterparties in this asset class that are government owned or sponsored entities and regulated public utility distributors is generally considered low.

Wholesale and merchant credit risk

Credit risk exposure for wholesale and merchant trading counterparties is measured by calculating the costs (or proceeds) of replacing the commodity position (physical and derivative contracts), adjusting for settlement amounts due to or due from the counterparty and, if permitted, netting amounts by legally enforceable set off rights. Financial loss on wholesale contracts could include, but is not limited to, the cost of replacing the obligation, amounts owing from the counterparty or any loss incurred on liability settlements. Wholesale and merchant credit risk exposure is mitigated by trading with investment grade and creditworthy counterparties, portfolio diversification, monitoring of credit exposure limits, margining to reduce energy trading risks, obtaining parent company guarantees, and when appropriate, taking security from counterparties.

Trade and other receivables and allowance for doubtful accounts

Trade and other receivables consist primarily of amounts due from customers including commercial and industrial customers, independent system operators from various regions, government owned or sponsored entities, and other counterparties. Larger commercial and industrial customer contracts and contracts for differences provide for performance assurances including letters of credit if deemed appropriate. The Company also has credit exposures to large suppliers of electricity and natural gas. The Company mitigates these exposures by dealing with creditworthy counterparties and, when appropriate, taking appropriate security from the supplier.

The aging of trade and other receivables at December 31, 2023 was:

	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
Current[2]	$ 743	$ 2	$ 741
Outstanding 31-90 days	6	–	6
	$ 749	$ 2	$ 747

[2] Current amounts represent trade and other receivables outstanding zero to 30 days. Amounts outstanding more than 30 days are considered past due.

At December 31, 2023, the Company held $13 million (2022 – $14 million) in customer deposits for the purpose of mitigating the credit risk associated with accounts receivable from customers. At December 31, 2023, the Company recorded an allowance of $2 million (2022 – $2 million) for expected credit losses on trade and other receivables associated with energy procurement counterparties.

32. Risk management, continued:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by the Treasury function. The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and also by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements are addressed through a combination of committed and demand revolving credit facilities, financings in public and private debt markets and equity offerings by the Company or its CPLP subsidiary. The Company also ladders its debt maturities to avoid large repayments in a single year.

The Company's current liquidity has reduced liquidity risk, with the Company being able to complete a subordinated hybrid note offering which funded on September 9, 2022 (note 23). Additionally, the Company also continues to have available committed credit facilities to draw upon as described below.

At December 31, 2023, the Company had undrawn bank credit facilities and operating lines of credit and demand facilities, totaling $1,587 million (2022 – $820 million), of which $734 million is committed to 2028 (2022 – $569 million committed to 2027).

The Company has a shelf prospectus under which it may raise funds in the form of debt or equity, subject to market conditions. At December 31, 2023, Capital Power has a Canadian short-form base shelf prospectus, which expires in July 2024. Under the short-form base shelf prospectus, Capital Power may issue an unlimited number of common shares, preferred shares, and subscription receipts exchangeable for common shares and/or other securities of the Company and/or debt securities, including up to $2 billion of medium-term notes by way of a prospectus supplement.

The following are the undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments, and where applicable, net of financial assets that generate cash inflows to meet cash outflows on financial liabilities at December 31, 2023:

	Due within 1 year	Due between				Due after more than 5 years	Total contractual cash flows
		1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years		
Non-derivative financial liabilities:							
Loans and borrowings[3] (note 23)	$ 528	$ 83	$ 633	$ 491	$ 714	$ 2,020	$ 4,469
Interest payments on loans and borrowings	206	202	190	163	137	383	1,281
Trade and other payables[4] (note 21)	676	–	–	–	–	–	676
Lease liabilities (note 18)	16	25	14	14	14	185	268
Derivative financial liabilities (net of financial assets):							
Commodity and other derivatives	60	40	45	42	37	203	427
Total	$ 1,486	$ 350	$ 882	$ 710	$ 902	$ 2,791	$ 7,121

[3] Repayments of loans and borrowings exclude fair value differentials of $10 million related to debt assumed on previous asset acquisitions and $269 million related to repayments of tax-equity financing through non-cash tax-equity attributes.

[4] Excluding accrued interest on loans and borrowings of $41 million.

33. Capital management:

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, pay regular dividends to its shareholders, maintain a suitable credit rating, and to facilitate the acquisition or development of projects in Canada and the U.S. consistent with the growth strategy of the Company. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of loans and borrowings net of cash and cash equivalents and equity (which includes non-controlling interests).

The following table represents the total capital of the Company:

At December 31	**2023**	2022
Loans and borrowings (note 23)	**$ 4,716**	$ 3,726
Subscription receipts (note 22)	**399**	–
Lease liabilities[1] (note 18)	**147**	153
Cash and cash equivalents (note 11)	**(1,423)**	(307)
Net debt	**3,839**	3,572
Share capital (note 27)	**3,524**	3,498
Deficit and other reserves	**(334)**	(1,044)
Non-controlling interests	**(4)**	6
Total equity	**3,186**	2,460
	$ 7,025	$ 6,032

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

Capital Power has senior unsecured long-term debt ratings of BBB- (stable outlook) and BBB (low) assigned by Standard & Poor's (S&P) and DBRS Limited (DBRS), respectively. Capital Power has preferred share ratings of P-3 and Pfd-3 (low) assigned by S&P and DBRS, respectively.

Capital Power has the following externally imposed requirements on its capital as a result of its credit facilities and certain debt covenants, as defined in the respective agreements:

- Maintenance of modified consolidated net tangible assets to consolidated net tangible assets ratio, as defined in the debt agreements, of not less than 0.75 to 1.0;
- Maintenance of consolidated senior debt to consolidated capitalization ratio, as defined in the debt agreements, of not more than 0.65 to 1.0;
- Limitation on debt issued by subsidiaries; and
- In the event that Capital Power is assigned a rating of less than BBB- from S&P and BBB (Low) from DBRS (in each case with a stable outlook), Capital Power would also be required to maintain a ratio of consolidated earnings before interest, income taxes, depreciation and amortization to consolidated interest expense, as defined in the debt agreements, of not less than 2.5 to 1.0.

For the years ended December 31, 2023 and 2022, Capital Power complied with all externally imposed capital restrictions.

To manage or adjust its capital structure, the Company can issue new loans and borrowings, issue common or preferred shares, buy back common shares, redeem preferred shares, repay existing loans and borrowings or adjust dividends paid to its shareholders.

34. Interests in joint arrangements and associates:

Joint operations

The Company holds interests in the following joint operations at December 31, 2023:

	Place of business	% of ownership interest
Joffre Cogeneration Project (Joffre)[1]	Canada	40%
Shepard Energy Centre (Shepard)[2]	Canada	50%
Frederickson 1 Generating Station[3]	United States	50.15%

[1] Joffre is a 480 MW gas-fired combined cycle cogeneration facility in which Capital Power holds a 40% interest with external parties holding 40% and 20% interests, respectively.

[2] Shepard is an 860 MW gas-fired generating facility in which Capital Power holds a 50% interest while the other 50% is held by an external party

[3] Frederickson 1 is a 265 MW natural gas-fired combined-cycle generating facility in which Capital Power holds a 50.15% interest while the other 49.85% is held by an external party (note 4).

There are no significant restrictions pertaining to the joint operations described above.

34. Interests in joint arrangements and associates, continued:

Equity-accounted investments

Joint ventures

The Company holds interests in the following joint ventures at December 31, 2023:

	Place of business	% of ownership interest
York Energy Centre L.P. (York Energy)[4]	Canada	50%
MCV Partners LLC[5]	United States	50%

[4] York Energy is a 400 MW natural gas-fired power generating facility, located in Ontario, Canada, in which Capital Power holds a 50% interest while the other 50% is held by an external party.

[5] Midland Cogeneration Venture LP (Midland Cogen) is a 1,633 MW natural gas combined cycle cogeneration facility located in Michigan, USA. Capital Power holds a 50% interest in MCV Partners LLC and the other 50% is held by an external party. MCV Partners LLC owns 100% of MCV Holding Company LLC which owns 100% of Midland Cogen.

The summarized financial information of York Energy and MCV Partners LLC is as follows:

	York Energy		MCV Partners LLC	
Statements of Financial Position	**2023**	2022	**2023**	2022
Cash and cash equivalents	**$ 10**	$ 10	**$ $ 74**	$ 73
Other current assets	**18**	13	**73**	128
Non-current assets	**212**	206	**1,082**	1,151
Other financial current liabilities	**(14)**	(14)	**(98)**	(108)
Trade and other payables	**(3)**	(4)	**(39)**	(71)
Financial non-current liabilities	**(154)**	(171)	**(480)**	(592)
Other non-current liabilities	**(2)**	(2)	**(4)**	(4)
Net assets	**$ 67**	$ 38	**$ $ 608**	$ 577

	York Energy		MCV Partners LLC	
Statements of Income and Comprehensive Income	**2023**	2022	**2023**	2022
Revenues	**$ 63**	$ 72	**$ 641**	$ 242
Energy purchases and fuel	**(9)**	(13)	**(315)**	(147)
Other raw materials and operating charges	**(5)**	(4)	**(30)**	(10)
Staff costs and employee benefits	**–**	–	**(18)**	(5)
Other administrative expense	**(3)**	(2)	**(30)**	(14)
Depreciation and amortization	**(7)**	(7)	**(96)**	(26)
Finance (expense) income	**(6)**	10	**(34)**	(10)
Net income	**$ 33**	$ 56	**$ 118**	$ 30
Other comprehensive loss that are or may be reclassified to net income	**–**	–	**(9)**	(1)
Total comprehensive income	**$ 33**	$ 56	**$ 109**	$ 29

Notes to the consolidated financial statements

34. Interests in joint arrangements and associates, continued:

Equity-accounted investments, continued

Joint ventures, continued

A reconciliation of the Company's recorded equity investment in York Energy and MCV Partners LLC is as follows:

	York Energy		MCV Partners LLC	
	2023	2022	**2023**	2022
Equity-accounted investment, at January 1	$ **126**	$ 117	$ **281**	$ –
Acquisition of equity accounted investment	**–**	–	**–**	273
Proportionate share of comprehensive income (50%)	**16**	28	**59**	15
Distributions received – operating	**(3)**	(8)	**(33)**	(8)
Other Comprehensive Income	**–**	–	**(4)**	–
Amortization of the Company's fair value of net assets acquired	**(10)**	(11)	**–**	–
Foreign exchange gain (loss)	**–**	–	**(7)**	1
Equity-accounted investment, at December 31	$ **129**	$ 126	$ **296**	$ 281

York Energy and MCV Partners LLC are parties to a number of long-term transportation contracts and operating and maintenance contracts. The Company's share of York Energy and MCV Partners LLC's approximate future payments to the contracts are as follows:

	York Energy	MCV Partners LLC	Total
Within one year	$ 9	$ 59	$ 68
Between one and five years	45	154	206
After five years	32	63	88
	$ 86	$ 276	$ 362

Associate

At December 31, 2023, the equity-investment in its associate C2CNT is $30 million (US$23 million) (2022 – $30 million (US$23 million)) and no income or operating cash flow has been earned in the year.

35. Commitments and contingencies:

(a) The Company is committed to the following growth projects at December 31, 2023:

Projects	Contracted Capacity	Expected capital cost	Expected completion date	Location
Growth Projects:				
Repowering of Genesee 1 and 2[1]	512MW[1]	$1,350	2024[1]	Alberta
Maple Leaf Solar[2]	73 MWac	$219 (US$165)	Q4 2026	North Carolina
Ontario growth projects[3]	262 MW	$655	2025 - 2026	Ontario
Halkirk 2 Wind[4]	151MW	$345	Q4 2024	Alberta
Commercial Initiatives:				
Goreway and York Energy Upgrade[5]	78 MW	$72	2025	Ontario

[1] The repowering will provide an additional 512 MW of gross capacity giving a total gross capacity of 1,372 MW for the two repowered units. Expected capital cost has been revised to reflect cost escalations and increased labour costs as well as the cancellation of the 210 MW Genesee battery energy storage system.

[2] On June 29, 2023, the Company announced it executed a 25-year, fixed price renewable power purchase agreement (PPA) for 100% of the output from its Maple Leaf Solar project ("Maple Leaf" or "The Project") with Duke Energy Progress (DEP). Maple Leaf is a 73 MWac (92 MWdc) solar development project in Selma, North Carolina. The construction of the Project is planned to begin in 2025 at a total cost of approximately $219 million (US$165 million) with an expected commercial operations date in the fourth quarter of 2026, pending completion of the Duke interconnection upgrades.

[3] On June 29, 2023, the Company announced that it has:

- Executed two long-term contracts for the East Windsor Expansion (81 MW summer and 100 MW winter contracted capacities) and the York Battery Energy Storage System (BESS) project as part of the IESO's Expedited Long-Term request for proposals process. The York BESS is expected to begin commercial operations in 2025 and the East Windsor Expansion has been updated to begin commercial operations in 2026 due to delays in permitting processes. Capital Power holds 100% interest in the York Energy BESS project.
- Been selected as a successful proponent for the Goreway BESS project as part of Category 2 of the Ontario IESO's Expedited Long-Term request for proposals. The contract was subsequently executed in July 2023 and the project is expected to enter service in 2025.

[4] As part of the clean electricity supply agreement with Public Services and Procurement Canada, Capital Power committed to securing an equity partnership with local Indigenous communities related to the proposed project. The equity partner's economic interest will be determined based on the Indigenous participation requirements set out in the agreement.

[5] 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 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.

On June 29, 2023, the Company announced that it executed a 3-year contract extension for York Energy for approximately 38 MW that will increase York Energy's contracted capacity from 393 MW to 431 MW. The contract extension applies to the new contracted capacity of 431 MW (date of the upgrades expected in 2025) and extends the current contract from 2032 to 2035. Expected capital cost represents Capital Power's 50% ownership interest the York Energy joint venture.

Notes to the consolidated financial statements

35. Commitments and contingencies, continued:

(b) The Company is party to a number of long term energy purchase and transportation contracts, operating and maintenance contracts and contracts to purchase environmental credits. Some of the energy purchase and transportation contracts are measured at their fair value and recorded on the consolidated statement of financial position as derivative financial instruments assets and liabilities as appropriate.

Approximate future payments under each group of contracts are as follows:

	Energy purchase and transportation contracts[6]	Operating and maintenance contracts	Environmental credits[7]
Within one year	$ 250	$ 68	$ –
Between one and five years	826	304	102
After five years	249	314	3
	$ 1,325	$ 686	$ 105

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[6] Based on gross settlement amounts.

[7] Future environmental credit purchases are presented net of future environmental credit sales.

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

As a result of the LLR Proceeding, Capital Power incurred additional charges related to historical periods and, as such, has recorded net expenses of $19 million pertaining to the Company's net obligation including $20 million recorded in prior years and a decrease of $1 million recorded during 2021 to reflect final tranche 3 invoices received during this period. The invoicing process resulted in gross billings to Capital Power of which those amounts not attributable to Capital Power were largely recovered from the appropriate parties, with the exception of those related to the Sundance C PPA from the Balancing Pool.

The Balancing Pool is disputing its liability to make payment for the LLR adjustment invoices related to the Sundance C PPA, which amounts to a net potential exposure to Capital Power of approximately $25 million recorded within other assets at December 31, 2023. The Company believes the various agreements governing the termination and transfer of the Sundance C PPA and related transmission agreements with the AESO had the effect of transferring all past liabilities for the Sundance C PPA to the Balancing Pool. Capital Power has therefore filed a statement of claim at the Alberta Court of Queen's Bench on January 11, 2021 against the Balancing Pool, the Province of Alberta and the AESO in which it is seeking, among other relief, recovery from the Balancing Pool and the Province of Alberta of all amounts Capital Power was compelled to pay to the AESO on account of the LLR adjustment invoices relating to the Sundance C PPA as well as interest and legal costs, including the portion invoiced to the Balancing Pool but not received by the Company pertaining to all tranches of invoices. This process remains ongoing. Capital Power expects to ultimately realize the full amount of the gross receivables related to the line losses upon resolution of the dispute before the Court.

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

36. Guarantees:

The Company, through its subsidiary CPLP, has issued letters of credit of $559 million (2022 – $1,262 million) to meet the credit requirements of energy market participants, to meet conditions of certain service agreements, and to satisfy legislated reclamation requirements.

Notes to the consolidated financial statements

37. 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, Michigan and Washington), 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.

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

	Year ended December 31, 2023				Year ended December 31, 2022			
	Canada	U.S.	Inter-area eliminations	Total	Canada	U.S.	Inter-area eliminations	Total
Revenues – external[1]	$ 3,590	$ 478	$ –	$ 4,068	$ 2,450	$ 262	$ –	$ 2,712
Revenues – inter-area	31	–	(31)	–	(111)	149	(38)	–
Other income	143	71	–	214	134	83	–	217
Total revenues and other income	$ 3,764	$ 549	$ (31)	$ 4,282	$ 2,473	$ 494	$ (38)	$ 2,929

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

	At December 31, 2023			At December 31, 2022		
	Canada	U.S.	Total	Canada	U.S.	Total
Property, plant and equipment	$ 4,898	$ 1,659	$ 6,557	$ 4,737	$ 1,623	$ 6,360
Right-of-use assets	59	59	118	63	64	127
Intangible assets and goodwill	631	144	775	687	130	817
Finance lease receivable[2] (note 15)	34	–	34	41	–	41
Other assets	47	63	110	49	–	49
	$ 5,669	$ 1,925	$ 7,594	$ 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:

	Year ended December 31, 2023						
	Alberta Commercial	Western Canada Contracted	Ontario Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 2,620	$ 147	$ 358	$ 224	$ 3,349	$ 632	$ 3,981
Emission credit revenues	23	12	–	4	39	48	87
Total revenues[3]	$ 2,643	$ 159	$ 358	$ 228	$ 3,388	$ 680	$ 4,068

Notes to the consolidated financial statements

37. Segment information, continued:

	Year ended December 31, 2022						
	Alberta Commercial	Western Canada Contracted	Ontario Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 2,930	$ 160	$ 427	$ 314	$ 3,831	$ (1,164)	$ 2,667
Emission credit revenues	25	6	–	3	34	11	45
Total revenues[3]	$ 2,955	$ 166	$ 427	$ 317	$ 3,865	$ (1,153)	$ 2,712

[3] Included within trade and other receivables, at December 31, 2023, were amounts related to contracts with customers of $442 million (2022 – $737 million).

38. Subsequent event:

Acquisitions of CXA La Paloma, LLC and New Harquahala Generating Company, LLC

On November 20, 2023, the Company announced that it had entered into two separate definitive agreements with CSG Investments, Inc., a subsidiary of Beal Financial Corporation, to acquire:

1. 100% of the equity interests in CXA La Paloma, LLC (La Paloma), which owns the 1,062 MW La Paloma natural gas-fired generation facility in Kern County, California (the La Paloma Acquisition); and
2. under a newly formed 50/50 partnership between an entity that is a 100% owned subsidiary of Capital Power Corporation and an affiliate of a fund managed by BlackRock's Diversified Infrastructure business, 100% of the equity interests in New Harquahala Generating Company, LLC (Harquahala), which owns the 1,092 MW Harquahala natural gas-fired generation facility in Maricopa County, Arizona (the Harquahala Acquisition and together with the La Paloma Acquisition, the Acquisitions).

The purchase price of the Acquisitions attributable to Capital Power is approximately $1.5 billion (US$1.1 billion), subject to working capital and other customary closing adjustments. The Acquisitions were partially funded by a $400 million subscription receipt offering (note 22) and $850 million medium term notes offering (note 23).

The La Paloma Acquisition and the Harquahala Acquisition closed on February 9, 2024 and February 16, 2024, respectively.

As of the release date of these consolidated financial statements, information required to finalize the working capital adjustments associated with the La Paloma Acquisition and the Harquahala Acquisition is outstanding and as a result the purchase price is preliminary and is subject to change. The Company expects to finalize the purchase price allocation for the Acquisitions later in 2024.

As at February 27, 2024, the initial accounting for the Acquisitions are incomplete due to the proximity of the closing date to the release of the consolidated financial statements for the year ended December 31, 2023. As a result, the following items were not available for disclosure in these consolidated financial statements for the year ended December 31, 2023 and will be presented in the condensed interim consolidated financial statements for the three months ended March 31, 2024:

- the fair value, gross contractual, and best estimate at the acquisition dates of the contractual cash flows not expected to be collected for acquired receivables;
- amounts recognized as of the acquisition dates for each major class of assets acquired and liabilities assumed;
- the estimated amount, if any, of goodwill, though if any, none would be expected to be deductible for tax purposes and;
- the revenue and income or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the reporting period.

The Acquisitions of the two contracted combined-cycle U.S. gas generation facilities supports the Company's strategic growth and expansion in the U.S. Western Electricity Coordinating Council region.

APPENDIX

Our Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) alignment indexes address material topics.

TCFD alignment table

Task Force on Climate-related Financial Disclosures (TCFD)

This section reviews our strategy and its resiliency in relation to climate change scenarios and is structured in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework.

TCFD theme	Topic and recommended content	Reference
Governance	Describe Board's oversight of climate-related opportunities and risks	• 2023 Integrated Annual Report, Corporate governance • 2024 Management Proxy Circular, Sustainability and climate oversight • Who we are > Corporate governance (www.capitalpower.com)
	Describe management roles in assessing and managing climate-related opportunities and risk	• 2023 Corporate governance • 2024 Management Proxy Circular, Sustainability and climate oversight • Who we are > Corporate governance (www.capitalpower.com)
Strategy	Describe climate-related risks identified over the short, medium, and long-term	• TCFD Risks and opportunities tables • 2023 Integrated Annual Report, Our strategic focus
	Describe impact of climate-related opportunities and risks on the business strategy and financial planning	• TCFD Risks and opportunities tables
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• TCFD Scenario analysis
Risk management	Describe processes for identifying and assessing climate-related risks	• 2023 Integrated Annual Report, Risk overview • 2023 Integrated Annual Report, Risks and impacts • TCFD Risks and opportunities tables
	Describe processes for managing climate-related risks	• 2023 Integrated Annual Report, Risk overview • 2023 Integrated Annual Report, Risks and impacts • TCFD Risks and opportunities tables
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process	• 2023 Integrated Annual Report, Risk overview • 2023 Integrated Annual Report, Risks and impacts
Targets and metrics	Disclose metrics used to assess climate-related opportunities and risks aligned with the strategy and risk management process	• 2023 Integrated Annual Report, 2024 performance targets • 2023 Integrated Annual Report, Emissions management
	Disclose Scope 1, 2, and 3 GHG emissions and related risks	• 2023 Integrated Annual Report, Emissions management
	Describe targets used by the Company to manage climate-related opportunities and risks, and performance against targets	• 2023 Integrated Annual Report, 2024 performance targets

Scenarios and resilience

Scenarios analysis

Capital Power's strategy is established through rigorous review of the Company's competitive advantages, as well as market fundamentals, changing public policies and evolving long-term dynamics that are shaping the power sector. Through regular assessments, we test and review our strategy to ensure resiliency. This process includes Board oversight and extensive management review to ensure Capital Power's strategy and tactics are adjusted as the competitive environments in which we operate continue to change.

To support this process, Capital Power uses modeling and analysis that evaluates opportunities and risks under varying climate change scenarios. Scenario analysis is employed to understand the resiliency of our strategy as assumptions are varied.

The IEA scenarios and underlying assumptions are considered in Capital Power's analysis. The scenarios provide a high-level starting point for the assessment of climate change impacts and allow us to model scenarios in specific jurisdictions that result in equivalent outcomes. As we evaluate the risks and opportunities that may arise in these scenarios, our analysis focuses on the material risks that are relevant to our business.

IEA scenarios

The IEA scenarios make assumptions about technology advancement, policy, CO_2 prices, fuel prices, socio-economic drivers, and considers global trends towards increasing net zero commitments by governments and corporations. The IEA scenarios simulate the interactions among supply and demand fundamentals and output the resulting energy flows, CO_2 emissions and investments to 2050.

Note: The IEA's 2023 World Energy Outlook Report provides a framework for thinking about the future of global energy. It does not make predictions about the future. Instead, it sets out what the future could look like based on different scenarios or pathways, with the aim of providing insights to inform decision-making by governments, companies and others concerned with energy.

The following includes a summary of each of the three main scenarios from the 2023 IEA report used in Capital Power's analysis:

- **Stated Policies Scenario** (STEPS) assumes that existing and announced policy is implemented by governments. The cumulative contributions that result are material, however not sufficient to achieve the sustainable development goals or limit the worst effects of climate change.
- **Announced Pledges Scenario** (APS) assumes that climate-related commitments made by governments and implemented through Nationally Determined Contributions (NDCs) will be met in full and on time.
- **Net Zero Emissions by 2050 case** (NZE) sets out the pathway for the global energy sector to achieve the ambition of net zero CO_2 emissions by 2050. The IEA notes that this scenario is consistent with limiting global temperature rise to 1.5 degrees Celsius (with at least a 50% probability). We are working to align our actions with the objective of limiting global temperature rise to well below two degrees Celsius.

Scenarios and resilience

Overview of 2023 IEA scenarios and the resiliency of our strategy

The 2023 IEA scenarios are focused on the critical steps required to achieve net zero commitments and limit the effects of climate change. We are working to align our actions with the objective of limiting global temperature rise to well below 2 degrees Celsius. To achieve net zero emissions, carbon abatement must not wait. Contributions to emissions reductions by 2030 will rely heavily on technologies in the market today and new emerging technologies becoming viable over time. Capital Power is advancing the development of emissions-reduction technologies to contribute to a low carbon future. CCS, hydrogen, SMR, DAC and other low-carbon solutions will be essential components of our strategy and ensure our long-term resiliency.

Capital Power's strategy prioritizes the need for flexible sources of supply to maintain reliability. As predicted in the 2023 IEA Global electricity demand and generation mix by scenario, there will be increased penetration of intermittent generation, with the penetration growing as the ambition towards reducing emissions increases. Natural gas will continue to play an integral role in meeting this need as we progress towards net zero. As net zero objectives are pursued, energy storage is increasingly used along with abated natural gas generation and low-carbon fuels to maintain reliability. Additionally, Capital Power is exploring the development and deployment of grid-scale SMRs to provide clean and reliable nuclear energy. These assumptions are an important source of growth in our strategy, the pace will vary by scenario.

As global electricity demand grows, a mix of low carbon energy sources will be needed to power the global economy. Capital Power's renewable energy development will be resilient in all future scenarios, and our thermal generation will undergo an accelerated transformation in scenarios with greater emission reduction efforts. A transition in thermal generation from unabated generation towards combustion of low carbon fuels and operations paired with decarbonization technologies will be essential to long-term resiliency. The pace at which this transition occurs will vary by scenario.

Risk and opportunities tables

Transitional risks and opportunities

Transitional risks and opportunities to our business include risks associated with regulatory and government policy change, technology developments, changing market demands and reputational risks.

The tables below identify short- and long-term transitional risks that may materialize in scenarios where increasing measures are taken to mitigate the impacts of climate change. Similarly, transitional opportunities that may arise in these scenarios are evaluated over the short- and long-term.

Markets, policy and regulatory

Key assumptions	• Carbon pricing remains a central mechanism of climate policy in Canada and the U.S. • Stimulus spending by governments is increasingly focused on energy and low-carbon infrastructure. • Demand growth accelerates globally due to electrification. • Carbon markets continue to expand across North America.
Risks	**Short-term** • Changes in governments create policy uncertainty. • Carbon pricing exposure. **Long-term** • Accelerated decarbonization of the power sector in Canada and the U.S. • Adoption and escalation in carbon prices and more stringent benchmarks continue in response to pressure to reduce emissions through market mechanisms. **Mitigation** • Unmitigated thermal assets are increasingly expensive to operate. We pursue CCS, DAC, SMR and hydrogen blending to minimize exposure to carbon pricing. • Actively manage compliance costs through participation in carbon markets, investments in operational efficiencies that reduce emissions. • Carbon costs are passed through to counterparties on select power purchase agreements, minimizing exposure to carbon price. • Costs and risks associated with emissions abatement from thermal assets are considered in commercial decision-making and due diligence. • Active participation in industry groups to monitor and engage with government officials on emerging policy development relating to climate change and carbon pricing. • Analysis relating to carbon prices and regulation is embedded in commercial decisions and due diligence.
Opportunities	**Short-term** • Rising carbon prices may lead to increases in the wholesale price of power.. • Expansion of carbon markets continues across North America. **Long-term** • Demand growth accelerates as industries are increasingly using electrification as a means to reduce emissions. • Emission-intensive assets with limited opportunities for abatement retire as rising carbon costs limit the economic viability of the assets. **Response** • Expertise in carbon markets leads to reduced compliance costs through hedging and origination, providing affordable energy for customers. • Increase trading activity in environmental markets. • Rising demand for power and the retirement of emission-intensive assets results in an increase in investment opportunities for Capital Power.

Risk and opportunities tables

Renewable energy development

Key assumptions	• Investment in renewables is pursued to decarbonize electricity grids. • The cost of renewable technologies continues to decline; capacity values of renewables increase with technological improvements, expanded regional diversity and co-location with storage assets. • Penetration of renewables continues to increase as demand grows and retirement of existing assets continues. • Intermittency remains a concern for grid reliability; natural gas and storage are essential to integration in the long-term. • New transmission development is required to expand the capacity of renewable generation.
Risks	**Short-term** • Increasing penetration of intermittent renewable energy affects the profile of supply fundamentals. **Long-term** • Long-term declines in the cost of renewables, as well as reduced intermittency through the addition of storage, increases the relative competitiveness of these assets and result in increased development. Capital Power's existing fleet of thermal assets may be affected by this increased penetration. **Mitigation** • Capital Power operates a diverse fleet of assets that includes baseload and peaking units well-suited to varying market conditions. • Capital Power invests strategically in assets that are expected to remain competitive with increasing levels of renewable penetration.
Opportunities	**Short-term** • There are expanded opportunities in renewables across North America as cost declines and policy supports new development. • Intermittent renewable generation increases the volatility of power prices and creates a need for flexible capacity to support integration. **Long-term** • Long-term declines in the costs of renewables increase the relative competitiveness of these assets and result in increased development. **Response** • Assesses development opportunities in renewables, including wind, solar and storage. • Operate flexible natural gas assets that provide critical reliability services to the grid. • Well-positioned to pursue development opportunities for new renewable assets.

Risk and opportunities tables

Natural gas competitiveness and decarbonization

Key assumptions

- Natural gas remains part of the supply mix long-term.
- Regulation of carbon emissions is gradually increased to limit emissions from thermal assets.
- Decarbonization of the fuel mix is expanded through policy and funding that supports innovation and deployment.
- Operating profiles of thermal assets change as they increasingly are used to meet the net demand from intermittent renewables; flexible assets in strategic locations remain competitive.

Risks

Short-term

- Policy and regulation directed at reducing carbon emissions from thermal assets may reduce margins on certain assets.
- Competitiveness of renewables and other low-emission sources of electricity may reduce market share for natural gas generation.

Long-term

- Policy that limits the use of natural gas as a fuel source for electricity generation poses a risk to long-term viability of new and existing thermal assets. Regulation of this nature would affect Capital Power's strategy, financial position and capital allocation decisions.

Mitigation

- Investment in critical natural gas assets that provide grid reliability and support renewable integration. These assets are expected to remain competitive under increasingly stringent carbon regulations and are at reduced risk due to their shorter operating life relative to new gas assets.
- Economic assessment of development of new gas assets assumes shorter asset lives to account for long-term uncertainty.
- Active engagement with policymakers and industry associations to ensure there is a long-term role for low emitting natural gas generation in the supply mix to support renewable integration and maintain reliability.
- Decarbonization of fuel through hydrogen production and blending. Investment in decarbonization technologies, such as CCS and SMRs.
- Advocacy to ensure policy support and widescale adoption of technologies that support decarbonization.

Opportunities

Short-term

- Policy and regulation directed at carbon emissions from thermal assets affect supply fundamentals and, in certain jurisdictions, may increase the wholesale price of power.
- Increasing penetration of intermittent sources of energy increases the need for flexible assets.

Long-term

- Uncertainty over long-term opportunities in natural gas assets limits competition for acquisitions.

Response

- Investment in operational efficiencies and enhancements that improve emissions performance allow assets to realize increased margins through reduced compliance costs and improved competitiveness.
- Capital Power allocates capital to critical natural gas assets situated at strategic locations. These assets have potential to realize increased margins as flexibility services are in higher demand.
- Capital Power pursues acquisitions of critical natural gas assets to support reliability and integration of renewables.
- Deployment of technologies that achieve decarbonization, including hydrogen blending, DAC, SMR and post-combustion CCS technologies.
- In jurisdictions where competitiveness of natural gas is significantly reduced, shift capital allocation to alternative assets including renewables. Capital Power would rebalance the portfolio of assets accordingly as fundamentals evolve.

Risk and opportunities tables

Disruptive technology and energy transition

Key assumptions	• Climate change will drive significant innovation and transformation of the power sector. • Awareness and concern among end-use consumers of their contribution to climate change will drive behavioural changes in energy consumption. • Decarbonization, decentralization and digitalization will drive transformation of energy production and consumption. • Use of technologies for emissions abatement is increasingly deployed across the power sector; CCS is commercially viable in the long-term with increasing carbon prices.
Risks	**Short-term** • Decentralized sources of non-emitting energy, including demand response, reduce overall demand that could impact wholesale prices. • New sources of competition for dispatchable natural gas emerge from non-emitting resources and demand response; this may reduce competitiveness of natural gas generation. **Long-term** • Development and improved competitiveness of non-emitting technologies that fall outside of Capital Power's current core competencies may affect strategy and capital allocation. • Competition among emission abatement technologies may reduce viability of hydrogen, DAC and CCS as mechanisms to extend the useful life of strategic natural gas assets. **Mitigation** • Actively monitor policy and market fundamentals that may drive investment in disruptive technologies that could affect asset competitiveness and financials. • Due diligence assessments identify site-specific impacts that may arise from trends in decentralization and decarbonization. • Monitor emerging technologies and evaluate their potential economic impact. • Actively monitor emission abatement technologies and assesses opportunities to expand our portfolio of technologies that may have direct application in reducing emissions in natural gas generating assets.
Opportunities	**Short-term** • Commercial-scale deployment of emissions abatement technology is supported through policy and regulation and public funding is available to encourage adoption. • Policy support for early-stage development of emission abatement technology encourages the pursuit of new innovations. **Long-term** • Technological advancement and digitalization allow greater control of energy generation and consumption by demand-side market participants. • Emission abatement technologies that support long-term viability of natural gas proliferate and expand development opportunities. **Response** • Actively pursue technologies that are assessed to be commercially deployable at scale in the power sector to reduce emissions from natural gas generation, including CCS, hydrogen and direct air capture applications. • Seek funding for projects to reduce emissions in line with the Company's strategy. • Establish partnerships to advance innovations and early-stage emissions abatement technologies. • Consider pursuing partnerships with companies that are pursuing technologies that have a high likelihood of commercial deployment in electricity generation for emissions abatement.

Risk and opportunities tables

Reputational

Key assumptions

- Climate change creates material reputational risks. We actively manage our exposure and transparently report on the risks and mitigation.

Risks

Short-term

- Investors are increasingly averse to investments that exhibit higher risks from exposure to climate change. Cost of capital could increase due to changing investor sentiment.
- Stakeholders are increasingly focused on exposure to the impacts of climate change, and risks related to our portfolio, which includes carbon-intensive assets.
- Attracting and retaining employees becomes challenging as preferences for employment favour companies with reduced exposure to climate change and fewer or no carbon-intensive assets.
- Counter parties and off-takers favour generators with lower exposure to climate change.

Long-term

- Increasing frequency and severity of climate change-related events may affect company assets and create reputational and investor risk.

Mitigation

- Pursuing opportunities to tie our environmental performance to our financing activities to demonstrate our commitment and leadership in achieving our corporate objectives.
- Coal-fired generation will be phased out.
- ESG criteria is integrated into our investment decisions to ensure appropriate consideration of climate change-related risks.
- Commitment to transparent reporting and disclosure to help address concerns and risks among investors and stakeholders.
- Dedicated subject matter expertise is retained in areas related to disaster management, risk management, regulatory compliance and community engagement to proactively manage the impacts of climate change-related events on physical assets, financial position and reputation.
- Consideration of changes to capital allocation where long-term reputational risks arising from climate change cannot be mitigated with decarbonization strategies. Our portfolio of assets would be rebalanced accordingly as fundamentals evolve.

Opportunities

Short-term

- Climate change-related impacts that affect operations may also affect Capital Power’s reputation as a reliable power generator in the communities where we operate.
- The pursuit of credible decarbonization strategies demonstrates leadership that builds trust with investors and stakeholders.

Long-term

- Companies that actively manage their exposure to climate change-related risks are expected to outperform those that do not adequately address the risks.
- Achieving ambitious reductions in emissions through aggressive pursuit of decarbonization strategies helps to ensure long-term sustainability.

Response

- Leadership is responsible for the construction, operation and maintenance of power-generating facilities that ensures resiliency from increasing climate change-related risks that could negatively affect the Company’s reputation.
- Transparent communication and reporting of progress toward the deployment of decarbonization strategies.

Risk and opportunities tables

Physical risks and opportunities

The following tables assess physical risks and opportunities that may be realized in scenarios where the impact of climate change is increasingly observed in the power sector.

Acute

Key assumptions	• Climate change will cause an increase in extreme weather, affecting Capital Power's current and future assets, and extreme weather events will become increasingly frequent and severe.
Risks	**Short-term** • Extreme weather events caused by climate change could have an impact on our operations and critical infrastructure and trigger increased insurance costs and potential liabilities. **Long-term** • A persistent and material increase over time in the frequency and severity of extreme weather events caused by climate change may affect insurance costs and the ability to secure coverage on specific high-risk assets. **Mitigation** • Increases in extreme weather are included in our risk assessment process. • Monitor the insurance market for material changes to policies that may affect our ability to seek coverage for high-risk assets. • Emergency Preparedness and Response plans are in place for our facilities, with responses tested through simulated disasters in tabletop exercises. Continuous improvement processes ensure learnings are incorporated in future responses. • Sustaining capital is directed to enhancements that mitigate risk. • Capital Power assesses climate change-related physical risk in the due-diligence process for new acquisitions.
Opportunities	**Short-term** • Increasing the frequency and severity of acute climate impacts may affect delivery of energy through wire infrastructure from assets situated on remote parts of the transmission system, and that are at risk due to single points of failure, increasing the value of our strategically located assets. **Long-term** • Increasing the frequency and severity of acute climate impacts may affect delivery of energy through wire infrastructure from assets situated on remote parts of the transmission system, and that are at risk due to single points of failure, increasing the value of our strategically located assets. **Response** • Capital Power invests in strategically located assets that minimize the risks related to energy delivery that may arise from acute climate change-related events. The value of these assets may increase as they are increasingly used to maintain grid reliability.

Risk and opportunities tables

Chronic	
Key assumptions	• Water resources are increasingly affected by climate change (impacts vary by jurisdiction). • Water conservation and use are increasingly scrutinized and subject to more stringent regulation. • Long-term changes in weather patterns will affect the design and operation of new and existing renewable assets.
Risks	**Short-term** • Requirements are strengthened to mitigate the chronic impacts of climate change on water resources. **Long-term** • Physical risks associated with climate change, such as changing wind patterns and extreme weather, may reduce the capacity factor of renewable assets. • Water use and conservation requirements may limit physical access to water resources. • Additional investments may be required to manage cooling requirements and operations may be limited due to restrictions on water use. **Mitigation** • Approved and is executing a Water Management Strategy that will mitigate risks associated with increasing scarcity of water resources. • Actions to move off coal will reduce overall water consumption. • Monitor developments in policy and regulatory frameworks that address management of water resources. • Risks relating to the regulation and management of water are identified and mitigated in due-diligence processes. • Actively seek opportunities to optimize production from our wind assets. • Monitors water use and implements strategies consistent with our Water Management Strategy to reduce consumption at our facilities, which may result in new capital investments and operational costs. Where long-term risk cannot be mitigated, capital allocation may be directed away from high-risk assets and jurisdictions.
Opportunities	**Short-term** • Potential changes in wind patterns and wind regimes may impact operations at our wind facilities and may enable us to generate wind power more efficiently and deliver more renewable energy. • Costs associated with increasing water management requirements may affect supply fundamentals. **Long-term** • Technological advancements in renewables will allow for improved operations in response to persistent changes in climate and weather conditions. • Where long-term changes in climate reduce potential energy output from certain types of assets, there may be increasing value attributed to dispatchable assets with secure fuel sources. **Response** • Incorporates climate change-related risk mitigation in the engineering, design and operation of our assets. • Our Data Operations Centre (DOC) optimizes the energy output and financial performance of our wind assets by increasing our remote monitoring and analytics capabilities. • Proactively manage water resources in line with our Water Management Strategy to ensure we remain competitive in jurisdictions where increasing costs may limit dispatch and competitiveness. • Monitor and invest in operational efficiencies and enhancements that capture additional revenues or mitigate risks that arise from long-term climate-related changes in weather patterns. • Investments in strategically located natural gas assets that are critical to renewable integration and grid support are pursued. • Pursue strategies to ensure assets remain competitive with decarbonization through deployment of CCS technologies, SMR, hydrogen blending and direct air capture.

Risk and opportunities tables

Upstream

Key assumptions

- Climate change will affect Capital Power's upstream operations and financial results through changing availability and security of fuel sources.
- Disruptions to supply chains will become more frequent due to climate change-related events.

Risks

Short-term

- Increased compliance costs attributed to natural gas use could negatively affect competitiveness of assets and decrease revenues.
- Increasing stringency of methane regulation could increase costs of production for natural gas and reduce access to reliable fuel sources.
- Disruption of supply chains due to climate change-related impacts may result in development, operational or financial impacts.

Long-term

- Long-term changes that affect production of natural gas may reduce security of supply and increase cost of fuel.
- Development of new pipeline infrastructure may be limited due to regulatory delays and reduced social acceptance.
- Changes to wind regimes and solar resources may reduce the revenues and competitiveness of existing resources.

Mitigation

- Monitor regulatory developments relating to fugitive methane emissions to assess risks to fuel supply and costs.
- Approval and implementation of a Sustainable Sourcing Strategy that will support the resiliency and sustainability of our operations. Disruptions to supply chains are managed through contractual provisions for liquidated damages. Alternative supply routes and delivery points are considered to mitigate delivery risk and local sourcing is used where possible.
- Direction of capital to optimal locations for renewable development.

Opportunities

Short-term

- Pursuing digitalization and artificial intelligence technologies will allow companies to capitalize on upstream physical and commercial opportunities associated with climate change and improve adaptation or reduce vulnerability to climate change events.
- Development and expansion of markets for products derived from carbon emissions may improve the economics and deployment of CCS and direct air capture technologies.
- Securing and optimizing supply chains may mitigate upstream climate risk and improve competitiveness of Capital Power's assets.

Long-term

- Low-carbon fuels are increasingly adopted as an alternative fuel source for new and existing thermal assets.
- Sequestration associated with post-combustion capture or direct air capture mitigates the risks of long-term use of natural gas.

Response

- Optimize the engineering, design and operation of our assets through the deployment of artificial intelligences strategies at our sites.
- Commitment to operational excellence and asset optimization through innovation efforts.
- Exploring advanced pattern recognition to use data and artificial intelligence to detect patterns that can lead to more advanced maintenance strategies.
- Local sourcing is used, where possible, positively affecting the communities in which we operate through increased economic opportunities. Benefits are realized through reduced travel times for supplies and lower environmental impacts of transportation and delivery.
- Capital Power is developing strategies to assess and integrate low-carbon fuels, such as hydrogen, as a fuel source at existing facilities through production and blending.
- Capital Power continues to advance CCS strategies where low-carbon fuels may not achieve decarbonization of the fuel source.

Risk and opportunities tables

Downstream

Key assumptions	• Downstream risks from climate change will affect the delivery of energy with operational and financial impacts to the power industry. • Corporate entities will increasingly look to procure power from low-emitting sources; the market for corporate power purchase agreements will expand. • Electrification of end-use sectors will support long-term decarbonization.
Risks	**Short-term** • Outages on downstream electricity grids from climate change-related events may cause disruptions to operations, resulting in negative financial impacts to Capital Power. **Long-term** • Markets and operating environments may become more difficult to forecast due to changing climate-driven regulations and policies, which could, in turn, increase volatility of Capital Power's operations and financial results. **Mitigation** • Actively manage delivery risks and ensures contingency plans are in place to manage shut-down and short-term cessation of operations as a result of outages on the grid that affect energy delivery. • Strategically located assets are well-suited to supply critical services for restoration events. • Dedicated subject matter expertise, including energy traders, origination specialists, market forecasters, and regulatory and commercial managers who, assist in stewarding key issues related to downstream physical risks.
Opportunities	**Short-term** • Increasing investment by corporate entities to secure contracted sources of renewable power to meet their own demand requirements increases the opportunities for development of renewable assets. **Long-term** • Decarbonization through increased electrification will support long-term emission reduction objectives, including net zero commitments. **Response** • Pursue contracting opportunities with corporate off-takers to secure the output of new and existing assets. • Development opportunities will grow as electrification of end-use sectors grows. Capital Power is well-positioned to pursue new development opportunities to meet this growing demand.

GRI 2: General disclosures 2023

Disclosure number	Disclosure title	2023 response
The organization and its reporting practices		
2-1	Organizational details	Capital Power Corporation 2023 Annual Information Form > Corporate Structure 2023 Integrated Annual Report > About us
2-2	Entities included in the organization's sustainability reporting	For all GRI Standards and material topics included, we report only on assets that we operate (unless otherwise stated) and provide year-over-year trending, where possible. Data from each plant represents the entire plant, not only our financial share of the operation, including York Energy and Midland Cogeneration (50/50 joint venture). Energy production and emissions data from Joffre and Shepard Energy Centre, units we hold an ownership interest in, are not included because we do not hold the operating permits. For the Genesee Mine, we report emissions and environmental data, as we hold the environmental operating approval for the facility. We do not report any other information for this facility because it is independently operated by a separate entity, which Capital Power has no authority over. Frederickson 1 was acquired on December 28, 2023 (see Significant events) and is excluded from environmental, health and safety, employee and innovation spend data. Capital Power follows GHG Protocol guidance to report emissions and other environmental data for the entire report, however Frederickson 1 data availability was limited at the time of report development, and is therefore excluded. Frederickson 1 emissions data will be included in the 2024 reporting period. 2023 Integrated Annual Report, Business report > Notes to the consolidated financial statements
2-3	Reporting period, frequency and contact point	Our report is published annually, covering the reporting period January 1, 2023 – December 31, 2023 The report was published on February 28, 2024 Organization details: Capital Power 1200 – 10423 101 St. N.W. Edmonton, AB T5H 0E9 info@capitalpower.com www.capitalpower.com
2-4	Restatements of information	We follow GHG Protocol guidance to restate historic emissions in the event of structural changes to the organization (acquisitions, divestments, mergers), changes in calculation methodology and/or discovery of errors in previously reported data that would otherwise compromise the consistency and relevance of the reported GHG emissions information. We restate emissions if the effect of expected changes exceeds our quantitative threshold of +/- 10 per cent of base year or other historical emissions. 2020 and 2021 Scope 1 emissions and emissions intensity have been restated to reflect the acquisition of Midland Cogeneration, resulting in an increase in reported emissions when compared to reporting from previous years. 2020 absolute Scope 1 emissions have been restated from 11,527,603 to 16,053,699 tCO$_2$e and 2021 emissions restated from 10,430,443 to 13,742,607 tCO$_2$e. For emissions intensity, 2020 has been restated from 0.58 to 0.55 tCO$_2$e/MWh and from 0.53 to 0.52 tCO$_2$e/MWh for 2021.These adjustments are reflected in Scope 1 absolute emissions and intensity only, other metrics have not been adjusted. Timing of the 2020 and 2021 restatements were dependent on gaining access to historical Midland Cogeneration emissions data, and therefore emissions were restated in 2023 rather than 2022 annual reporting. Scope 3 emissions reported in the 2022 IAR have also been restated as a result of refinement to our Scope 3 methodology. Improvements to our methodology included applying industry-specific supply chain emissions factors used to quantify emissions under Category 1: Purchased Goods and Services and updating natural gas emissions factors for Category 3: Fuel- and Energy-Related Activities. Scope 3 emissions for 2022 were previously reported as 3,133,661 tCO$_2$e and have been restated to 2,034,932 tCO$_2$e.

GRI 2: General disclosures 2023

Disclosure number	Disclosure title	2023 response
2-5	External assurance	2023 Integrated Annual Report > Assurance Definitions of subject matter and applicable criteria related to assured sustainability performance indicators: Scope 1 Greenhouse gas intensity (tCO_2e / MWh): Total scope 1 absolute emissions, as defined by the GHG Protocol, divided by net generation (MWh) for all facilities included within our emissions reporting boundary. Total Scope 1 GHG emissions (tCO_2e): Scope 1 emissions, as defined by the GHG Protocol, for all facilities included within our emissions reporting boundary. Innovation spend (millions $): Annual capital and operating expenditures that: (1) Increase data digitalization, availability, and connectivity to enable information-based decisions, (2) Advance innovative solutions that contribute to Capital Power's carbon reduction target such as carbon capture utilization or sequestration, hydrogen and direct air capture technologies or projects, (3)Advance storage technologies or projects where the application of the technology is innovative or unique; and, (4) Advance innovative solutions that minimize our impact to air, water, waste, and land. Total recordable incident frequency (TRIF): Total recordable injury frequency (work-related injury / 200,000 hours worked). TRIF includes both contractors and employees, but excludes construction projects. Women by employee category (%) • Women: Employees that self-identified as a woman at the time of employee onboarding. • Executive: Members of the Executive Team. • Upper management: Employees in non-executive leadership roles, such as Vice Presidents, Directors, and Senior Managers, are considered as upper management. • Professional: Non-upper management employees, excluding those in administration, operations and commodity trading roles. • Administration: Employees in administration roles, excluding upper management. • Operations: Employees in operations and front line roles, excluding upper management. • Traders: Employees in commodity trading roles, excluding upper management. Women new hires (%) • Permanent employees hired from January 1, 2023, through to December 31, 2023, that self-identified as a woman at the time of employee onboarding.
Activities and workers		
2-6	Activities, value chain and other business relationships	2023 Integrated Annual Report > About us 2023 Integrated Annual Report > Our business model 2023 Integrated Annual Report > Managing risks and impacts 2023 Annual Information Form > Business of Capital Power 2023 Integrated Annual Report > Business report, Significant events

GRI 2: General disclosures 2023

Disclosure number | **Disclosure title** | **2023 response**

Activities and workers

2-7 Employees

Total employees

	Women	Men	Total
Canada	209	498	707
United States	18	141	159
Total	227	639	**866**

Employees by contract type and gender

	Women	Men	Total
Permanent	207	536	743
Temporary	12	22	34
Non-guaranteed hours	8	81	89
Full-time	214	626	840
Part-time	13	13	26

Employees by contract type and region

	Canada	United States	Total
Permanent	662	81	743
Temporary	34	0	34
Non-guaranteed hours	11	78	89
Full-time	685	155	840
Part-time	22	4	26

Data was gathered as of December 31, 2023, using our Workday System. It includes all permanent employees, temporary and temporary extended employees, casual employees and employees on maternity/parental leave. It excludes pensioners, Board members, students, and employees on long-term (LTD), as of December 31, 2023. Casual employees are included in the part-time non-guaranteed hours and full-time non-guaranteed hours categories. It excludes any Frederickson employees.

Data was collected for employees only, by gender as specified by employees themselves, as either woman or man at the time of employee onboarding, full time/part time, and casual/permanent/ temporary. It excludes contingent workers.

There were no significant fluctuations of headcount.

2-8 Workers who are not employees

170

Data was gathered as of December 31, 2023, using our Workday System. It includes all contingent workers (excluded from employee headcounts). It excludes any Frederickson employees.

The most common type of worker who is not an employee are temporary full-time contractors hired through staffing agencies for the purposes of projects and shutdowns. Fluctuations therefore occur based on the timing of projects and shutdowns.

Governance

2-9 Governance structure and composition

2023 Integrated Annual Report > Corporate governance

2024 Management Proxy Circular > Board committees

Website > Corporate Governance

As above

As above

2-10 Nomination and selection of the highest governance body

2024 Management Proxy Circular > About our nominated Directors

2024 Management Proxy Circular > Recruitment, assessment and tenure

2024 Management Proxy Circular > Diversity

2024 Management Proxy Circular > Shareholder proposals

2-11 Chair of the highest governing body

Our Board Chair, Jill Gardiner, is not an Executive officer.

2-12 Role of the highest governance body in overseeing the management of impacts

2024 Management Proxy Circular > Sustainability and climate oversight

2023 Integrated Annual Report > TCFD alignment table

GRI 2: General disclosures 2023

Disclosure number	Disclosure title	2023 response
Governance		
2-13	Delegation of responsibility for managing impacts	2024 Management Proxy Circular > Roles and responsibilities 2024 Management Proxy Circular > PCG Committee 2024 Management Proxy Circular > HSE Committee 2024 Management Proxy Circular > Sustainability and climate oversight
2-14	Role of the highest governance body in sustainability reporting	The Audit Committee is responsible for reviewing public disclosure documents, including sustainability reporting in the IAR, and recommends them to the Board for approval. 2024 Management Proxy Circular > Audit Committee
2-15	Conflicts of interest	2024 Management Proxy Circular > Material interests > Conflicts of interest and related-party transactions 2023 Annual Information Form > Directors and officers > Conflicts of interest
2-16	Communication of critical concerns	Capital Power maintains frequent dialogue with the Board. With respect to critical concerns, the Board meets at least quarterly through regularly scheduled meetings to discuss issues, and/or as appropriate, based on the nature of the issue. The Audit Committee receives quarterly reports and the HSE Committee meets three times per year, and at each meeting they receive HSE Quarterly Status and Environmental Regulatory Update reports, as well as verbal operations reports. We do not disclose what is discussed in Board meetings due to confidentiality constraints. Critical concerns are taken to the Board and discussed. Actions are taken or policies are updated, as needed.
2-17	Collective knowledge of the highest governance body	2023 Integrated Annual Report > Corporate governance 2024 Management Proxy Circular > Director education
2-18	Evaluation of the performance of the highest governance body	2024 Management Proxy Circular > Board assessment 2024 Management Proxy > Assessing performance
2-19	Remuneration policies	2024 Management Proxy Circular > Compensation Discussion and Analysis
2-20	Process to determine remuneration	2024 Management Proxy Circular > Compensation Discussion and Analysis Shareholders vote, on an advisory basis, on our approach to executive compensation, which is included in the 2024 Management Proxy Circular. The vote at the 2023 AGM was 97.20% for and 2.80% against.
2-21	Annual total compensation	Annual total compensation ratio: 28.6:1 Increase in annual total compensation ratio: 9.1:1 Notes: Includes all employees reported under disclosure 2-7. Compensation for all applicable employees is valued as a full-time equivalent. Compensation types include salary, target STIP (if applicable), and target LTIP (if applicable). The title of the highest-paid individual is Chief Executive Officer. CEO annual total compensation is excluded from the median annual total compensation used to calculate the ratio. The increase in annual total compensation ratio is in part due to a change in the incumbent of the CEO position.

GRI 2: General disclosures 2023

Disclosure number	Disclosure title	2023 response
Strategy, policies and practices		
2-22	Statement on sustainable development	2023 Integrated Annual Report > Board Chair Letter 2023 Integrated Annual Report > CEO Letter
2-23	Policy commitments	When any Canadian statutory decision maker, court or tribunal applies the Precautionary Principle in making its determination, we consider this principle in the conduct of our activities in like circumstances. The Precautionary Principle says that when an activity raises threats to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically. At Capital Power, we act with integrity and take responsibility for our decisions and actions. The foundations of this culture are our Ethics and Respectful Workplace Policies. Our Indigenous Relations Policy outlines our commitment to work with Indigenous communities in a manner that is respectful and honours the diversity and rights of each community and culture. Our Sustainable Sourcing Policy outlines our firm stance against the use of forced or compulsory labor and any form of slavery and human trafficking, as well as child labor, in our upstream supply chains or any part of our operations.

Policy	Approved	Approval date	Review period
Ethics	Board	2009	Annually, or more frequently when circumstances dictate
Respectful workplace	Board	2018	Annually, or more frequently if an incident occurs or changes in law dictate
Indigenous relations	Executive team	2022	Biennially
Sustainable sourcing	Board	2022	Annually

Policy commitments are available on our public website and are incorporated into contractual agreements with external parties. Any changes made to these policies are communicated to all employees and agents through internal newsletters and meetings.

Disclosure number	Disclosure title	2023 response
2-24	Embedding policy commitments	Our policy commitments apply to our Board of Directors and all Capital Power employees, as well as consultants and contractors. Compliance with these policies is a material condition of ongoing employment and relationship with Capital Power. All Capital Power managers are responsible for incorporating the implementation of these policies into their operations and procedures. Capital Power manages supplier policy compliance assessment in advance of procurement during the execution of the work and upon completion. Capital Power's approach uses policy, third-party administered screening questionnaires, criteria relevant to the specific work set out in procurement documents, and standardized terms and conditions setting out Capital Power expectations.
2-25	Processes to remediate negative impacts	Website > Ethics policy
2-26	Mechanisms for seeking advice and raising concerns	Website > Ethics

GRI 2: General disclosures 2023

Disclosure number	Disclosure title	2023 response
Strategy, policies and practices		
2-27	Compliance with laws and regulations	There were no significant instances of non-compliance with laws and/or regulations in 2023. No significant fines or non-monetary sanctions for non-compliance with laws and/or regulations were levied in 2023. Capital Power reviews several data points to assess the materiality of a non-compliant event, including impact to business operations, reputational implications, prior events of a similar nature, any referrals to enforcement agencies, and/or penalties/fines assessed and associated dollar amount. Note: This excludes Frederickson, which will be included in the 2024 reporting period.
2-28	Membership associations	Capital Power maintains organizational-level memberships in the following associations: • Powering Past Coal Alliance • International Emissions Trading Association • Business Council for Sustainable Energy • Business Renewables Center • American Clean Power Association • Western Power Trading Forum • Mid-Atlantic Renewable Energy Coalition • Clean Grid Alliance • Ontario Chamber of Commerce Energy Council • Clean Energy BC • Solar Energy Industries Association • Canadian Renewable Energy Association • American Council on Renewable Energy • Alberta Chamber of Resources • Catalyst • Boston College Center for Corporate Citizenship • Construction Owners Association of Alberta • Independent Power Producers Society of Alberta • Association of Power Producers of Ontario • Canadian Electricity Association • Canadian American Business Council • Edmonton Chamber of Commerce • The Conference Board of Canada • Advanced Power Alliance • Business Ethics Leadership Alliance • Edmonton Integrity Network • Canadian Council for Aboriginal Business

GRI 2: General disclosures 2023

Disclosure number	Disclosure title	2023 response
Stakeholder engagement		
2-29	Approach to stakeholder engagement	2023 Integrated Annual Report > Community and stakeholder engagement 2024 Management Proxy Circular > Shareholder engagement
2-30	Collective bargaining agreements	33% of Capital Power employees are covered by collective bargaining agreements. Capital Power uses market data, which includes both unionized and non-unionized companies, to determine working conditions and terms of employment in addition to collective agreements.

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response
Disclosures on material topics		
3-1	Process to determine material topics	Our material topics were identified during our 2018 ESG materiality assessment. For a description of our 2018 ESG materiality assessment, please see our 2020 Integrated Annual Report, p.12.
3-2	List of material topics	Climate change and carbon footprint Innovation Sustainable sourcing Water management There are no changes to our material topics from the previous reporting year.
GRI 201: Economic performance (2016)		
3-3	Management of material topics	Discussion around economic performance can be found throughout the 2023 Integrated Annual Report > Business report
201-1	Direct economic value generated and distributed	Economic value generated and distributed: Direct economic value generated: • Revenues and other income: $4,282M Economic value distributed: • Staff costs and employee benefits expense: $179M Payments to providers of capital: • Interest paid: $152M • Dividends paid: $290M • Income taxes paid: $227M Other operating costs: $2,478M Community investments: $3.4M 2023 Integrated Annual Report > Financial statements > Statement of changes in equity Segmented revenues split between USA and Canada are included within the 2023 Integrated Annual Report > Business report > Consolidated net income and results of operations
201-2	Financial implications and other risks and opportunities due to climate change	2023 Integrated Annual Report > Business report > Risks and risk management > Climate change 2023 Integrated Annual Report > TCFD alignment table

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response
GRI 201: Economic performance (2016)		
201-3	Defined benefit plan obligations and other retirement plans	Capital Power employees hired prior to July 1, 2009, participate in the Local Authorities Pension Plan (LAPP), a multi-employer, contributory pension plan for employees of municipalities, hospitals and other public entities in Alberta, governed by the Public Sector Pension Plans Act (Alberta). No liability accrues to participating employers like Capital Power, as the plan is governed by the LAPP Corporation who manage liabilities through contributions collected from employers and plan participants. Employees hired after July 1, 2009, participate in a defined contribution arrangement, a registered pension plan for Canadian employees and a 401(k) for American employees, which do not amass liabilities by design. Certain Canadian employees are eligible to participate in the Supplemental Retirement Plan (SRP), a non-registered plan that provides pension benefits in excess of the maximum limits prescribed by the Income Tax Act (Canada). The plan is funded through general revenues of Capital Power on a pay-as-you-go basis. The defined benefits component of the SRP has an estimated liability of $38M as of December 31, 2023. This retirement plan is governed by the PCG Committee of the Board. Percentage of salary contributed by employee or employer: • LAPP – Employer contributes 9.39% up to the yearly maximum pensionable earnings (YMPE) and 13.84% above the YMPE. Employee contributes 8.39% up to the YMPE and 12.84% over the YMPE. • Defined Contribution Pension Plan (DC) – Employee/Employer each contribute 5% (in cases of <5 years of service), 6.5% (for 5–10 years of service), 8% (>10 years of service). • 401(k) (U.S. employees only) – Employee voluntary deferral, up to 7% employer match. • Savings Plan (eligible employees only) – Employee voluntary deferral, up to 5% employer match. Level of participation in retirement plans: • LAPP/DC – 100% – Mandatory participation (Canada) • 401(k) – 100% voluntary participation rate (U.S.) • Savings Plan – 91% voluntary participation rate (Canada)
201-4	Financial assistance received from government	2023 Integrated Annual Report > Business report > note 6 (Other income) 2023 Integrated Annual Report > Business report > note 16 (Government compensation)
GRI 204: Procurement practices (2016)		
3-3	Management of material topics	Capital Power manages the procurement of goods and services, both locally at each of its facilities, and centrally through head office oversight. Factors that most often impact procurement decisions include overall value, cost, experience, familiarity, skill, lead time, supplier location, reputation, and environmental and social performance. Risks and impacts associated with our supply chain include both environmental and social factors, these risks and impacts were identified and highlighted as part of our sustainability materiality assessment. To address these risks and impacts Capital Power developed a Sustainable Sourcing Strategy, based on strategy deliverables work has been completed to elevate the importance of environmental and social factors in our supply chain decision-making process. 2023 Integrated Annual Report > Sustainability in action
204-1	Proportion of spending on local suppliers	Capital Power's Sustainable Sourcing Policy defines local suppliers as those that are headquartered in, and/or wholly or partially owned and controlled by one or more individuals that have a substantial connection to, communities in which we operate. Of Capital Power's top 20 suppliers by spend, thirteen met the criteria for local suppliers, including our largest supplier by spend.

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response
GRI 302: Energy (2016)		
3-3	Management of material topics	The environmental program is monitored on a regular basis by the HSE Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent external environmental experts. The Company continues to invest in environmental infrastructure related to energy and to ensure that environmental requirements are met, or while implementing procedures to reduce the impact of operations on the environment. All plants are subject to an internal review process, which includes an environmental component. Internal audit has developed an Integrated Site Assurance Team (ISAT) program whereby all plants are subject to a multi-disciplinary assurance review on a rotating schedule, which includes a health, safety and environment component. The environmental focus of these audits is the plant's permits and regulatory compliance and/or a management system approach to assessing environmental risk management. In addition, Capital Power's Health, Safety, Security and Environment corporate group is subject to an internal audit every three years where it takes a risk-based approach to determine the scope of the audit. The results of internal audit engagements are distributed to management, who provide responses to each finding, including committed dates for actionable items. Internal audit follows up with management on actionable items until they are completed and reports the status of findings quarterly to the HSE Committee of the Board. External compliance verifications have been initiated on the majority of Canadian thermal facilities around greenhouse gas (GHG) compliance. These verifications look at energy input. Verifications that have covered energy use have found no discrepancies to date. In 2023, Capital Power obtained limited assurance on Scope 1 GHGs disclosed in this report based on absolute emissions and emissions intensity from a third-party independent verifier. The internal reviews performed in 2023 did not result in significant findings that required changes to our management approach.
302-1	Energy consumption within the organization	

2023 Coal Consumption (GJ)	2023 Natural Gas Consumption (GJ)	Total Non Renewable Energy Consumption
59,683,763	210,508,871	**270,192,635**

Non-Renewable Energy Consumption by Country

Country	**2023 Coal Consumption (GJ)**	**2023 Natural Gas Consumption (GJ)**
Canada	59,683,763	74,062,794
U.S.	0	136,446,077
Total	**59,683,763**	**210,508,871**

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 302: Energy (2016)

302-1 (continued)

Energy consumption within the organization

Non-renewable Energy Consumption by Facility

Country	Prov./State	Facility	Type of Facility	2023 Coal Consumption (GJ)	2023 Natural Gas Consumption (GJ)
Canada	Alberta	Halkirk	Wind	0	0
Canada	Alberta	Whitla 1	Wind	0	0
Canada	Alberta	Whitla 2	Wind	0	0
Canada	Alberta	Strathmore	Solar	0	0
Canada	Alberta	Clydesdale	Solar	0	0
Canada	British Columbia	Quality Wind	Wind	0	0
Canada	British Columbia	Island Generation	Natural gas	0	13,839
Canada	Alberta	Genesee 1 & 2	Coal/Natural gas	49,518,336	18,119,037
Canada	Alberta	Genesee 3	Coal/Natural gas	10,165,427	28,505,846
Canada	Alberta	Genesee Mine	Mining	0	0
Canada	Alberta	Clover Bar	Natural gas	0	7,223,640
Canada	Alberta	Clover Bar LFG	Landfill gas	0	0
Canada	Ontario	East Windsor	Natural gas	0	126,502
Canada	Ontario	York Energy	Natural gas	0	468,450
Canada	Ontario	Goreway	Natural gas	0	19,605,480
Canada	Ontario	Kingsbridge	Wind	0	0
Canada	Ontario	Port Albert	Wind	0	0
Canada	Ontario	Port Dover & Nanticoke	Wind	0	0
U.S.	Alabama	Decatur Energy Center	Natural gas	0	17,179,802
U.S.	Arizona	Arlington	Natural gas	0	26,962,897
U.S.	Michigan	Midland Cogeneration	Natural gas	0	92,303,378
U.S.	New Mexico	Macho Springs	Wind	0	0
U.S.	North Carolina	Beaufort Solar	Wind	0	0
U.S.	Kansas	Bloom	Wind	0	0
U.S.	North Dakota	New Frontier	Wind	0	0
U.S.	Illinois	Cardinal Point	Wind	0	0
U.S.	Texas	Buckthorn	Wind	0	0
Total				**59,683,763**	**210,508,871**

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 302: Energy (2016)

302-1 (continued) Energy consumption within the organization

2023 Biomass Consumption (GJ)	2023 Landfill Gas Consumption (GJ)	2023 TDF Consumption (GJ)	2023 Total Generation from Waste Heat (GJ)	Total Renewable Energy Consumption
0	320,703	0	0	**320,703**

Renewable Energy Consumption by Country

Country	2023 Biomass Consumption (GJ)	2023 Landfill Gas Consumption (GJ)	2023 TDF Consumption (GJ)
Canada	0	320,703	0
U.S.	0	0	0
Total	**0**	**320,703**	**0**

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 302: Energy (2016)

302-1 (continued) | Energy consumption within the organization

Renewable Energy Consumption by Facility

Country	Prov./State	Facility	Type of Facility	2023 Biomass Consumption (GJ)	2023 Landfill Gas Consumption (GJ)	2023 TDF Consumption (GJ)
Canada	Alberta	Halkirk	Wind	0	0	0
Canada	Alberta	Whitla 1	Wind	0	0	0
Canada	Alberta	Whitla 2	Wind	0	0	0
Canada	Alberta	Strathmore	Solar	0	0	0
Canada	Alberta	Clydesdale	Solar	0	0	0
Canada	British Columbia	Quality Wind	Wind	0	0	0
Canada	British Columbia	Island Generation	Natural gas	0	0	0
Canada	Alberta	Genesee 1 & 2	Coal/Natural gas	0	0	0
Canada	Alberta	Genesee 3	Coal/Natural gas	0	0	0
Canada	Alberta	Genesee Mine	Mining	0	0	0
Canada	Alberta	Clover Bar	Natural gas	0	0	0
Canada	Alberta	Clover Bar LFG	Landfill gas	0	320,703	0
Canada	Ontario	East Windsor	Natural gas	0	0	0
Canada	Ontario	York Energy	Natural gas	0	0	0
Canada	Ontario	Goreway	Natural gas	0	0	0
Canada	Ontario	Kingsbridge	Wind	0	0	0
Canada	Ontario	Port Albert	Wind	0	0	0
Canada	Ontario	Port Dover & Nanticoke	Wind	0	0	0
U.S.	Alabama	Decatur Energy Center	Natural gas	0	0	0
U.S.	Arizona	Arlington	Natural gas	0	0	0
U.S.	Michigan	Midland Cogeneration	Natural gas	0	0	0
U.S.	New Mexico	Macho Springs	Wind	0	0	0
U.S.	North Carolina	Beaufort Solar	Solar	0	0	0
U.S.	Kansas	Bloom	Wind	0	0	0
U.S.	North Dakota	New Frontier	Wind	0	0	0
U.S.	Illinois	Cardinal Point	Wind	0	0	0
U.S.	Texas	Buckthorn	Wind	0	0	0
Total				**0**	**320,703**	**0**

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 302: Energy (2016)

302-1 (continued)	Energy consumption within the organization	

2023 Consumption	GJ
Electricity	**4,662,909**
Heating	**NA**
Cooling	**NA**
Steam	**NA**

** conversion: 1 MWh = 3.6 GJ

2023 Sold	GJ
Electricity	**121,741,688**
Heating	**NA**
Cooling	**NA**
Steam	**5,356,550**
** conversion: 1 MWh = 3.6 GJ	** conversion: 1 MWh = 3.6 GJ

Total Energy Consumption (GJ)	**148,078,036**

Notes:
Conversion of fuel to GJ based on higher heating value of fuel.
Conversion of MWh to GJ based on 1 MWh = 3.6 GJ (steam enthalpy).
Net MWh generation (sold electricity) is net “revenue-quality” MWh, unless otherwise noted.
Sold electricity and steam are subtracted in the calculation of total energy consumption as per GRI guidance.
Electricity consumption is based on unit parasitic load (gross generation minus net generation).
Higher heating value based on fuel analysis or published values.

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response
GRI 302: Energy (2016)		
302-2	Energy consumption outside the organization	At this time we do not track or set targets for energy consumption.
302-3	Energy intensity	**Energy intensity** **4.19** Notes: Organization metric (denominator) is Net Generation (MWh). Fuel inputs are included in the ratio (GJ). Fuel, electricity, and steam are included in the intensity ratio as per GRI guidance. Only energy consumption within the organization is used to calculate the energy intensity.
302-4	Reduction of energy consumption	Efforts to reduce energy consumption are not tracked or targeted within the business.
302-5	Reduction in energy requirements of products and services	Capital Power's energy consumption from products and services is tracked in our Scope 3 emissions, however we do not track downstream emissions. At this time we are not setting reduction targets.
GRI 303: Water and Effluents (2018)		
3-3	Management of material topics	Capital Power's Regulatory and Environmental Policy (R&EP) group, in consultation with government relations, is responsible for early identification of emerging regulatory issues, as well as proposed and forthcoming regulatory changes, including water-related issues. They work proactively with internal stakeholders at Capital Power to ensure that the corporate growth strategy is executed within the constraints imposed by current and expected environmental policies in Canada and the U.S. The R&EP group: • Provides details about Canadian and U.S. environmental policy initiatives to internal stakeholders; • Leads an internal multi-disciplinary team to develop Capital Power's positions about environmental policies, including water; • Coordinates the analysis of potential environmental regulations and policies on Capital Power's existing assets, new projects and acquisitions; • Represents and advocates Capital Power's environmental policy positions with industry committees, governments and other stakeholders; and • Coordinates regular communication of environmental policy issues and positions. The R&EP group reports regularly to the Executive Team. All plants are subject to an internal review process, which includes an environmental component, focusing on either a plant's permits and regulatory compliance or a management system approach to reviewing environmental risk management. The internal reviews performed in 2023 did not result in significant findings that required changes to management approach.
303-1	Interactions with water as a shared resource	Standards for the quality and quantity of effluent discharges are determined by applicable regional regulatory agencies. In all cases, our approvals include regulatory requirements, which involve studies, limits, monitoring and reporting. We comply with all conditions in our operating water approvals and participate in watershed alliances and multi-stakeholder watershed management planning initiatives. Capital Power sits on the Alberta Water Council (AWC) Board (a multi-stakeholder partnership to engage industry, NGOs and governments to achieve the outcomes of the Water for Life strategy) as industry vice president, and is a member of the Canadian Electricity Association (CEA), which advocates for the electricity industry positions to the federal government, including protection of fisheries.
303-2	Management of water discharge-related impacts	The minimum standards for the quality of effluent discharges are determined by applicable regional regulatory agencies in the form of operating water approvals, permits and licenses that take into consideration any regional watershed concerns. In addition to meeting the regulatory thresholds, we continue to explore and utilize best management approaches for clean water for operational efficiencies.

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response
GRI 303: Water and Effluents (2018)		
303-3	Water withdrawal	57,284 ML Notes: Total includes: surface waters, groundwater, seawater, produced waters and third-party waters. Additional contextual information relating to the provided data is outlined in the sites' operating permits, approvals or licenses issued by the regional regulator or from local water quality objectives. We assume water consumed is equal to water withdrawal minus water discharge.
303-4	Water discharge	39,091 ML Notes: Total includes: surface waters, groundwater, seawater, produced waters and third-party waters. All waters discharged were considered to be <1,000 mg/L Total Dissolved Solids. Operating approvals, permits and/or licenses identify any "discharge consents" or priority substances to be treated specific to each operational site.
303-5	Water consumption	18,193 ML Notes: Total includes: surface waters, groundwater, seawater, produced waters and third-party waters. Operating approvals, permits and/or licenses identify any "discharge consents" or priority substances to be treated specific to each operational site. According to the WWF water risk filter, the only facility in a region with High or Extremely High Baseline Water Stress is our Arlington Valley facility. Arlington withdrew 415 ML (0.7% of total water withdrawals) of water in 2023.
GRI 305: Emissions (2016)		
3-3	Management of material topics	Responsibilities around energy management are outlined in our HSSE Policy, Investment Policy, and Enterprise Risk Policy. 2023 Integrated Annual Report > Emissions management 2023 Integrated Annual Report > TCFD alignment table 2024 Management Proxy > Governance at Capital Power

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 305: Emissions (2016)

305-1 Direct (Scope 1) GHG emissions

Gross Direct GHG Emissions (tonnes CO_2e) **16,234,470.24**

GHG By Facility

Country	Prov./State	Facility	Type of Facility	GHG excluding Biomass & LFG CO_2e (tonnes/yr)	GHG including Biomass & LFG (tonnes/yr)
Canada	Alberta	Halkirk	Wind	0	0
Canada	Alberta	Whitla 1	Wind	0	0
Canada	Alberta	Whitla 2	Wind	0	0
Canada	Alberta	Strathmore	Solar	0	0
Canada	Alberta	Clydesdale	Solar	0	0
Canada	British Columbia	Quality Wind	Wind	0	0
Canada	British Columbia	Island Generation	Natural gas	711	711
Canada	Alberta	Genesee 1 & 2	Coal/Natural gas	5,549,683	5,549,579
Canada	Alberta	Genesee 3	Coal/Natural gas	2,412,870	2,412,870
Canada	Alberta	Genesee Mine	Mining	31,010	31,010
Canada	Alberta	Clover Bar	Natural gas	365,937	365,937
Canada	Alberta	Clover Bar LFG	Landfill gas	85	9,651
Canada	Ontario	East Windsor	Natural gas	6,435	6,435
Canada	Ontario	York Energy	Natural gas	23,781	23,781
Canada	Ontario	Goreway	Natural gas	994,907	994,907
Canada	Ontario	Kingsbridge	Wind	0	0
Canada	Ontario	Port Albert	Wind	0	0
Canada	Ontario	Port Dover & Nanticoke	Wind	0	0
U.S.	Alabama	Decatur Energy Center	Natural gas	840,507	840,507
U.S.	Arizona	Arlington	Natural gas	1,387,560	1,387,560
U.S.	Michigan	Midland Cogeneration	Natural gas	4,620,986	4,620,986
U.S.	New Mexico	Macho Springs	Wind	0	0
U.S.	North Carolina	Beaufort Solar	Solar	0	0
U.S.	Kansas	Bloom	Wind	0	0
U.S.	North Dakota	New Frontier	Wind	0	0
U.S.	Illinois	Cardinal Point	Wind	0	0
U.S.	Texas	Buckthorn	Wind	0	0
Total				**☑ 16,234,470**	**16,243,931**

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 305: Emissions (2016)

305-1 (continued) — Direct (Scope 1) GHG emissions

GHG By Country

Country	GHG excluding Biomass & LFG CO_2 (tonnes/yr)	GHG including Biomass & LFG (tonnes/yr)
Canadian totals	9,385,418	9,394,879
U.S.Totals	6,849,052	6,849,052
Total	**16,234,470**	**16,243,931**

GHG By Fuel Type

Emission	GHG excluding Biomass & LFG CO_2 (tonnes/yr)	GHG including Biomass & LFG (tonnes/yr)
Coal	4,470,334	4,470,275
Gas	11,733,041	11,732,995
Renewables	85	9,651
Total	**16,203,460**	**16,212,922**
Biogenic GHG Emissions (tonnes CO_2e)		**9,461.25**

Notes:
Gases included in gross direct GHG emission calculation include CO_2 , CH4 , N2O and SF6.
Global warming potential rates used are from IPCC Guidelines (AR5) for Greenhouse Gas Inventories.
We use a combination of mass balance and emission factors in the calculation of CO_2 emissions.
Quantification requirements are dictated by the operational jurisdiction.
Information that was not available for December due to timing of the report was estimated.
This information represents our generation associated with our operating approvals regardless of our financial interest in the facility.
Data from owned capacity at facilities where we do not hold the operating permits is not included in this report.
Organization-specific metric (the denominator) chosen to calculate the ratio: Net MWh.
GHG by Fuel Type excludes the Genesee Mine as it is not part of generation.

Disclosure number	Disclosure title	2023 response
305-2	Energy indirect (Scope 2) GHG emissions	32,883 (tonnes CO_2e)
305-3	Other indirect (Scope 3) GHG emissions	2,589,787 (tonnes CO_2e)

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 305: Emissions (2016)

305-4 GHG emissions intensity

GHG Intensity (tonnes CO_2e/MWh)	0.48

* This intensity includes GHG emissions related to MWh production only and excludes steam production at East Windsor.

* This intensity includes emissions from generation only. It does not include Genesee Mine emissions (does not generate electricity).

GHG Intensity By Facility

Country	Prov./State	Facility	Type of Facility	GHG Intensity (tonnes CO_2e/MWh)
Canada	Alberta	Halkirk	Wind	0.000
Canada	Alberta	Whitla 1	Wind	0.000
Canada	Alberta	Whitla 2	Wind	0.000
Canada	Alberta	Strathmore	Solar	0.000
Canada	Alberta	Clydesdale	Solar	0.000
Canada	British Columbia	Quality Wind	Wind	0.000
Canada	British Columbia	Island Generation	Natural gas	0.448
Canada	Alberta	Genesee 1 & 2	Coal/Natural gas	0.851
Canada	Alberta	Genesee 3	Coal/Natural gas	0.597
Canada	Alberta	Genesee Mine	Mining	0.000
Canada	Alberta	Clover Bar	Natural gas	0.498
Canada	Alberta	Clover Bar LFG	Landfill gas	0.016
Canada	Ontario	East Windsor	Natural gas	0.561
Canada	Ontario	York Energy	Natural gas	0.627
Canada	Ontario	Goreway	Natural gas	0.430
Canada	Ontario	Kingsbridge	Wind	0.000
Canada	Ontario	Port Albert	Wind	0.000
Canada	Ontario	Port Dover & Nanticoke	Wind	0.000
U.S.	Alabama	Decatur Energy Center	Natural gas	0.396
U.S.	Arizona	Arlington	Natural gas	0.397
U.S.	Michigan	Midland Cogeneration	Natural gas	0.466
U.S.	New Mexico	Macho Springs	Wind	0.000
U.S.	North Carolina	Beaufort Solar	Solar	0.000
U.S.	Kansas	Bloom	Wind	0.000
U.S.	North Dakota	New Frontier	Wind	0.000
U.S.	Illinois	Cardinal Point	Wind	0.000
U.S.	Texas	Buckthorn	Wind	0.000
Total				**☑ 0.479**

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 305: Emissions (2016)

Disclosure number	Disclosure title	2023 response
305-4 (continued)	GHG emissions intensity	GHG Intensity by country

Country	GHG Intensity (tonnes CO_2e/MWh)
Canadian totals	0.575
U.S. Totals	0.390
Total	☑ **0.479**

GHG By Fuel Type

	GHG Intensity (tonnes CO_2e/MWh)
Coal	0.766
Gas	0.502
Renewables	0.000
Total	☑ **0.479**

Notes:
This intensity includes GHG emissions related to MWh production only and excludes emissions related to the Genesee Mine.
Organization-specific metric (the denominator) chosen to calculate the ratio: Net MWh.
Types of GHG emissions included in the intensity ratio: Scope 1.
Gases included: CO_2, CH_4, N_2O, HFC's, SF6.
Capital Power follows the recommendations of the GHG Protocol for the timing of recalculations for structural changes, however Frederickson data availability was limited at the time of report development due to acqusition timing and is therefore excluded. Frederickson data will be included in the 2024 reporting period.

Disclosure number	Disclosure title	2023 response	
305-5	Reduction of GHG emissions	**GHG emission reductions (tonnes CO_2e):**	**2,134,308.72**

Notes:
Reduction initiatives include Genesee Performance Standard and co-firing with natural gas.
Denominator used is Net Generation (sold MWh).
Gases included: CO_2, CH_4, N_2O.
Base year for calculation: 2016.
Reductions are for direct (Scope 1) emissions.
Reduction calculations compared the 2016 (base year) GHG intensity and the 2023 GHG intensity and the reduction in intensity was applied to the 2023 generation. It is assumed that any reduction in intensity is due to efficiency improvements, co-firing with natural gas on Genesee 1/2 and fuel switch on G3.
2016 was selected as a baseline year for this metric because this was the year preceding the reduction initiatives related to the Genesee Performance Standard.

Disclosure number	Disclosure title	2023 response
305-6	Emissions of ozone-depleting substances (ODS)	We had no ODS emissions in 2023.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	

Parameter	2023 Emissions	Units
NOx	18,914	tonnes
SO_2	14,719	tonnes
Particular Matter (PM)	1,045	tonnes
Mercury	22	kg

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response

GRI 305: Emissions (2016)

305-7 (continued) — Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

Emissions By Facility

Country	Prov./State	Facility	Type of Facility	NOx (tonnes/yr)	SO_2 (tonnes/yr)	Total PM (tonnes/yr)	Hg (kg/yr)
Canada	Alberta	Halkirk	Wind	0	0	0	0
Canada	Alberta	Whitla 1	Wind	0	0	0	0
Canada	Alberta	Whitla 2	Wind	0	0	0	0
Canada	Alberta	Strathmore	Solar	0	0	0	0
Canada	Alberta	Clydesdale	Solar	0	0	0	0
Canada	British Columbia	Quality Wind	Wind	0	0	0	0
Canada	British Columbia	Island Generation	Natural gas	0	0	0	0
Canada	Alberta	Genesee 1 & 2	Coal/Natural gas	12,856	13,721	755	18
Canada	Alberta	Genesee 3	Coal/Natural gas	2,275	956	224	4
Canada	Alberta	Genesee Mine	Mining	0	0	0	0
Canada	Alberta	Clover Bar	Natural gas	192	2	1	0
Canada	Alberta	Clover Bar LFG	Landfill gas	21	1	1	0
Canada	Ontario	East Windsor	Natural gas	3	0	0	0
Canada	Ontario	York Energy	Natural gas	10	0	0	0
Canada	Ontario	Goreway	Natural gas	160	5	2	0
Canada	Ontario	Kingsbridge	Wind	0	0	0	0
Canada	Ontario	Port Albert	Wind	0	0	0	0
Canada	Ontario	Port Dover & Nanticoke	Wind	0	0	0	0
U.S.	Alabama	Decatur Energy Center	Natural gas	61	4	39	0
U.S.	Arizona	Arlington	Natural gas	93	7	22	0
U.S.	Michigan	Midland Cogeneration	Natural gas	3,241	23	0	0
U.S.	New Mexico	Macho Springs	Wind	0	0	0	0
U.S.	North Carolina	Beaufort Solar	Solar	0	0	0	0
U.S.	Kansas	Bloom	Wind	0	0	0	0
U.S.	North Dakota	New Frontier	Wind	0	0	0	0
U.S.	Illinois	Cardinal Point	Wind	0	0	0	0
U.S.	Texas	Buckthorn	Wind	0	0	0	0
Total				**18,914**	**14,719**	**1,045**	**22**

GRI 3: General disclosures 2023

Disclosure number	**Disclosure title**	**2023 response**

GRI 305: Emissions (2016)

305-7 (continued)

Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

Emissions By Country

Country	**NOx (tonnes/yr)**	**SO_2 (tonnes/yr)**	**Total PM (tonnes/yr)**	**Hg (kg/yr)**
Canadian totals	15,519	14,685	983	22
U.S. Totals	3,395	34	62	0
Total	**18,914**	**14,719**	**1,045**	**22**

Emission By Fuel Type

Emission	**NOx (tonnes)**	**SO_2 (tonnes)**	**PM (tonnes)**	**Hg (kg)**
Coal	15,132	14,677	979	22
Gas	3,761	41	64	0
Renewables	21	1	1	0
Total	**18,914**	**14,719**	**1,045**	**22**

Notes:
The majority of these emissions are calculated using direct measurement (Continuous Emissions Monitoring Systems).
Some parameters are calculated using source emission testing or mass balance.
Where emission factors are utilized, the source of the emission factors is typically source testing or EPA-published emission factors.
Calculation methodologies are dictated by jurisdiction.

GRI 3: General disclosures 2023

Disclosure number	Disclosure title	2023 response
GRI 308: Supplier Environmental Assessments (2016)		
3-3	Management of material topics	Capital Power manages supplier environmental assessment in advance of procurement during the execution of the work and upon completion. Capital Power's approach uses policy, third party-administered environmental questionnaires, work specific procurement criteria/processes, standardized terms and conditions, standardized environmental standards, and active site management. Key policies related to supplier environmental performance include Capital Power's HSSE Policy and Sustainable Sourcing Policy, which are available on our website.
308-1 and 308-2	New suppliers that were screened using environmental criteria, and negative environmental impacts in the supply chain and actions taken	All new Capital Power suppliers performing work at an operating facilities and constructions sites are asked to provide responses to an online questionnaire through our third-party contractor management service provider pertaining to the suppliers' environmental maturity, performance, and procedures. Suppliers not performing physical work on site are not included. Responses to the questionnaire are optional at this time and results are primarily used in aggregate by Capital Power to evaluate supply chain environmental maturity and for baselining. Capital Power did not use this information to assess individual supplier performance in 2023.
GRI 414: Supplier Social Assessments (2016)		
3-3	Management of material topics	Capital Power manages supplier social assessment in advance of procurement during the execution of the work and upon completion. Capital Power's approach uses policy, third party-administered social screening questionnaires, social criteria relevant to the specific work set out in procurement documents, and standardized terms and conditions setting out Capital Power expectations. Key related policies include Capital Power's Ethics Policy and Sustainable Sourcing Policy, which are available on our website.
414-1 and 414-2	New suppliers that were screened using social criteria, and negative social impacts in the supply chain and actions taken	All new suppliers performing work at an operating facilities and constructions sites are asked to provide responses to an online questionnaire through our third-party contractor management service provider pertaining to the suppliers' environmental maturity, performance, and procedures. Suppliers not performing physical work on site are not included. Responses to the questionnaire are optional at this time and results are primarily used in aggregate by Capital Power to evaluate supply chain environmental maturity and for baselining. Capital Power did not use this information to evaluate individual supplier performance in 2023.

SASB Index

Greenhouse gas emissions and energy resource planning

SASB disclosure	Category	Unit of measure	SASB disclosure reference	2023 response
Gross global Scope 1 emissions	Quantitative	Metric tons (t) CO$_2$-e	IF-EU-110a.1	16,234,470.24
Percentage of gross global Scope 1 emissions covered under emissions-limiting regulations	Quantitative	Percentage (%)	IF-EU-110a.1	58%
Percentage of gross global Scope 1 emissions covered under emissions-reporting regulations	Quantitative	Percentage (%)	IF-EU-110a.1	100%
Greenhouse gas (GHG) emissions associated with power deliveries	Quantitative	Metric tons (t) CO$_2$-e	IF-EU-110a.2	See GRI 305-1
Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and analysis	n/a	IF-EU-110a.3	Responsibilities around energy management are outlined in our HSSE Policy, Investment Policy, Enterprise Risk Policy and Management Proxy. See GRI 302-1 and GRI 305-1. 2023 Integrated Annual Report, Emissions management Website, HSSE Policy

Air quality

SASB disclosure	Category	Unit of measure	SASB disclosure reference	2023 response
Air emissions of the following pollutants: (1) NOx (excluding N$_2$O), (2) SOx, (3) particulate matter (PM10), (4) lead (Pb), and (5) mercury (Hg); percentage of each in or near areas of dense population	Quantitative	Metric tons (t), Percentage (%)	IF-EU-120a.1	Air emissions and the percentage of each in or near areas of dense populations

	NO_2 (tonnes/a)	**SO_2 (tonnes/a)**	**Total PM (tonnes/a)**	**Hg (kg/a)**
Air emissions	18,914	14,719	1,045	22
% near areas of dense population	20%	0%	6%	0%

Water management

SASB disclosure	Category	Unit of measure	SASB disclosure reference	2023 response
(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m^3), Percentage (%)	IF-EU-140a.1	See GRI 303-3 and GRI 303-5 According to the WWF water risk filter, the only facility in a region with High or Extremely High Baseline Water Stress is our Arlington Valley facility. Arlington withdrew 415 ML (0.7% of total water withdrawals) of water in 2023.
Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	Quantitative	Number	IF-EU-140a.2	There were no fines or government enforcement actions related to water in 2023.
Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and analysis	n/a	IF-EU-140a.3	See GRI 303-1

SASB Index

SASB disclosure	Category	Unit of measure	SASB disclosure reference	2023 response
Coal ash management				
Amount of coal combustion residuals (CCR) generated, percentage recycled	Quantitative	Metric tons (t), Percentage (%)	IF-EU-150a.1	Coal Ash Management **tonnes** **%** Ash Disposed 423,600 63% Ash Recycled 246,859 37%
Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	Quantitative	Number	IF-EU-150a.2	Not applicable – Capital Power does not have any impoundments that meet the definition for this topic.
Energy affordability				
Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers	Quantitative	Rate	IF-EU-240a.1	Capital Power does not have any residential customers. We do have commercial and industrial customers, however we do not disclose information about these electric rates due to confidentiality constraints.
Typical monthly electric bill for residential customers for (1) 500 kWh and (2) 1,000 kWh of electricity delivered per month	Quantitative	Reporting currency	IF-EU-240a.2	Not applicable – Capital Power does not have any residential customers.
Number of residential customer electric disconnections for non-payment, percentage reconnected within 30 days	Quantitative	Number, Percentage (%)	IF-EU-240a.3	Not applicable – Capital Power does not have any residential customers.
Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	Discussion and analysis	n/a	IF-EU-240a.4	Not applicable – Capital Power does not sell to a material number of direct customers.
Workforce health and safety				
(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Quantitative	Rate	IF-EU-320a.1	TRIF: 0.97 Fatality rate: 0 NMFR: 9.55 Note: All rates include all contractors in operations and Capital Power employees. They do not include construction projects. The average hours of health, safety and emergency response training for full-time employees is 27 hours. We do not currently track health, safety and emergency response training hours for contract employees.
End-use efficiency and demand				
Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)	Quantitative	Percentage	IF-EU-420a.1	Not applicable – Capital Power does not sell to a material number of direct customers.

SASB Index

SASB disclosure	Category	Unit of measure	SASB disclosure reference	2023 response
End-use efficiency and demand				
Percentage of electric load served by smart grid technology	Quantitative	Percentage (%) by megawatt hours (MWh)	IF-EU-420a.2	Not applicable – Capital Power does not sell to a material number of direct customers.
Customer electricity savings from efficiency measures, by market	Quantitative	Megawatt hours (MWh)	IF-EU-420a.3	Not applicable – Capital Power does not sell to a material number of direct customers.
Nuclear safety and emergency management				
Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column	Quantitative	Number	IF-EU-540a.1	Not applicable – Capital Power does not own or operate any nuclear power units.
Description of efforts to manage nuclear safety and emergency preparedness	Discussion and analysis	n/a	IF-EU-540a.2	Not applicable – Capital Power does not own or operate any nuclear power units.
Grid resilience				
Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	Quantitative	Number	IF-EU-550a.1	Capital Power has not experienced any financial losses related to technology failure, cyber-attacks or security breaches.
(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days	Quantitative	Minutes, number	IF-EU-550a.2	SAIDI, SAIFI, and CAIDI are not applicable to Capital Power's business, as Capital Power does not sell to a material number of direct customers. Capital Power's fleetwide availability in 2023 was 95%.
Activity metrics				
Number of: (1) residential, (2) commercial, and (3) industrial customers served	Quantitative	Number	IF-EU-000.A	Capital Power has 128 number of commercial and industrial customers.
Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers	Quantitative	Megawatt hours (MWh)	IF-EU-000.B	See 2023 ESG Performance
Length of transmission and distribution lines	Quantitative	Kilometers (km)	IF-EU-000.C	Not applicable – Capital Power does not own or operate any transmission or distribution lines.
Total electricity generated, percentage by major energy source, percentage in regulated markets	Quantitative	Megawatt hours (MWh), Percentage (%)	IF-EU-000.D	See 2023 ESG Performance
Total wholesale electricity purchased	Quantitative	Megawatt hours (MWh)	IF-EU-000.E	Not applicable – Capital Power does not purchase a significant amount of wholesale electricity for physical consumption.

2023 ESG performance

	2023[1]	2022	2021	2020		
	Indicated unit	Indicated unit	Indicated unit	Indicated unit	GRI Disclosure	SASB Disclosure
Operations (Total electricity generated, percentage by major energy source, percentage in regulated markets (megawatt hours (MWh), percentage (%))						
Net thermal energy generation						
Net production – energy source and generation percentage (coal)	**5,834,724** **17.3%**	8,596,359 27.5%	7,692,081 39.5%	9,166,000 46.3%		IF-EU-000.D
Net production – energy source and generation percentage (natural gas)	**23,352,928** **69.1%**	17,543,646 56.2%	7,370,195 37.8%	5,728,000 28.9%		IF-EU-000.D
Net renewable generation						
Net production – energy source and generation percentage (hydro)	**0** **0.0%**	0 0.0%	0 0.0%	0 0.0%		IF-EU-000.D
Net production – energy source and generation percentage (solar)	**247,925** **0.7%**	100,909 0.3%	28,205 0.1%	27,000 0.1%		IF-EU-000.D
Net production – energy source and generation percentage (biomass)	**0** **0.0%**	0 0.0%	55,815 0.3%	356,000 1.8%		IF-EU-000.D
Net production – energy source and generation percentage (wind)	**4,376,128** **12.9%**	4,957,868 15.9%	4,280,126 22.0%	4,230,000 21.4%		IF-EU-000.D
Net production – energy source and generation percentage (tire-derived fuel)	**0** **0.0%**	0 0.0%	44,053 0.2%	287,000 1.4%		IF-EU-000.D
Net production – energy source and generation percentage (landfill gas)	**5,423** **0.0%**	9,032 0.0%	2,785 0.0%	3,000 0.0%		IF-EU-000.D
Environment						
Energy consumption – natural gas (GJ)	**210,508,871**	155,615,349	61,686,853	49,741,778	302-1	
Energy consumption – coal (GJ)	**59,683,763**	85,325,590	76,736,277	91,150,792	302-1	
Energy consumption – bio-mass (GJ)	**0**	0	1,186,685	6,704,422	302-1	
Energy consumption – landfill gas (GJ)	**320,703**	352,952	382,253	422,202	302-1	
Energy consumption – tire-derived fuel (GJ)	**0**	0	955,255	5,548,704	302-1	
Energy intensity (GJ/MWh)	**4.19**	7.88	7.44	7.99	305-4	
Greenhouse gas emissions – Scope 1 absolute (tCO_2e)	**16,234,470**	15,908,540	13,742,607[2]	16,053,699[2]	305-1	IF-EU-110a.1, IF-EU-110a.2
Greenhouse gas emissions – intensity (tCO_2e/MWh)	**0.48**	0.51	0.52[2]	0.55[2]	305-4	
Reduction of GHG emissions (tCO_2e)	**2,134,309**	968,718	847,576	601,018	305-5	

[1] Frederickson 1 was acquired on December 28, 2023 (see Significant events). Due to the proximity of the acquisition to December 31, 2023, generation, availability and revenues are immaterial. For all other metrics, data was unavailable for year-end reporting and has therefore been excluded.

[2] Scope 1 absolute emissions and emissions intensity have been restated for 2020 and 2021. For details about GHG emissions restatements, see GRI 2-4.

2023 ESG performance

	2023[1]	2022	2021	2020		
	Indicated unit	Indicated unit	Indicated unit	Indicated unit	GRI Disclosure	SASB Disclosure
Environment (continued)						
Air emissions – NOx (tonnes)	**18,914**	17,895	13,079	16,216	305-7	IF-EU-120a.1
Air emissions – SO2 (tonnes)	**14,719**	17,926	15,500	20,565	305-7	IF-EU-120a.1
Air emissions – particulate matter (tonnes)	**1,045**	1,094	603	895	305-7	IF-EU-120a.1
Air emissions – mercury (kg)	**22**	26	22	23	305-7	IF-EU-120a.1
Water withdrawal (megalitres)	**57,284**	58,310	44,214	47,594	303-3	IF-EU-140a.1
Water discharge (megalitres)	**39,091**	36,748	31,457	37,123	303-4	IF-EU-140a.1
Water consumed (megalitres)	**18,193**	21,562	12,757	10,471	303-5	IF-EU-140a.1
Number of incidents of non-compliance associated with water quantity and/or quality permits, standards and regulations	**0**	0	0	0		IF-EU-140a.1
Economic						
Revenues and other income ($M)	**4,282**	2,929	1,990	1,937	201-1	
Adjusted funds from operations ($M)	**819**	848	605	522	201-1	
Net cash flows from operating activities ($M)	**822**	935	867	611	201-1	
Dividends declared per common share ($/share)	**2.39**	2.26	2.12	1.99	201-1	
Community investments ($M)	**3.40**	5.40	1.80	1.50	201-1	
Corporate Governance						
Board diversity – gender (%)[2]	**40**	40	44	44		
Total compensation ratio – CEO/employees (ratio)	**28.6:1**	25.1:1	26.1:1	23.5:1	102-38	
Supply Chain						
Procurement – spending on local suppliers (%)	**53**	68	55	68	204-1	
People						
Total number of employees (number)	**866**	773	797	827	102-8	
Permanent employees (numbers)	**744**	717	797	786	102-8	
Employee diversity – overall (% women)	**26**	26	27	25	405-1	
Employee diversity – executive (% women)	**44**	43	43	43	405-1	
Employees covered by collective bargaining agreements (%)	**33**	31	29	30		

[1] Frederickson 1 was acquired on December 28, 2023 (see Significant events). Due to the proximity of the acquisition to December 31, 2023, generation, availability and revenues are immaterial. For all other metrics, data was unavailable for year-end reporting and has therefore been excluded.

[2] Includes all members of the Board of Directors.

10-year operational and financial highlights

(millions of dollars except per share and operational amounts) (unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operational										
Number of facilities at year-end	**30**	29	26	28	26	25	24	18	18	15
Electricity generation (GWh)	**32,487**	28,573	22,811	23,806	24,527	20,229	17,194	15,328	14,567	12,376
Facility availability	**95%**	93%	90%	95%	94%	95%	96%	94%	95%	95%
Financial position (at December 31)										
Total assets[6]	**$11,156**	$10,133	$9,073	$8,911	$8,582	$7,569	$6,819	$6,062	$5,393	$5,420
Loans and borrowings including current portion	**$4,716**	$3,726	$3,360	$3,552	$3,413	$2,647	$2,146	$1,508	$1,615	$1,586
Income and cash flow										
Revenues and other income[1,6]	**$4,282**	$2,983	$1,990	$1,937	$1,963	$1,417	$1,168	$1,214	$1,241	$1,218
Adjusted EBITDA[2,5,6,7]	**$1,455**	$1,353	$1,124	$955	$1,029	$736	$614	$509	$483	$387
Net income[6]	**$737**	$168	$87	$130	$119	$258	$125	$102	$86	$50
Net income attributable to shareholders[6]	**$744**	$178	$98	$136	$125	$265	$135	$111	$90	$46
Basic earnings per share[6]	**$6.07**	$1.19	$0.39	$0.78	$0.73	$2.17	$0.98	$0.91	$0.70	$0.28
Diluted earnings per share[3,6]	**$6.04**	$1.19	$0.39	$0.77	$0.72	$2.16	$0.98	$0.91	$0.70	$0.28
Net cash flows from operating activities	**$822**	$935	$867	$611	$720	$450	$372	$375	$419	$391
Adjusted funds from operations[2,4]	**$819**	$848	$605	$522	$555	$397	$361	$291	$324	N/A
Adjusted funds from operations per share[2,4]	**$6.99**	$7.28	$5.40	$4.96	$5.32	$3.85	$3.58	$3.02	3.36	N/A
Dividends										
Dividends declared per common share	**$2.39**	$2.26	$2.12	$1.99	$1.86	$1.73	$1.62	$1.51	$1.41	$1.31
Common share information (TSX:CPX)										
High	**$ 46.90**	$51.90	$45.05	$38.88	$35.09	$29.79	$26.51	$24.49	$27.12	$28.71
Low	**$35.11**	$36.65	$33.31	$20.23	$26.22	$22.15	$23.15	$16.37	$15.41	$20.51
Close	**$37.84**	$46.33	$39.46	$34.98	$34.39	$26.59	$24.49	$23.23	$17.77	$26.00
TSX volume (millions)	**90.4**	93.1	73.3	103.1	77.1	65.4	62.8	73.2	79.8	58.3

[1] Revenues for 2014 and 2015 have been restated to the 2016 basis of presentation.

[2] The consolidated financial highlights, except for adjusted EBITDA, adjusted funds from operations (AFFO) and AFFO per share were prepared in accordance with GAAP. See Non-GAAP Financial Measures and Ratios in the Integrated Annual Report.

[3] Diluted earnings per share was calculated after giving effect to outstanding share purchase options and the exchange of common limited partnership units of CPLP held by EPCOR for common shares of Capital Power on a one-for-one basis.

[4] Commencing in 2017, the Company uses AFFO as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders. In 2018, the Company made several adjustments to its AFFO measure to better reflect the purpose of the measure, see adjusted funds from operations and adjusted funds from operations per share section in the Non-GAAP Measures and Ratios section of the Integrated Annual Report for further details around the calculation of AFFO. Comparative AFFO figures have been restated to reflect the above refinements to the AFFO metric.

[5] Adjusted EBITDA figures for 2014 to 2018 have been restated to correspond to the 2019 basis of presentation.

[6] The comparative periods' amounts for 2017 and 2018 have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16 in 2019. Comparative period amounts prior to 2017 have not been restated.

[7] Commencing in 2023, the Company refined its adjusted EBITDA measure to better reflect the purpose of the measure and exclude other items affecting facility operations that are not reflective of the long-term performance of the Company's underlying business. Comparative adjusted EBITDA figures have not been restated to reflect the above refinements to the adjusted EBTIDA metric.

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Auditors

KPMG LLP, Edmonton, Alberta

Stock Exchange and Index Membership

Toronto Stock Exchange (TSX) Member of the following indices:

- S&P/TSX Composite
- S&P/TSX Canadian Dividend Aristocrats
- S&P/TSX Capped Utilities
- S&P/TSX SmallCap

Stock trading symbols (TSX)

Common shares: CPX

Preferred shares:
Series 1 – CPX.PR.A
Series 3 – CPX.PR.C
Series 5 – CPX.PR.E
Series 11 – CPX.PR.K

Common Shares
(as of December 31, 2023)

Total outstanding shares: 117,682,621

Market capitalization: $4.45 billion

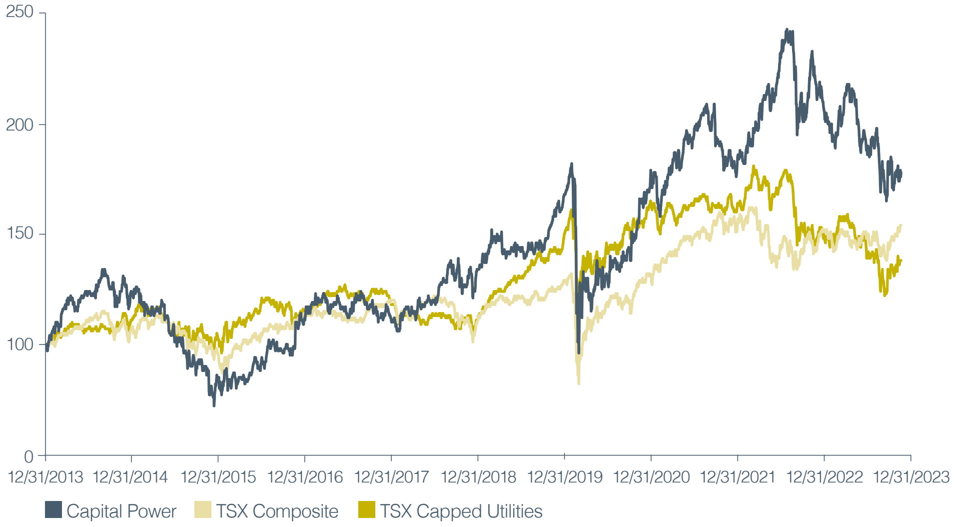
2024 Expected Common Share Dividend Dates

	Ex-Dividend Date	Record Date	Payment Date
Quarter 1	Mar 27	Mar 28	Apr 30
Quarter 2	Jun 27	Jun 28	Jul 31
Quarter 3	Sept 26	Sept 27	Oct 31
Quarter 4	Dec 30	Dec 31	Jan 31, 2025

2024 Expected Preferred Shares Dividend Dates

	Ex-Dividend Date	Record Date	Payment Date
Quarter 1	Mar 14	Mar 15	Mar 28
Quarter 2	Jun 14	Jun 17	Jun 28
Quarter 3	Sept 13	Sept 16	Sept 27
Quarter 4	Dec 13	Dec 16	Dec 31

10-year Relative Price Performance for Common Shares (CPX)



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