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

For immediate release | May 1, 2024

# Capital Power announces first quarter 2024 results

*Genesee Repowering project hits major milestones*

**EDMONTON, Alberta – May 1, 2024 –** Capital Power Corporation (TSX: CPX) today released financial results for the quarter ended March 31, 2024.

### Financial highlights

- Generated adjusted funds from operations (AFFO) of $142 million and net cash flows used in operating activities of $334 million
- Generated adjusted EBITDA of $279 million and a net income of $205 million

### Strategic highlights

- Successful commissioning began on Genesee repower unit 1 simple cycle and retired Genesee 1, a significant milestone towards our net-zero by 2045 goal. Provided updated cost on Genesee repower project as completion nears.
- Discontinuing pursuit of $2.4 billion Genesee carbon capture and storage (CCS) project.
- Completed acquisition of 100% interest in the La Paloma facility in California and 50% interest in the Harquahala facility in Arizona for $1.5 billion (US $1.1 billion) in the U.S. Western Electricity Coordinating Council (WECC) market and enabling further development opportunities in the region.
- Partnership with Ontario Power Generation (OPG) to advance new nuclear in Alberta with agreement to assess feasibility of small modular reactors (SMRs) for Alberta grid.
- Announced large-scale 15-year virtual power purchase agreement signed with Saputo Inc.

“Capital Power continued to execute on its strategic focus in the first quarter,” said Avik Dey, President and CEO of Capital Power. “We *delivered* affordable and reliable power across our diverse and strategically positioned fleet of flexible generation assets. We continued to *build* decarbonized power through our Genesee Repowering project where we reached a key milestone with our startup of simple cycle unit 1 during Q1 2024. Once we startup simple cycle unit 2, expected in mid-2024, we will be fully off coal, achieving a significant carbon reduction target. We advanced our pursuit of low-carbon solutions by partnering with OPG to evaluate the deployment of small modular reactors in Alberta. Lastly, we closed the acquisition of the La Paloma and Harquahala generation assets, demonstrating our balanced approach to growth by diversifying our footprint into strategic regions where we provide reliable and affordable power,” stated Mr. Dey.

“During the quarter, strong contributions from our recent acquisitions of Frederickson 1, Harquahala, and La Paloma partially offset the impact of lower contributions from our Alberta commercial portfolio on adjusted EBITDA results, underscoring the benefits of a diversified fleet,” said Sandra Haskins, SVP Finance and CFO of Capital Power. “As indicated in our guidance presentation earlier this year, a decrease in contributions from the Alberta portfolio was expected throughout 2024 due to the lower power price environment and forecasted lower generation during the Genesee Repowering project commissioning process. The table below shows the incremental impacts in the quarter as prices settled below expectations, the first fire of simple cycle commissioning for Unit 1 was delayed, and a number of ill-timed forced outages were experienced on the existing, aging Genesee units. As we look out longer term, we are excited by how Capital Power is uniquely positioned to deliver growth and create shareholder value, driven by the macro trends that are increasing North American power demand. We look forward to sharing further insights into our strategic pathway to net zero at our 2024 Investor Day event on May 7 and 8 in Edmonton," stated Ms. Haskins.

## Alberta Commercial Facilities Q1 Impacts

| ($ millions) | | |
|---|---|---|
| **Q1-23 Alberta commercial facilities adjusted EBITDA** | **$** | **235** |
| Q1-24 guidance reduction (volume and price) | | (50) |
| Lower captured gross margin (below guidance) | | (14) |
| Genesee repowering project - Unit 1 delay | | (17) |
| Other outage costs and impacts | | (19) |
| **Q1-24 Alberta commercial facilities adjusted EBITDA** | **$** | **135** |

## Operational and Financial Highlights[1]

| (unaudited, millions of dollars except per share and operational amounts) | **Three months ended March 31** | | | |
|---|---|---|---|---|
| | | **2024** | | **2023** |
| Electricity generation (Gigawatt hours) | | 8,809 | | 7,417 |
| Generation facility availability | | 94% | | 94% |
| Revenues and other income | $ | 1,119 | $ | 1,267 |
| Adjusted EBITDA [2] | $ | 279 | $ | 401 |
| Net income [3] | $ | 205 | $ | 285 |
| Net income attributable to shareholders of the Company | $ | 205 | $ | 286 |
| Basic earnings per share | $ | 1.58 | $ | 2.39 |
| Diluted earnings per share | $ | 1.57 | $ | 2.38 |
| Net cash flows from operating activities | $ | 334 | $ | 349 |
| Adjusted funds from operations [2] | $ | 142 | $ | 210 |
| Adjusted funds from operations per share [2] | $ | 1.15 | $ | 1.80 |
| Purchase of property, plant and equipment and other assets, net | $ | 218 | $ | 86 |
| Dividends per common share, declared | $ | 0.6150 | $ | 0.5800 |

[1] The operational and financial highlights in this press release should be read in conjunction with the Management's Discussion and Analysis and the audited condensed interim financial statements for the three months ended March 31, 2024.

[2] Earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emissions credits and other items that are not reflective of the long-term performance of the Company's underlying business (adjusted EBITDA) and adjusted funds from operations (AFFO) are used as non-GAAP financial measures by the Company. The Company also uses AFFO per share which is a non-GAAP ratio. These measures and ratios do not have standardized meanings under GAAP and are, therefore, unlikely to be comparable to similar measures used by other enterprises. See Non-GAAP Financial Measures and Ratios.

[3] Includes depreciation and amortization for the three months ended March 31, 2024 and 2023 of $122 million and $141 million, respectively. Forecasted depreciation and amortization for the remainder of 2024 is $116 million per quarter.

## Significant Events

### Large-scale virtual power purchase agreement with Saputo Inc.

On March 27, 2024, the Company announced it had entered into a 15-year virtual power purchase agreement (VPPA) with Saputo Inc. The agreement pertains to the Company's Canadian-based wind facility Halkirk 2 currently under construction. Subject to final regulatory approvals and once operational, the portion of the wind facility contracted by Saputo will generate approximately 206,300 MWh of renewable electricity per year.

### Acquisition of CXA La Paloma LLC and New Harquahala Generating Company, LLC

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

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 are each responsible for funding 50% of the cash consideration for the Harquahala Acquisition. Capital Power is 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 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.

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.

### Updates to Genesee Repowering project

On January 16, 2024, the Company updated our Genesee repowering timelines. Commissioning of simple cycle Unit 1 occurred in the first quarter of 2024 and Unit 2 is expected to be completed in third quarter of 2024. 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 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. Due to incremental costs related to outages required for tie in and ongoing productivity challenges, the project is expected to come in at the updated cost of $1.55 to $1.65 billion.

### 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 OPG to jointly assess the development and deployment of grid-scale 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.

## Subsequent Event

### Discontinuation of $2.4 billion Genesee CCS project

Capital Power is discontinuing pursuit of the Genesee CCS project. Through our development of the project, we have confirmed that CCS is a technically viable technology and potential pathway to decarbonization for thermal generation facilities including Genesee. However, at this time, the project is not economically feasible and as a result we will be turning our time, attention, and resources to other opportunities to serve our customers with balanced energy solutions. Capital Power looks forward to exploring CCS at Genesee and certain assets in our North American fleet in the future as economics improve.

## Analyst conference call and webcast

Capital Power will be hosting a conference call and live webcast with analysts on May 1, 2024 at 9:00 am (MT) to discuss the first quarter financial results. The webcast can be accessed at: https://edge.media-server.com/mmc/p/sdxtbcnm/.

Conference call details will be sent directly to analysts.

An archive of the webcast will be available on the Company's website at www.capitalpower.com following the conclusion of the analyst conference call.

## Non-GAAP Financial Measures and Ratios

Capital Power uses (i) earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from our joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits (adjusted EBITDA), and (ii) AFFO as financial performance measures.

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

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

### Adjusted EBITDA

Capital Power uses adjusted EBITDA to measure the operating performance of facilities and categories of facilities from period to period. Management believes that a measure of facility operating performance is more meaningful if results not related to facility operations 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.

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

| ($ millions) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Mar 2024** | **Dec 2023** | **Sep 2023** | **Jun 2023** | **Mar 2023** | **Dec 2022** | **Sep 2022** | **Jun 2022** |
| Revenues and other income | 1,119 | 984 | 1,150 | 881 | 1,267 | 929 | 786 | 713 |
| Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense | (677) | (694) | (626) | (614) | (723) | (909) | (543) | (429) |
| Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel | (200) | (14) | (151) | 23 | (179) | 247 | 136 | 28 |
| Remove other non-recurring items | - | 1 | 4 | - | - | - | - | - |
| Adjusted EBITDA from joint ventures [1] | 37 | 36 | 37 | 37 | 36 | 36 | 4 | 7 |
| **Adjusted EBITDA** | **279** | **313** | **414** | **327** | **401** | **303** | **383** | **319** |
| Depreciation and amortization | (122) | (142) | (148) | (143) | (141) | (139) | (133) | (139) |
| Unrealized changes in fair value of commodity derivatives and emission credits | 200 | 14 | 151 | (23) | 179 | (247) | (136) | (28) |
| Other non-recurring items | - | (1) | (4) | - | - | - | - | - |
| Foreign exchange (losses) gains | (10) | (2) | (9) | 4 | 1 | 3 | (12) | (7) |
| Net finance expense | (42) | (49) | (35) | (34) | (48) | (44) | (40) | (35) |
| Gains (losses) on acquisition and disposal transactions | 2 | (5) | 5 | (3) | - | (33) | (3) | (1) |
| Other items [1,2] | (25) | (22) | (19) | (19) | (21) | (17) | (4) | (1) |
| Income tax (expense) recovery | (77) | (11) | (83) | (24) | (86) | 75 | (24) | (31) |
| **Net income (loss)** | **205** | **95** | **272** | **85** | **285** | **(99)** | **31** | **77** |
| | | | | | | | | |
| **Net income (loss) attributable to:** | | | | | | | | |
| Non-controlling interests | - | (2) | (2) | (2) | (1) | (1) | (3) | (3) |
| Shareholders of the Company | 205 | 97 | 274 | 87 | 286 | (98) | 34 | 80 |
| **Net income (loss)** | **205** | **95** | **272** | **85** | **285** | **(99)** | **31** | **77** |

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

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

## Adjusted funds from operations and adjusted funds from operations per share

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

AFFO represents net cash flows from operating activities adjusted to:

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

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

| ($ millions) | Three months ended March 31 | |
|---|---|---|
| | **2024** | **2023** |
| **Net cash flows from operating activities per condensed interim consolidated statements of cash flows** | **334** | **349** |
| Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows: | | |
| Interest paid | 48 | 50 |
| Change in fair value of derivatives reflected as cash settlement | (12) | (111) |
| Distributions received from joint ventures | (8) | (9) |
| Miscellaneous financing charges paid [1] | (7) | 2 |
| Income taxes paid | 15 | 14 |
| Change in non-cash operating working capital | (162) | 3 |
| | (126) | (51) |
| Net finance expense [2] | (35) | (35) |
| Current income tax expense | (16) | (51) |
| Sustaining capital expenditures [3] | (25) | (15) |
| Preferred share dividends paid | (9) | (7) |
| Remove tax equity interests' respective shares of adjusted funds from operations | (1) | (2) |
| Adjusted funds from operations from joint ventures | 21 | 22 |
| Other non-recurring items[4] | (1) | - |
| **Adjusted funds from operations** | **142** | **210** |
| Weighted average number of common shares outstanding (millions) | 123.7 | 116.9 |
| **Adjusted funds from operations per share ($)** | **1.15** | **1.80** |

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

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

[3] Includes sustaining capital expenditures net of partner contributions of $5 million and $3 million for the three months ended March 31, 2024 and 2023, respectively.

[4] Reflects current income tax expenses of $1 million for the three months ended March 31, 2024 related to other non-recurring items recognized in prior periods.

## Forward-looking Information

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

Material forward-looking information in this press release includes disclosures regarding (i) status of the Company's 2024 AFFO and adjusted EBITDA guidance, (ii) forecasted 2024 depreciation, (iii) the timing of, funding of, generation capacity of, costs of technologies selected for, environmental benefits or commercial and partnership arrangements regarding existing, planned and potential development projects and acquisitions (including the repowering of Genesee 1 and 2, La Paloma and Harquahala acquisitions, and Halkirk 2, (iv) the financial impacts of the La Paloma and Harquahala acquisitions, and (v) the timing of the nuclear feasibility assessment between Capital Power and Ontario Power Generation.

These statements are based on certain assumptions and analyses made by the Company considering its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate including its review of purchased businesses and assets. The material factors and assumptions used to develop these forward-looking statements relate to: (i) electricity, other energy and carbon prices, (ii) performance, (iii) business prospects (including potential re-contracting of facilities) and opportunities including expected growth and capital projects, (iv) status of and impact of policy, legislation and regulations and (v) effective tax rates.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) changes in electricity, natural gas and carbon prices in markets in which the Company operates and the use of derivatives, (ii) regulatory and political environments including changes to environmental, climate, financial reporting, market structure and tax legislation, (iii) disruptions, or price volatility within our supply chains, (iv) generation facility availability, wind capacity factor and performance including maintenance expenditures, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in the availability of fuel, (viii) ability to realize the anticipated benefits of acquisitions, (ix) limitations inherent in the Company's review of acquired assets, (x) changes in general economic and competitive conditions and (xi) changes in the performance and cost of technologies and the development of new technologies, new energy efficient products, services and programs. See Risks and Risk Management in the Company's Integrated Annual Report for the year ended December 31, 2023, prepared as of February 27, 2024, for further discussion of these and other risks.

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

## Territorial Acknowledgement

In the spirit of reconciliation, Capital Power respectfully acknowledges that we operate within the ancestral homelands, traditional and treaty territories of the Indigenous Peoples of Turtle Island, or North America. Capital Power's head office is located within the traditional and contemporary home of many Indigenous Peoples of the Treaty 6 region and Métis Nation of Alberta Region 4. We acknowledge the diverse Indigenous communities that are located in these areas and whose presence continues to enrich the community.

## About Capital Power

Capital Power is a growth-oriented power producer committed to net zero by 2045, with approximately 9,300 MW of power generation at 32 facilities across North America.

We prioritize *delivering* reliable, affordable and decarbonized power that communities can depend on, *building* decarbonized power systems needed for tomorrow, and *creating* real net zero solutions for customers. We are powering change by changing power.

## For more information, please contact:


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

**Investor Relations:**
Roy Arthur
(403) 736-3315
investor@capitalpower.com

# CAPITAL POWER CORPORATION

## Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A), prepared as of April 30, 2024, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Capital Power Corporation and its subsidiaries for the three months ended March 31, 2024, the audited consolidated financial statements and the 2024 Performance Targets, Our Strategic Focus and Business Report sections of the Integrated Annual Report of Capital Power Corporation for the year ended December 31, 2023 (the 2023 Integrated Annual Report), the Annual Information Form of Capital Power Corporation dated February 27, 2024, and the cautionary statements regarding Forward-Looking Information which begin on page 9.

In this MD&A, any reference to the Company or Capital Power, except where otherwise noted or the context otherwise indicates, means Capital Power Corporation together with its subsidiaries.

In this MD&A, financial information for the three months ended March 31, 2024 and March 31, 2023 is based on the unaudited condensed interim consolidated financial statements of the Company for such periods which were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors approved this MD&A as of April 30, 2024.

## Contents


Forward-Looking Information .......... 9
Overview of Business and Corporate Structure .......... 10
Corporate Strategy .......... 10
Performance Overview .......... 10
Outlook .......... 11
Non-GAAP Financial Measures and Ratios .......... 12
Financial Highlights .......... 15
Significant Events .......... 16
Subsequent Event .......... 17
Consolidated Net Income and Results of Operations .......... 17
Comprehensive Income .......... 24
Financial Position .......... 24
Liquidity and Capital Resources .......... 25
Contingent Liabilities, Other Legal Matters and Provisions .......... 29
Risks and Risk Management .......... 29
Environmental Matters .......... 29
Regulatory and Government Matters .......... 29
Use of Judgments and Estimates .......... 33
Financial Instruments .......... 33
Disclosure Controls and Procedures and Internal Control over Financial Reporting .......... 35
Summary of Quarterly Results .......... 35
Share and Partnership Unit Information .......... 40
Additional Information .......... 40

## FORWARD-LOOKING INFORMATION

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

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

- our 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;
- our 2024 performance targets, including 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;
- 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, the upgrade at Goreway and York Energy, Goreway Battery Energy Storage System (BESS), York Energy BESS, East Windsor expansion, Maple Leaf Solar project, Bear Branch Solar and Hornet Solar);
- the financial impacts of the La Paloma and Harquahala acquisitions;
- 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.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate including its review of purchased businesses and assets. The material factors and assumptions used to develop these forward-looking statements relate to:

- electricity and other energy and carbon prices;
- performance;
- business prospects (including potential re-contracting of facilities) and opportunities including expected growth and capital projects;
- status and impact of policy, legislation and regulations;
- effective tax rates;
- the development and performance of technology;
- foreign exchange rates; and
- other matters discussed under the Performance Overview, Outlook and Risks and Risk Management sections.

Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from our expectations. Such material risks and uncertainties are:

- changes in electricity, natural gas and carbon prices in markets in which we operate and the use of derivatives;
- regulatory and political environments including changes to environmental, climate, financial reporting, market structure and tax legislation;
- disruptions, or price volatility within 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.

See Risks and Risk Management in our 2023 Integrated Annual Report, for further discussion of these and other risks.

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

## OVERVIEW OF BUSINESS AND CORPORATE STRUCTURE

Capital Power is a growth-oriented power producer committed to net zero by 2045, with approximately 9,300 MW of power generation at 32 facilities across North America.

We prioritize *delivering* reliable, affordable and decarbonized power that communities can depend on, *building* decarbonized power systems needed for tomorrow, and *creating* real net zero solutions for customers. We are powering change by changing power.

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

## CORPORATE STRATEGY

Capital Power's corporate strategy and pathway to achieve net zero by 2045 remains unchanged from that disclosed in our 2023 Integrated Annual Report.

## PERFORMANCE OVERVIEW

We measure our operational and financial performance in relation to our corporate strategy and progress towards our sustainability objectives through financial and non-financial targets that are approved by the Board 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.

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

| Priority | 2024 target | Status at March 31, 2024 |
|---|---|---|
| **Deliver** | | |
| **Provide safe, reliable generation** | Facility availability average of **93%** or greater | **94%**[1] Reflected unplanned outages at Genesee 1 and 2, Clover Bar Energy Center, Halkirk, Quality and Whitla |
| **Execution of major turnarounds at seven facilities** | Sustaining capital expenditures of **$180 million to $200 million** | **$34 million**[1,2] |
| **Generate financial stability and strength** | Adjusted funds from operations[3] of **$770 million to $870 million** | **$142 million**[1] |
| | Adjusted EBITDA[3] of **$1,405 million to $1,505 million** | **$279 million**[1] |
| **Portfolio optimization and integration** | Successful integration of U.S. acquisitions and evaluation of business development opportunities | The La Paloma acquisition and Harquahala acquisition closed in February 2024 (see Significant events) |
| **Build** | | |
| **Complete $1.35 billion repower project and successful off coal transition** | Commission combined cycle for Genesee Units 1 and 2 | The repower project remains on track to meet the 2024 target. Commissioning of simple cycle Unit 1 occurred in the first quarter of 2024. Due to incremental costs related to outages required for tie in and ongoing productivity challenges, the project is expected to come in at the updated cost of $1.55-$1.65 billion (see Significant events). |

| Priority | 2024 target | Status at March 31, 2024 |
|---|---|---|
| **Advance construction on over 560 MWs of incremental capacity** | Continue construction on Ontario growth and commercial initiative projects, Halkirk Wind Phase 2, and Maple Leaf Solar on schedule | Construction is underway and the projects remain on track to meet the 2024 target. |
| **Expand U.S. renewables portfolio** | Continue to explore opportunities to build or acquire renewable facilities in the U.S. | Re-bid the Hornet and Bear Branch solar projects which would be located in North Carolina with a total capacity of 105 MW into a PPA request for proposal. |
| **Create** | | |
| **Advance low-carbon solutions to meet 2045 net zero** | Continue to explore economic viability of CCS in markets compatible with the technology | The positive results from the FEED study affirmed the technology. At the current time, the Genesee CCS project has been deemed uneconomic and will be discontinued (see Subsequent event). The discontinuation of the Genesee CCS project does not impact the Company remaining on track to meet its 2030 Scope 1 absolute emissions targets. For our 2030 Scope 1 emission intensity target, we continue to evaluate our decarbonization alternatives for our portfolio going forward. |
| | Evaluate SMRs in Alberta | Announced Partnership with Ontario Power Generation to assess new nuclear in Alberta (see Significant events). |

1 For the three months ended March 31, 2024.
2 Includes our share of joint venture sustaining capital expenditures of $9 million net of partner contributions of $5 million.
3 Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP Financial Measures and Ratios.

## OUTLOOK

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

A 2024 guidance presentation was held in January 2024 providing financial guidance for 2024 AFFO in the range of $770 million to $870 million and 2024 adjusted EBITDA in the range of $1,405 million to $1,505 million (see Non-GAAP Financial Measures and Ratios). Based on the Company's actual results for the first quarter of 2024 and forecast for the balance of the year, the Company expects 2024 full year AFFO to be trending below the mid-point and adjusted EBITDA to be less than 5% below the bottom end of the respective annual guidance ranges.

On March 11, 2024, the Minister of Affordability and Utilities announced two interim regulations to address Alberta's power market and plans to restructure Alberta's electricity market by 2027. See Regulatory and government matters section for details on interim regulations that will come into effect on July 1, 2024.

In 2024, Capital Power's availability target of 93% or greater reflects major scheduled maintenance outages for Genesee 1 and 2 for Repowering tie in, Shepard, Joffre, Quality Wind, Goreway, Arlington and Decatur Energy.

The Alberta portfolio position, contracted prices and forward Alberta pool prices for 2025, 2026 and 2027 (all at March 31, 2024) were:

| Alberta commercial portfolio | 2025 | 2026 | 2027 |
|---|---|---|---|
| **Power** | | | |
| Hedged Volume (GWh) | 9,500 | 8,500 | 5,000 |
| Weighted average hedged prices [1] ($/MWh) | High-$70s | High-$70s | Low-$80s |
| Forward Alberta pool prices ($/MWh) | $56 | $56 | $60 |
| **Natural gas** | | | |
| Hedged Volume (TJ) | 60,000 | 60,000 | 35,000 |
| Weighted average hedged prices [1,2] ($/GJ) | < $3.00 | < $4.00 | < $4.00 |
| Forward Alberta natural gas prices ($/GJ) | $3.10 | $3.50 | $3.50 |

1 Forecasted average contracted prices may differ significantly from future average realized prices as future realized prices are driven by a combination of previously contracted prices and settled prices. When long-term forward portfolio optimization hedges are transacted, they reflect the market's expectations for future period pricing.
2 Net of gains as part of the Company's gas portfolio optimization activities, including sales of previously purchased length.

The power hedged volumes and weighted average hedged prices include origination contracts with contract terms greater than 12 months. The weighted average hedged price of these longer term duration contracts was in the low-$80s per megawatt hour range. In addition to the remaining open baseload position, gas peaking and renewable assets in the Company's Alberta Commercial portfolio are available to capture upside from higher Alberta power prices.

The 2024 targets and forecasts are based on numerous assumptions including power and natural gas price forecasts. They do not include the effects of potential future acquisitions or development activities, or potential market and operational impacts relating to significant unplanned facility outages including outages at facilities of other market participants, and the related impacts on market power prices.

At our 2024 guidance call held in January 2024, management reiterated the 6% annual dividend growth guidance 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 the increase.

See Liquidity and Capital Resources for discussion of future cash requirements and expected sources of funding. It is expected that, outside of new growth opportunities, no additional common share equity beyond those issued under the Company's dividend reinvest plan will be required in 2024 to fund our current growth projects.

## NON-GAAP FINANCIAL MEASURES AND RATIOS

Capital Power uses (i) earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from our joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits and other items that are not reflective of the long-term performance of the Company's underlying business (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.

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

| ($ millions) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Mar 2024** | **Dec 2023** | **Sep 2023** | **Jun 2023** | **Mar 2023** | **Dec 2022** | **Sep 2022** | **Jun 2022** |
| Revenues and other income | 1,119 | 984 | 1,150 | 881 | 1,267 | 929 | 786 | 713 |
| Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense | (677) | (694) | (626) | (614) | (723) | (909) | (543) | (429) |
| Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel | (200) | (14) | (151) | 23 | (179) | 247 | 136 | 28 |
| Remove other non-recurring items | - | 1 | 4 | - | - | - | - | - |
| Adjusted EBITDA from joint ventures [1] | 37 | 36 | 37 | 37 | 36 | 36 | 4 | 7 |
| **Adjusted EBITDA** | **279** | **313** | **414** | **327** | **401** | **303** | **383** | **319** |
| Depreciation and amortization | (122) | (142) | (148) | (143) | (141) | (139) | (133) | (139) |
| Unrealized changes in fair value of commodity derivatives and emission credits | 200 | 14 | 151 | (23) | 179 | (247) | (136) | (28) |
| Other non-recurring items | - | (1) | (4) | - | - | - | - | - |
| Foreign exchange (losses) gains | (10) | (2) | (9) | 4 | 1 | 3 | (12) | (7) |
| Net finance expense | (42) | (49) | (35) | (34) | (48) | (44) | (40) | (35) |
| Gains (losses) on acquisition and disposal transactions | 2 | (5) | 5 | (3) | - | (33) | (3) | (1) |
| Other items [1,2] | (25) | (22) | (19) | (19) | (21) | (17) | (4) | (1) |
| Income tax (expense) recovery | (77) | (11) | (83) | (24) | (86) | 75 | (24) | (31) |
| **Net income (loss)** | **205** | **95** | **272** | **85** | **285** | **(99)** | **31** | **77** |
| | | | | | | | | |
| **Net income (loss) attributable to:** | | | | | | | | |
| Non-controlling interests | - | (2) | (2) | (2) | (1) | (1) | (3) | (3) |
| Shareholders of the Company | 205 | 97 | 274 | 87 | 286 | (98) | 34 | 80 |
| **Net income (loss)** | **205** | **95** | **272** | **85** | **285** | **(99)** | **31** | **77** |

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

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

### Adjusted funds from operations and adjusted funds from operations per share

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

AFFO represents net cash flows from operating activities adjusted to:

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

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

| ($ millions) | Three months ended March 31 | |
|---|---|---|
| | **2024** | **2023** |
| **Net cash flows from operating activities per condensed interim consolidated statements of cash flows** | **334** | **349** |
| Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows: | | |
| Interest paid | 48 | 50 |
| Change in fair value of derivatives reflected as cash settlement | (12) | (111) |
| Distributions received from joint ventures | (8) | (9) |
| Miscellaneous financing charges paid [1] | (7) | 2 |
| Income taxes paid | 15 | 14 |
| Change in non-cash operating working capital | (162) | 3 |
| | (126) | (51) |
| Net finance expense [2] | (35) | (35) |
| Current income tax expense | (16) | (51) |
| Sustaining capital expenditures [3] | (25) | (15) |
| Preferred share dividends paid | (9) | (7) |
| Remove tax equity interests' respective shares of adjusted funds from operations | (1) | (2) |
| Adjusted funds from operations from joint ventures | 21 | 22 |
| Other non-recurring items[4] | (1) | - |
| **Adjusted funds from operations** | **142** | **210** |
| Weighted average number of common shares outstanding (millions) | 123.7 | 116.9 |
| **Adjusted funds from operations per share ($)** | **1.15** | **1.80** |

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

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

3 Includes sustaining capital expenditures net of partner contributions of $5 million and $3 million for the three months ended March 31, 2024 and 2023, respectively.

4 Reflects current income tax expenses of $1 million for the three months ended March 31, 2024 related to other non-recurring items recognized in prior periods.

## FINANCIAL HIGHLIGHTS

| ($ millions, except per share amounts) | Three months ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| Revenues and other income | 1,119 | 1,267 |
| Adjusted EBITDA [1] | 279 | 401 |
| Net income | 205 | 285 |
| Net income attributable to shareholders of the Company | 205 | 286 |
| Basic earnings per share ($) | 1.58 | 2.39 |
| Diluted earnings per share ($) [2] | 1.57 | 2.38 |
| Net cash flows from operating activities | 334 | 349 |
| Adjusted funds from operations [1] | 142 | 210 |
| Adjusted funds from operations per share ($) [1] | 1.15 | 1.80 |
| Purchase of property, plant and equipment and other assets, net | 218 | 86 |
| Dividends per common share, declared ($) | 0.6150 | 0.5800 |
| Dividends per Series 1 preferred share, declared ($) | 0.1638 | 0.1638 |
| Dividends per Series 3 preferred share, declared ($) | 0.4288 | 0.3408 |
| Dividends per Series 5 preferred share, declared ($) | 0.4144 | 0.3274 |
| Dividends per Series 11 preferred share, declared ($) | 0.3594 | 0.3594 |
| | March 31, 2024 | December 31, 2023 |
| Loans and borrowings including current portion | 4,653 | 4,716 |
| Total assets | 11,418 | 11,156 |

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.

**Adjusted EBITDA** for the three months ended March 31, 2024 was lower than the corresponding period in 2023 largely due to lower generation and lower power prices captured by our Alberta commercial portfolio, higher fuel costs year-over-year and full recognition of the off-coal compensation from the Province of Alberta at the end of 2023. Partially offset by lower emissions costs due to use of more natural gas versus coal at the Genesee facilities and increased U.S. facility contributions from Frederickson 1, Harquahala, and La Paloma, which were acquired in December 2023 and February 2024, respectively.

**AFFO** for the three months ended March 31, 2024 was lower than the corresponding period in 2023 primarily due to:

- Lower adjusted EBITDA described above,
- Higher sustaining capital expenditures as a result of larger outage scope and recent acquisitions,
- Higher preferred share dividends; and,
- Partially offset by decreased current income tax expense due to lower overall consolidated net income before tax.

**Revenues and other income** for the three months ended March 31, 2024 were lower compared with the corresponding period in 2023 primarily due to lower generation and lower power prices captured by our Alberta commercial portfolio, partially offset by increased U.S. facility contributions from Frederickson 1 and La Paloma, which were acquired in December 2023 and February 2024, respectively.

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

### Large-scale virtual power purchase agreement with Saputo Inc.

On March 27, 2024, the Company announced it had entered into a 15-year virtual power purchase agreement (VPPA) with Saputo Inc. The agreement pertains to the Company's Canadian-based wind facility Halkirk 2 currently under construction. Subject to final regulatory approvals and once operational, the portion of the wind facility contracted by Saputo will generate approximately 206,300 MWh of renewable electricity per year.

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

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

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 were each responsible for funding 50% of the cash consideration for the Harquahala Acquisition. Capital Power is 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.

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.

### Updates to Genesee Repowering project

On January 16, 2024, the Company updated our Genesee repowering timelines. Commissioning of simple cycle Unit 1 occurred in the first quarter of 2024 and Unit 2 is expected to be completed in the third quarter of 2024. 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 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. Due to incremental costs related to outages required for tie in and ongoing productivity challenges, the project is expected to come in at the updated cost of $1.55 to $1.65 billion.

### 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.

## SUBSEQUENT EVENT

### Discontinuation of $2.4 billion Genesee CCS project

Capital Power is discontinuing pursuit of the Genesee CCS project. Through our development of the project, we have confirmed that CCS is a technically viable technology and potential pathway to decarbonization for thermal generation facilities including Genesee. However, at this time, the project is not economically feasible and as a result we will be turning our time, attention, and resources to other opportunities to serve our customers with balanced energy solutions. Capital Power looks forward to exploring CCS at Genesee and certain assets in our North American fleet in the future as economics improve.

## CONSOLIDATED NET INCOME AND RESULTS OF OPERATIONS

The primary factors contributing to the change in consolidated net income for the three months ended March 31, 2024 compared with 2023 are presented below followed by further discussion of these items.

| ($ millions) | | |
|---|---|---|
| **Consolidated net income for the three months ended March 31, 2023** | | **285** |
| Increase (decrease) in adjusted EBITDA: | | |
| Alberta commercial facilities and portfolio optimization | (100) | |
| Western Canada facilities | (4) | |
| Ontario facilities | 2 | |
| U.S. facilities | 36 | |
| Corporate | (56) | (122) |
| Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits | | 21 |
| Increase in gains on disposals and other transactions | | 2 |
| Decrease in depreciation and amortization expense | | 19 |
| Increase in foreign exchange loss | | (11) |
| Increase in finance expense and depreciation from joint ventures | | (4) |
| Decrease in net finance expense | | 6 |
| Decrease in income before tax | | (89) |
| Decrease in income tax expense | | 9 |
| **Decrease in net income** | | **(80)** |
| **Consolidated net income for the three months ended March 31, 2024** | | **205** |

## Results by facility category and other

| | Three months ended March 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | **Electricity generation** (GWh) [1] | | **Facility availability** (%) [2] | | **Revenues and other income** ($ millions) [3] | | **Adjusted EBITDA** ($ millions) [3,4] | |
| Total electricity generation, average facility availability and facility revenues | 8,809 | 7,417 | 94 | 94 | 686 | 813 | | |
| **Alberta commercial facilities** | | | | | | | | |
| Genesee 1 | 700 | 809 | 93 | 97 | 74 | 117 | | |
| Genesee 2 | 687 | 883 | 84 | 100 | 69 | 128 | | |
| Genesee 3 | 1,001 | 998 | 99 | 99 | 100 | 141 | | |
| Clover Bar Energy Centre 1, 2 and 3 | 165 | 150 | 56 | 69 | 22 | 29 | | |
| Joffre | 215 | 154 | 100 | 96 | 28 | 31 | | |
| Shepard | 820 | 715 | 98 | 85 | 60 | 61 | | |
| Halkirk Wind | 109 | 122 | 93 | 97 | 13 | 21 | | |
| Clover Bar Landfill Gas | - | 3 | - | 81 | - | - | | |
| Alberta commercial facilities | 3,697 | 3,834 | 90 | 93 | 366 | 528 | | |
| Portfolio optimization | N/A | N/A | N/A | N/A | 227 | 153 | | |
| | 3,697 | 3,834 | 90 | 93 | 593 | 681 | 135 | 235 |
| **Western Canada facilities** | | | | | | | | |
| Island Generation | 34 | - | 100 | 100 | 3 | 3 | | |
| Quality Wind | 87 | 104 | 95 | 98 | 15 | 16 | | |
| EnPower | 6 | 4 | 85 | 73 | 1 | - | | |
| Whitla Wind | 325 | 384 | 95 | 98 | 15 | 19 | | |
| Strathmore Solar | 13 | 12 | 97 | 96 | 1 | 1 | | |
| Clydesdale Solar | 32 | 27 | 97 | 97 | 2 | 2 | | |
| | 497 | 531 | 97 | 98 | 37 | 41 | 24 | 28 |
| **Ontario facilities** | | | | | | | | |
| York Energy [5] | 6 | 4 | 100 | 100 | N/A | N/A | | |
| East Windsor | 12 | 1 | 99 | 99 | 8 | 8 | | |
| Goreway | 799 | 358 | 99 | 91 | 85 | 73 | | |
| Kingsbridge 1 | 28 | 31 | 90 | 95 | 2 | 3 | | |
| Port Dover and Nanticoke Wind | 82 | 87 | 98 | 96 | 13 | 13 | | |
| | 927 | 481 | 99 | 94 | 108 | 97 | 64 | 62 |
| **U.S. facilities** | | | | | | | | |
| Decatur Energy, Alabama | 455 | 240 | 100 | 99 | 26 | 24 | | |
| Arlington Valley, Arizona | 840 | 513 | 82 | 81 | 53 | 72 | | |
| Beaufort Solar, North Carolina | 7 | 6 | 98 | 99 | 1 | 1 | | |
| Bloom Wind, Kansas | 174 | 186 | 98 | 97 | 10 | 9 | | |
| Macho Springs Wind, New Mexico | 41 | 44 | 96 | 99 | 5 | 5 | | |
| New Frontier Wind, North Dakota | 89 | 108 | 83 | 95 | 5 | 6 | | |
| Cardinal Point Wind, Illinois | 165 | 174 | 87 | 93 | 12 | 14 | | |
| Buckthorn Wind, Texas | 96 | 108 | 96 | 95 | 7 | 7 | | |
| Midland Cogen, Michigan [5] | 1,298 | 1,192 | 93 | 95 | N/A | N/A | | |
| Frederickson 1, Washington [6] | 246 | N/A | 89 | N/A | 6 | N/A | | |
| Harquahala, Arizona [5,7] | - | N/A | 100 | N/A | N/A | N/A | | |
| La Paloma, California [8] | 277 | N/A | 95 | N/A | 43 | N/A | | |
| U.S. Trading | N/A | N/A | N/A | N/A | 7 | 6 | | |
| | 3,688 | 2,571 | 93 | 94 | 175 | 144 | 112 | 76 |
| **Corporate** [9] | | | | | 3 | 33 | (56) | - |
| Unrealized changes in fair value of commodity derivatives and emission credits | | | | | 203 | 271 | | |
| **Consolidated revenues and other income and adjusted EBITDA** | | | | | **1,119** | **1,267** | **279** | **401** |

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

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

3 Commencing in 2024, the Company reclassified the presentation of U.S. Trading within Alberta portfolio optimization to the U.S. facilities category to better reflect the nature of these activities. Comparatives for revenues and other income and adjusted EBITDA were reclassified to conform to the current presentation.

4 The financial results by facility category, except for adjusted EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures and Ratios.

5 York Energy, Midland Cogen and Harquahala are accounted for under the equity method. Capital Power's share of the facilities net income are included in income from joint ventures on the Company's condensed interim consolidated statements of income. Capital Power's share of the facilities adjusted EBITDA are included in adjusted EBITDA above. The equivalent of Capital Power's share of the facilities revenue was $99 million and $91 million for three months ended March 31, 2024 and 2023, respectively. The facilities revenues are not included in the above results.

6 Frederickson 1 was acquired December 28, 2023.

7 Harquahala was acquired February 16, 2024 (see Significant events).

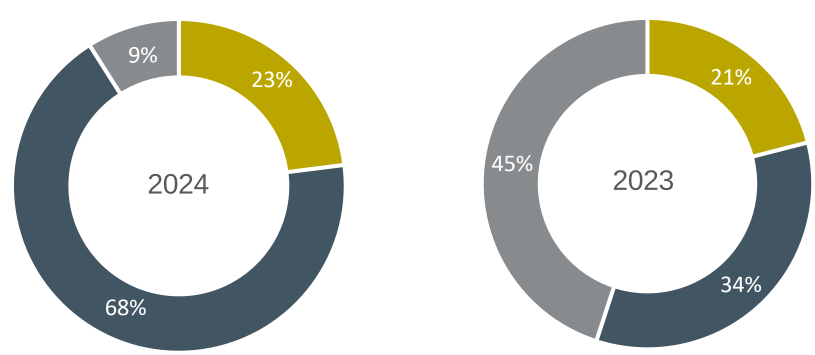
8 La Paloma was acquired February 9, 2024 (see Significant events).

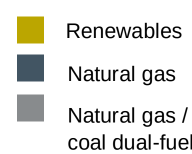
9 Corporate revenues were offset by interplant category eliminations.

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

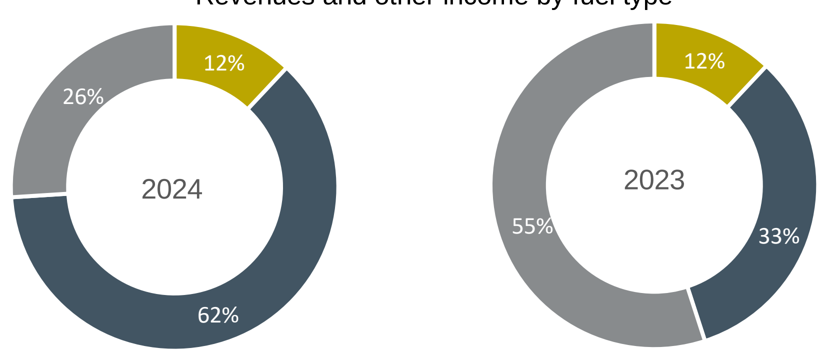
Alberta commercial portfolio optimization amounts in adjusted EBITDA and revenues and other income are allocated to fuel source based on generation and off-coal compensation is reflected within natural gas / coal dual-fuel. Off-coal compensation was fully recognized during 2023 and therefore lower contributions to natural gas / coal dual-fuel going forward. The period-over-period increases in percentages from our natural gas facilities are largely driven by the reclassification of Genesee 3 to natural gas after the successful conversion in May 2023. Also contributing to the increase are the acquisitions of Frederickson 1 at the end of 2023, and La Paloma and Harquahala in the first quarter of 2024 (see Significant events). Contributions to revenue and adjusted EBITDA from renewable facilities have remained consistent.

Adjusted EBITDA[2] by fuel type




Revenues and other income by fuel type[1]

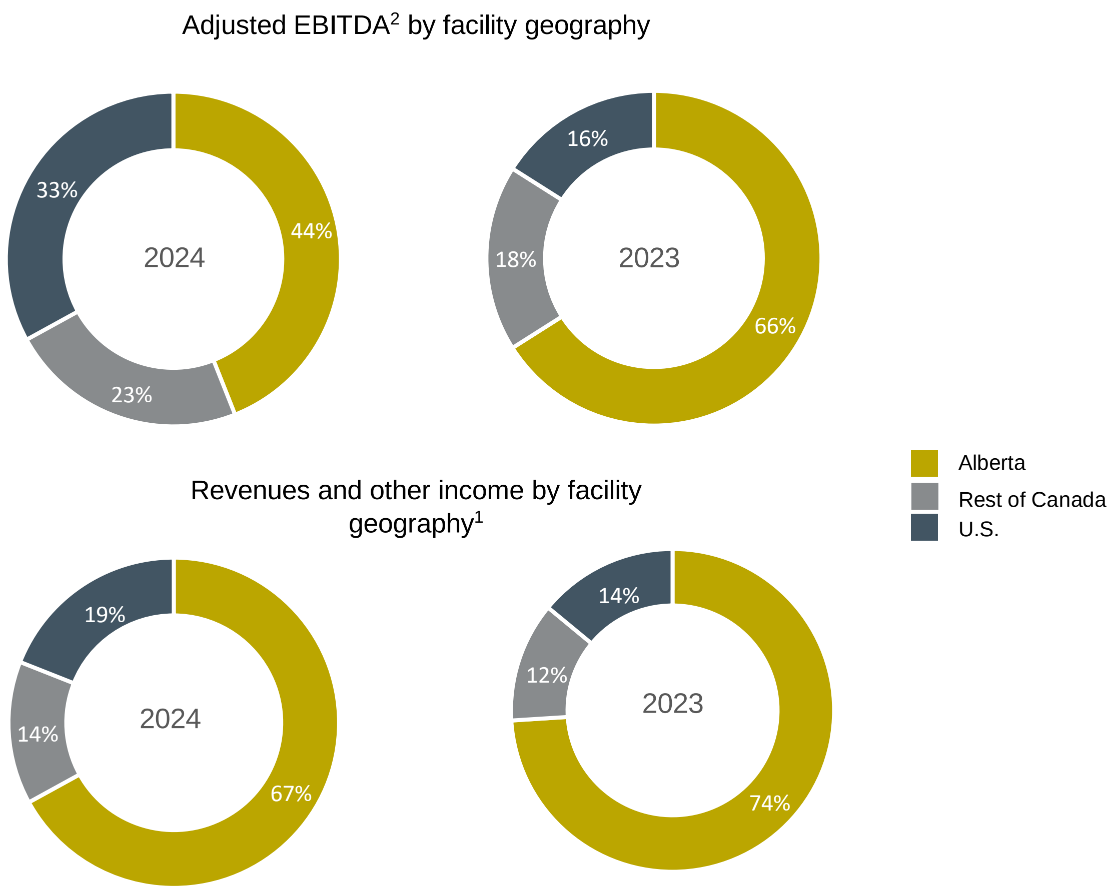



1 The allocation of revenues and other income by fuel type excludes the impacts of unrealized changes in fair value of commodity derivatives and emission credits.

2 See Non-GAAP Financial Measures and Ratios.

***Adjusted EBITDA and revenues and other income by facility geography for the three months ended March 31***

Trading activity amounts directly related to facilities are included in adjusted EBITDA and revenues and other income based on the geographic location of the facility that the trading relates to. Corporate adjusted EBITDA and revenues and other income are excluded from these amounts. The period-over-period increases in percentages from the U.S. is largely driven by the recent acquisitions of Frederickson 1 at the end of 2023, and La Paloma and Harquahala in the first quarter of 2024 (see Significant events). Period-over-period increases in percentages for rest of Canada resulted from lower contributions from Alberta mainly due to lower realized power prices compared to the prior period.




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

2 See Non-GAAP Financial Measures and Ratios.

***Energy prices and hedged positions***

| Alberta commercial portfolio | Three months ended March 31 2024 | Three months ended March 31 2023 | Year ended December 31, 2023 |
|---|---|---|---|
| **Power** | | | |
| Hedged volume at beginning of period (GWh) | 3,000 | 3,000 | 10,500 |
| Spot power price average ($/MWh) | 99 | 142 | 134 |
| Realized power price average [1] ($/MWh) | 82 | 98 | 90 |
| **Natural gas** | | | |
| Hedged volume at beginning of period (TJ) | 18,500 | 5,000 | 51,500 |
| Spot natural gas price average (AECO) [2] ($/GJ) | 1.94 | 3.08 | 2.54 |

[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 $99 per MWh for the first quarter ended March 31, 2024, compared to $142 per MWh in the same period last year. Mild temperatures across Alberta throughout the majority of the period combined with lower AECO spot pricing resulted in lower Alberta settled and captured pricing by our Alberta commercial portfolio year-over-year.

Generation and availability for the quarter ended March 31, 2024 compared to the previous quarter were impacted by the following net effect:

- More frequent intermittent unplanned outages at Genesee 1 and 2.
- Clover Bar Energy Center experienced longer unplanned outages however was dispatched more frequently year-over-year to capture periods of peak power pricing.
- Longer unplanned outages at Halkirk compared to the previous year.
- Higher availability at both Joffre and Shepard versus an unplanned and planned outage, respectively, in the previous year.

Lower revenues and other income along with adjusted EBITDA for the quarter ended March 31, 2024 compared to the period ended in 2023 were primarily due to reduced power pricing realized by the Alberta commercial portfolio combined with lower generation as listed above. Adjusted EBITDA was further impacted by higher fuel costs year-over-year, partially offset by lower emissions cost resulting from reduced intensity driven by a shift to more natural gas versus coal consumption at the Genesee facilities.

***Western Canada facilities***

Availability for the quarter ended March 31, 2024 was slightly lower year-over-year, and was driven by longer unplanned outages at the Quality Wind and Whitla Wind facilities compared to the prior year. While solar resources remained strong year-over-year, the aforementioned outages combined with lower wind resources primarily contributed to the lower generation, revenues and other income, and adjusted EBITDA during the first quarter of 2024.

***Ontario facilities***

Strong availability and generation for the quarter ended March 31, 2024, compared with the same period in 2023 was primarily attributed to Goreway, as the facility had a planned outage in the first quarter of 2023. Generation for the 2024 period also benefited from increased demand on thermal facilities to backstop tight market conditions in the Ontario power market, leading to higher revenues and other income year-over-year. Adjusted EBITDA for the first quarter of 2024 was higher than the same period in 2023 due to the aforementioned factors, partially offset by higher emission costs at Goreway resulting from its higher generation profile.

***U.S. facilities***

Availability for the quarter ended March 31, 2024, was comparable to the same period in 2023. Strong generation year-over-year was primarily attributable to increased dispatch of our thermal facilities, partially offset by lower wind resources experienced across the U.S. impacting generation from our wind facilities.

Revenues and other income for the quarter ended March 31, 2024 was higher compared with the same period in 2023 primarily due to contributions from Frederickson 1 and La Paloma, which were acquired in December 2023 and February 2024, respectively. Partially offsetting this were lower revenues and other income from Arlington Valley primarily driven by a reduced recovery of natural gas expense in 2024 compared to 2023 as a result of declining natural gas prices year-over-year. However, as fuel costs are recovered through Heat Rate Call Option strike payments from the off-taker, net impacts to adjusted EBITDA were negligible. Strong adjusted EBITDA for the first quarter of 2024 also benefited from lower power buyback costs incurred at Arlington Valley year-over-year along with contributions from our joint venture investment in Harquahala, which closed in February 2024. These were partially offset by lower results from Midland Cogen driven by higher fuel costs incurred during the January winter storm.

***Corporate***

Corporate results include (i) revenues for cost recoveries and other income related to off-coal compensation from the Province of Alberta which was fully recognized at the end of fiscal 2023, (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 quarter ended March 31, 2024, was lower compared with the same period in 2023 primarily due to the off-coal compensation from the Province of Alberta being fully recognized at the end of 2023. Note, however, that the cash payment received by Capital Power from the off-coal compensation will continue to be reflected in AFFO annually through to 2030. Higher business development expenses related to the closing of the Harquahala and La Paloma acquisitions further contributed to the unfavorable adjusted EBITDA year-over-year.

***Unrealized changes in fair value of commodity derivatives and emission credits***

| ($ millions) | Three months ended March 31 | | | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| **Unrealized changes in fair value of commodity derivatives and emission credits** | **Revenues and other income[1]** | | **Income before tax[1]** | |
| Unrealized gains on Alberta power derivatives | 247 | 149 | 247 | 129 |
| Unrealized (losses) gains on U.S. power derivatives | (29) | 52 | (29) | 52 |
| Unrealized (losses) gains on natural gas derivatives | (13) | 59 | (16) | (24) |
| Unrealized (losses) gains on emission derivatives | (2) | 11 | (2) | 11 |
| Unrealized gains on emission credits held for trading | - | - | - | 11 |
| | **203** | **271** | **200** | **179** |

1 Revenues and other income and adjusted EBITDA relating to our Alberta commercial facilities and portfolio optimization and U.S. facilities trading 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. facilities and are also excluded from our adjusted EBITDA metric.

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

During the three months ended March 31, 2024, Capital Power recognized unrealized gains of $247 million on Alberta power derivatives, mainly due to impacts of decreasing forward prices on net forward sale contracts and impacts of prior period unrealized losses on positions that settled in the quarter. During the comparable period in 2023, unrealized gains of $129 million on Alberta power derivatives were recognized, mainly due to the reversal of prior period unrealized losses on positions that settled in the quarter and impacts of decreasing forward prices on net forward sale contracts.

During the three months ended March 31, 2024, Capital power recognized unrealized losses on U.S. power derivatives of $29 million, mainly due to impacts of increasing forward power prices on forward sales contracts. During the comparable period in 2023, the U.S. power portfolio recognized unrealized gains of $52 million on U.S power derivatives, mainly due to the reversal of prior period unrealized losses on positions that settled during the quarter and impacts of decreasing forward prices on forward sale contracts.

During the three months ended March 31, 2024, Capital Power recognized unrealized losses of $16 million on natural gas derivatives mainly due to the reversal of prior period unrealized gains on positions that settled during the quarter, partially offset by impacts of decreasing forward prices on forward purchase contracts. During the comparable period in 2023, Capital Power recognized unrealized losses of $24 million on natural gas derivatives, mainly due to the reversal of prior period unrealized gains on positions that settled during the quarter and impacts of decreasing forward prices on forward purchase contracts.

During the three months ended March 31, 2024, Capital Power recognized unrealized losses of $2 million on emissions' derivatives, mainly due to the reversal of prior period unrealized gains on positions that settled in the quarter partially offset by the impact of increasing forward prices on net forward purchase contracts. During the comparable period in 2023, Capital Power recognized unrealized gains of $11 million on emissions' derivatives, mainly due to the reversal of prior period unrealized losses on positions that settled during the quarter and impacts of increasing forward prices on net forward purchase contracts.

During the three months ended March 31, 2024, the impacts of emission credits held for trading were offset by the impacts of increased market pricing on inventory value and the reversal of prior period unrealized gains on inventory sold during the quarter. During the comparable period in 2023, Capital Power recognized unrealized gains of $11 million on emission credits held for trading, mainly due to the impact of increasing market prices on inventory value partially offset by the reversal of prior period unrealized gains on inventory sold during the quarter.

## Consolidated other expenses and non-controlling interests

| ($ millions) | Three months ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| Interest on borrowings less capitalized interest | (47) | (38) |
| Realized gains on settlement of interest rate derivatives | 3 | 4 |
| Other net finance income (expense) – bank interest, interest on off-coal compensation from the Province of Alberta, lease liability interest, sundry interest, guarantee and other fees | 6 | (4) |
| | (38) | (38) |
| Unrealized losses representing changes in the fair value of interest rate derivatives | - | (3) |
| Other net finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to off-coal compensation from the Province of Alberta | (4) | (7) |
| Total net finance expense | (42) | (48) |
| Depreciation and amortization | (122) | (141) |
| Foreign exchange (loss) gain | (10) | 1 |
| Gains on disposals and other transactions | 2 | - |
| Other items from joint ventures[1] | (25) | (21) |
| Income tax expense | (77) | (86) |
| Net loss attributable to non-controlling interests | - | 1 |

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

### *Net finance expense*

Lower net finance expense for the three months ended March 31, 2024 compared with the same period in the prior year largely reflects higher capitalized interest due to the continued advancement of the Genesee repowering project, higher accrued interest income on proceeds of recent debt issuances, and lower accretion charges incurred due to full recognition of off-coal compensation at the end of 2023. This was partially offset by higher interest on increased loans and borrowings outstanding due to the $850 million and $350 million medium-term notes issued near the end of 2023.

### *Depreciation and amortization*

Lower depreciation and amortization for the three months ended March 31, 2024 compared with the same period in the prior year primarily due to Genesee and Genesee Mine assets being fully depreciated at the end of 2023 partially offset by increased depreciation for assets acquired in the Frederickson 1 and La Paloma (see Significant events) transactions that occurred in December 2023 and February 2024, respectively.

### *Foreign exchange (loss) gain*

The Company recognized foreign exchange losses for the three months ended March 31, 2024 due to increasing USD to CAD exchange rates during the period. Comparatively, exchange rates during the comparable period ending March 31, 2023 were more consistent throughout the period.

### *Other items from joint ventures*

Other items from joint ventures includes Capital Power's share of finance expense, depreciation expense and unrealized changes in fair value of derivative instruments from our York Energy, Midland Cogen and Harquahala joint ventures, which are accounted for under the equity method. Other items from joint ventures increased compared with 2023 primarily due to the acquisition of the Harquahala joint venture in the first quarter of 2024.

### *Income tax expense*

Income tax expense for the three months ended March 31, 2024, decreased compared with the corresponding period in 2023 primarily due to lower overall consolidated net income before tax.

### *Non-controlling interests*

Non-controlling interests mostly consists of the Genesee Mine partner's share of the consolidated depreciation expense of the Genesee Mine. The Genesee Mine was fully depreciated at the end of 2023.

## COMPREHENSIVE INCOME

| ($ millions) | Three months ended March 31 | |
|---|---|---|
| | 2024 | 2023 |
| Net income | 205 | 285 |
| Other comprehensive income: | | |
| Net unrealized gains on derivative instruments | 70 | 123 |
| Net realized losses on derivative instruments reclassified to net income | 3 | 28 |
| Equity-accounted investments | 5 | (2) |
| Unrealized foreign exchange gains (losses) on the translation of foreign operations | 39 | (3) |
| Total other comprehensive income, net of tax | 117 | 146 |
| **Comprehensive income** | **322** | **431** |

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

## FINANCIAL POSITION

The significant changes in the consolidated statements of financial position from December 31, 2023 to March 31, 2024 were as follows:

| ($ millions) | March 31, 2024 | December 31, 2023 | Increase (decrease) | Acquisition through business combination[1] | Other | Primary reason for increase (decrease) |
|---|---|---|---|---|---|---|
| Trade and other receivables | 611 | 747 | (136) | 26 | (162) | Decrease primarily due to the receipt of November 2023 AESO pool receipt receivables that were outstanding at December 31, 2023. |
| Equity-accounted investments | 791 | 455 | 336 | - | 336 | Increase mainly due to acquisition of Harquahala in the first quarter of 2024 (see Significant events) |
| Intangible assets and goodwill | 950 | 775 | 175 | 186 | (11) | Decrease primarily due to ongoing amortization. |
| Property, plant and equipment | 7,527 | 6,557 | 970 | 837 | 133 | Increase primarily due to the ongoing construction of Genesee Repowering, Ontario growth projects, and Halkirk 2 Wind. Partially offset by ongoing depreciation. |
| Trade and other payables | 840 | 717 | 123 | 114 | 9 | Increase primarily due to the accrued emission compliance liabilities that will be settled during 2024, and increased capital liabilities related to ongoing construction of Genesee Repowering. Partially offsetting this is the impact of lower accrued power costs for commercial and industrial customers driven by lower Alberta pool pricing. |
| Subscription receipts liability | - | 399 | (399) | - | (399) | Decrease due to the conversion of subscription receipts to common shares upon the closing of the La Paloma and Harquahala acquisitions in February 2024. |
| Net derivative financial | 25 | (248) | 273 | - | 273 | Increase due to reversal of unrealized losses on power |

| ($ millions) | March 31, 2024 | December 31, 2023 | Increase (decrease) | Acquisition through business combination[1] | Other | Primary reason for increase (decrease) |
|---|---|---|---|---|---|---|
| instruments assets (liabilities) | | | | | | positions that settled during the quarter as well as the impact of decreasing forward power pricing on forward sales contracts, reversal of unrealized losses on foreign exchange swaps and increasing interest rates on interest rate swaps. These were partially offset by the reversal of unrealized gains on natural gas positions that settled during the quarter as well as the impact of decreasing forward natural gas pricing on forward purchase contracts. |
| Loans and borrowings (including current portion) | 4,653 | 4,716 | (63) | - | (63) | Decrease primarily due to repayments of U.S. credit facilities, Canadian dollar bank loans and allocation of income tax benefits to tax-equity investors associated with the Company's tax-equity structures. Partially offset by increased Canadian credit facility issuances. |
| Net deferred tax liabilities | 735 | 661 | 74 | - | 74 | Increase primarily due to recognition of taxable temporary differences that will reverse in the future, and changes in derivative financial instrument balances. |

[1] Includes the impact of assets and liabilities acquired through the La Paloma acquisition (see Significant events).

## LIQUIDITY AND CAPITAL RESOURCES

| ($ millions) | Three months ended March 31 | | |
|---|---|---|---|
| **Cash inflows (outflows)** | **2024** | **2023** | **Change** |
| Operating activities | 334 | 349 | (15) |
| Investing activities | (1,439) | (86) | (1,353) |
| Financing activities | (165) | (325) | 160 |

### Operating activities

Cash flows from operating activities for the three months ended March 31, 2024 decreased compared with the same period in 2023 mainly due to:

- Decreases in adjusted EBITDA described in the Consolidated Net Income and Results of Operations, and;
- reduced favourable fair value changes in the first quarter of 2024 compared with the same period in 2023, most notably driven by the impact of greater decreasing forward power prices on net forward sale contracts in 2023. These fair value changes in certain unsettled derivative financial instruments are credited to the Company's bank margin account held with a specific exchange counterparty.

Partially offsetting the above decreases is favourable changes in non-cash operating working capital (see Financial position).

### Investing activities

Cash flows used in investing activities for the three months ended March 31, 2024 increased compared with the same period in 2023 due to the acquisitions of La Paloma and Harquahala in February of 2024 (see Significant events) and higher capital expenditures for the construction of Repowering of Genesee 1 and 2, Ontario growth projects, and Halkirk 2 Wind.

***Capital expenditures and investments***

| ($ millions) | | Three months ended March 31, 2024 actual | Balance of 2024 estimated [1,2] | Actual or projected total [2] | Targeted completion |
|---|---|---|---|---|---|
| Repowering of Genesee 1 and 2 [3] | 1,053 | 98 | 399 to 499 | 1,550 to 1,650 | Unit 1 and 2 in 2024 |
| Halkirk 2 Wind | 69 | 14 | 262 | 345 | Fourth quarter of 2024 |
| Ontario growth projects [4] | 19 | 56 | 301 | 600 | York and Goreway BESS in 2025<br>East Windsor Expansion in 2026 |
| Maple Leaf Solar | 2 | - | 4 | 219 | Fourth quarter of 2026 |
| Commercial initiatives [5] | 214 | 5 | 59 | | |
| Development sites and projects | 63 | - | - | | |
| **Subtotal growth projects** | | **173** | **1,025 to 1,125** | | |
| Sustaining – plant maintenance excluding Genesee mine | | 30 | | | |
| **Total capital expenditures** [6] | | **203** | | | |
| Emission credits held for compliance | | 7 | | | |
| Capitalized interest | | (16) | | | |
| **Additions of property, plant and equipment and other assets** | | **194** | | | |
| Change in other non-cash investing working capital and non-current liabilities | | 24 | | | |
| **Purchase of property, plant and equipment and other assets, net** | | **218** | | | |

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 See Significant events.

4 Projected total costs have been revised for reduced lithium carbonate commodity costs due to contract execution with supplier.

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

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

## Financing activities

Cash flows used in financing activities decreased in the three months ended March 31, 2024 mainly due to lower net repayments of loans and borrowings and lower cash dividends paid due to the reinstatement of the Dividend Reinvestment Plan in the third quarter of 2023.

The Company's credit facilities consisted of:

| ($ millions) | | At March 31, 2024 | | | At December 31, 2023 | | |
|---|---|---|---|---|---|---|---|
| | **Maturity timing** | **Total facilities** | **Credit facility utilization** | **Available** | **Total facilities** | **Credit facility utilization** | **Available** |
| Committed credit facilities | 2027 | 1,000 | | | 1,000 | | |
| Letters of credit outstanding | | | - | | | - | |
| Bankers' acceptances outstanding | | | 104 | | | - | |
| Bank loans outstanding [1] | | | 121 | | | 266 | |
| | | 1,000 | 225 | 775 | 1,000 | 266 | 734 |
| Bilateral demand credit facilities | N/A | 1,396 | | | 1,387 | | |
| Letters of credit outstanding | | | 631 | | | 559 | |
| | | 1,396 | 631 | 765 | 1,387 | 559 | 828 |
| Demand credit facilities | N/A | 25 | - | 25 | 25 | - | 25 |
| | | **2,421** | **856** | **1,565** | **2,412** | **825** | **1,587** |

[1] U.S. dollar denominated bank loans outstanding totaling US$89 million (December 31, 2023 – US$201 million).

At March 31, 2024, the committed credit facility utilization decreased $41 million compared with December 31, 2023 due to repayment of U.S. bank loans partially offset by increased Canadian bank loans. The available credit facilities provide adequate funding for ongoing development projects.

Capital Power has surety capacity to accommodate, as part of normal course of operations, the issuance of bonds for certain capital projects and contracts. At March 31, 2024, $77 million of bonds were issued under these facilities (December 31, 2023 - $77 million).

Capital Power has a corporate credit rating of BBB- with a stable outlook from Standard & Poor's (S&P) which was affirmed in March 2024. 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 2024. The BBB rating category assigned by DBRS is the fourth highest rating of DBRS's ten rating categories for long-term debt obligations. According to DBRS, long-term debt rated BBB is of adequate credit quality and the capacity of the payment of financial obligations is considered acceptable but the entity is vulnerable to future events.

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

## Future cash requirements

The following estimates of future cash requirements are subject to variable factors including those discussed in Forward-looking Information. Capital Power's expected cash requirements for 2024 include:

| ($ millions) | Three months ended March 31, 2024 actual | Balance of 2024 estimated | Total 2024 expected cash requirements |
|---|---|---|---|
| Repayment of debt payable [1] | 19 | 509 | 528 |
| Interest on loans and borrowings | 48 | 158 | 206 |
| Capital expenditures – sustaining | 34 | 172 | 206 |
| Capital expenditures – ongoing growth projects [2] | 176 | 1,052 | 1,228 |
| Capital expenditures – commercial initiatives | 5 | 59 | 64 |
| Common share dividends [3] | 57 | 190 | 247 |
| Preferred share dividends | 9 | 23 | 32 |
| | **348** | **2,163** | **2,511** |

1 Excludes repayment of credit facilities.

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

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

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

If the Canadian and U.S. financial markets become unstable, Capital Power's ability to raise new capital, to meet our financial requirements, and to refinance indebtedness under existing credit facilities and debt agreements may be adversely affected. Capital Power has credit exposure relating to various agreements, particularly with respect to our PPA, energy supply contract, trading and supplier counterparties. While Capital Power continues to monitor our exposure to significant counterparties, there can be no assurance that all counterparties will be able to meet their commitments. See Risks and Risk Management for additional discussion on recent developments pertaining to these risks and Capital Power's risk mitigation strategies.

## Off-statement of financial position arrangements

At March 31, 2024, Capital Power has $631 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

| ($ millions) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Loans and borrowings | 4,653 | 4,716 |
| Subscription receipts [1] | - | 399 |
| Lease liabilities [2] | 159 | 147 |
| Less cash and cash equivalents | (152) | (1,423) |
| Net debt | 4,660 | 3,839 |
| Share capital | 3,928 | 3,524 |
| Deficit and other reserves | (101) | (334) |
| Non-controlling interests | (4) | (4) |
| Total equity | 3,823 | 3,186 |
| **Total capital** | **8,483** | **7,025** |

1 Capital Power's obligation for converting subscription receipts to common shares of Capital Power that have been converted upon the closing of the La Paloma acquisition (see Significant events) in February 2024.

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

## CONTINGENT LIABILITIES, OTHER LEGAL MATTERS AND PROVISIONS

Refer to Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions discussion in our 2023 Integrated Annual Report for details on ongoing legal matters for which there were no notable updates in the current period.

### Contingent liabilities

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

## RISKS AND RISK MANAGEMENT

For the three months ended March 31, 2024, Capital Power's business, operational and climate-related risks and opportunities have remained consistent with those described in our 2023 Integrated Annual Report.

Details around Capital Power's approach to risk management, including principal risk factors and the associated risk mitigation strategies, are described in our 2023 Integrated Annual Report. These factors and strategies have not changed materially in the three months ended March 31, 2024.

## ENVIRONMENTAL MATTERS

Capital Power recorded decommissioning provisions of $344 million at March 31, 2024 ($324 million at December 31, 2023) 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 $1,317 million and forward contracts to sell environmental credits totaling $1,210 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 AND GOVERNMENT MATTERS

Refer to Regulatory Matters discussion in the Company's 2023 Integrated Annual Report for further details that supplement the recent developments discussed below:

### Canada

#### *Federal Budget 2024*

Budget 2024 was tabled on April 16, 2024 and provides an update on the status of previously announced clean energy investment tax credits (ITC) noting that they are expected to be delivered by the end of 2024. Government expects Bill C-59 (which includes the Clean Technology ITC) to receive Royal Assent before June 1, 2024, and will soon introduce legislation for the Clean Hydrogen ITC as well as work on introducing legislation for the Clean Electricity ITC.

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

On February 16, 2024, Environment and Climate Change Canada (ECCC) proposed a new concept to address the serious concerns raised by stakeholders across Canada regarding the draft Clean Electricity Regulations (CER). The proposed concept is based on setting unit-specific annual emissions limits and would allow for pooling of emissions limits by owners/operators of multiple units within the same jurisdiction as well as limited use of offsets as a compliance option. Based on initial assessment, the proposed concept could potentially be a workable framework; however, the ultimate workability will depend on key design details that have not yet been provided by ECCC. Management submitted comments on the proposed concept on March 15, 2024 and will continue following up with key officials at ECCC. The final regulations are still planned for release by the end of 2024.

### Alberta

#### *Alberta Market Reforms*

On March 11, 2024, the Minister of Affordability and Utilities announced two interim regulations to address Alberta's power market and plans to restructure Alberta's electricity market by 2027. Details of the interim regulations are:

- The *Market Power Mitigation Regulation* sets out a secondary price cap in Alberta's market where offers of generators with 5% or higher market share are limited once a hypothetical reference combined cycle unit reaches twice its expected fixed cost (capital recovery and fixed operating) recovery for the month. When the threshold is reached, the offer cap for affected generators will decline to the greater of $125/MWh or 25 times the natural gas price.

- The *Supply Cushion Regulation* enables the AESO to develop procedures to direct or keep on generating assets that cycle offline and cannot re-connect within an hour in the event it anticipates its supply cushion in the market to be less than 932 MW. In the event a generator is directed on, it will be compensated for its start-up costs and minimum generation costs in the event the market prices do not cover the costs.

The AESO will start consultation on the necessary rule changes to implement these two interim regulations on April 18, with the regulations to come into effect on July 1, 2024. Both regulations expire on November 30, 2027.

The Minister has directed the AESO to consult on development of a technical design to implement its proposed Restructured Energy Market (REM) recommendations for longer term market reform. The AESO's proposed REM includes the replacement of economic withholding with administrative scarcity pricing, and new market features such as a day-ahead market, security constrained dispatch and co-optimized dispatch, shortened settlement intervals and negative pricing, and establishing a "strategic reserve" backstop procurement mechanism. A first draft of the design is due to government by the fall of 2024 and the AESO is targeting a final decision on the design by the end of 2025. Management will fully participate in the forthcoming AESO consultation.

***Transmission Policy Review***

The Government also announced plans to continue to consult on Alberta's Transmission Policy framework this year. This follows on from its discussion paper in October 2023 which highlighted 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. Management will fully participate in these consultations once scheduled by the Ministry of Affordability and Utilities.

***Renewables Approval Pause and Permitting Changes***

On February 29, 2024 the Alberta Government's pause on renewable generation facility approvals was lifted and additional clarity was provided on policies for siting renewable generation. This includes: an "agriculture first" approach to land-use where renewable projects will have to demonstrate that it co-exists with agricultural use; a buffer zone for renewable development around specific viewscapes where wind projects will not be permitted and where other projects will be required to undertake a visual impact assessment; creation of standards for reclamation security; and plans for an engagement on use of Crown lands for renewable development. The Alberta Utilities Commission (AUC) will be consulting on necessary changes to its rules as a result of these changes in due course.

***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 tCO2e/MWh in 2030. In 2024, the electricity benchmark is 0.3552 tCO2e/MWh.

The Minister of Environment and Protected Areas signed the Ministerial Order for Alberta's carbon price for 2023-2030 which confirmed that Alberta's carbon price will match the Federal carbon price over the period. Alberta's carbon price in 2024 is $80/tCO2e and is expected to increase annually by $15/tCO2e per year reaching $170 in 2030.

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.

## 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 to extend the program to 2030, effective January 1, 2023.

Under the EPS, the carbon price will align with the minimum Federal carbon price of $80/tCO2e for the 2024 compliance period, increasing by $15 per year to $170 for the 2030 compliance period. The performance standard for generating electricity using fossil fuels declined from 0.370 tCO2e/MWh to 0.310 tCO2e/MWh effective 2023 and will remain at that level until 2030.

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

***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 mid-2025.

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

Beginning in 2021, the Ministry of Energy and the Independent Electricity System Operator (IESO) completed several initiatives to evaluate the role of natural gas on the energy system and to determine an achievable pathway to zero-emissions. These initiatives included a directive from the Ministry of Energy to the IESO in October 2021 requesting the IESO to evaluate a moratorium on the procurement of new natural gas generation, the IESO's Pathways to Decarbonization (P2D) report released in December 2022, and the release of the Powering Ontario Growth Plan by the Ministry of Energy in July 2023. Collectively, these initiatives concluded that it is possible to decarbonize Ontario's electricity system by 2050 but it would require an acceleration in the development of transmission and non-emitting supply including nuclear, long-duration storage, hydroelectric facilities, and emerging technologies. The P2D report further concluded that a moratorium on the procurement of natural gas generation may only be possible after the IESO completes its current round of procurements for natural gas generating capacity, if investment in non-emitting resources and other needed infrastructure starts immediately, and emerging technology including small nuclear reactors and low-carbon fuels comes to fruition. The Powering Ontario Growth Plan was in response to the IESO's P2D report and highlights several critical government initiatives needed to support electrification and decarbonization, including predevelopment work for additional nuclear capacity, development of small modular reactors, work related to hydroelectric storage and electricity generation, planning for energy efficiency programs, and new transmission development. The plan also considers IESO procurements for new zero-emitting energy sources, which the IESO is currently in the process of developing.

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

***Electrification and Energy Transition Panel***

In 2022, the Ministry of Energy established the Electrification and Energy Transition Panel to be a short-term advisory body to help the government prepare for the energy transition. The government released the Panel's final report in January 2024, in which they provided 29 recommendations related to governmental commitments, regulatory policies, Indigenous relations, and stakeholder engagement. The Panel flagged the need for further policy direction for the role of natural gas within the energy transition, integrated long-term energy planning between electricity and natural gas, and a review of Ontario Energy Board activities to ensure they remain consistent with the goals of a clean energy economy. The government is currently reviewing all recommendations from the Panel but did acknowledge that the final report builds on their Powering Ontario's Growth Plan and supports the government's view that natural gas will continue to be an important part of Ontario's energy mix until other energy sources like new nuclear energy can be deployed.

## British Columbia

***BC Hydro Integrated Resource Plan***

On March 6, 2024 the British Columbia Utilities Commission (BCUC) accepted BC Hydro's 2021 Integrated Resource Plan (IRP) and determined that there is a need for 3,700 GWh of new and incremental clean energy before the end of the decade. In its decision, the BCUC encouraged BC Hydro to continue to explore opportunities to leverage existing generation resources to the extent that they align with BC's clean energy policies. BC Hydro was directed to file its next IRP by Oct. 31, 2025. Management will continue to monitor and participate in this process.

***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) that was implemented 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. 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.

## 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 original proposal would have required 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, however, in March 2024 the EPA announced plans to remove existing facilities from the scope of the proposed rule. A final rule is expected by May 2024, and will cover new and modified gas- and oil-fired power plants. Capital Power's current fleet in the United States would not fall under the scope of this rule, but the risk assessment of the natural gas fleet will change depending upon future expansion plans. Additional turbines added to existing plants may be required to convert to hydrogen co-firing or utilize carbon capture in accordance with the EPA rule. The final rule is likely to be subject to litigation challenges.

A future, separate rulemaking is anticipated for existing facilities, and the timing of that proposal is largely dependent upon the November 2024 election results. In March 2024, EPA posted a series of framing questions they plan to consider while drafting a new proposal for existing facilities. Management will respond to the questions as necessary and will continue to monitor the progress of the proposal through the rulemaking process.

***California Climate Disclosure Legislation***

In the fourth quarter of 2023, the California legislature passed two bills that will require certain companies doing business in California to disclose their climate-related financial risks and their scope 1, 2, and 3 greenhouse gas emissions. These new laws are the first of their kind in the United States and have compliance deadlines of 2026, and 2027, respectively. The legislation requires the California Air Resources Board (CARB) to issue a formal rulemaking process prior to implementation of the laws, which is expected to occur later this year. Following the acquisition of the La Paloma Generating Plant in McKittrick, CA, Capital Power will be required to disclose climate related information in the state in accordance with these requirements.

The legislature also passed a law that will require companies that purchase or sell voluntary carbon offsets (VCOs) to disclose specific information on the transactions. The original bill text was relatively vague and clarifying legislative activities are currently ongoing. It is expected that Capital Power will be required to disclose the purchase and sale of VCOs in the state starting in January 2025.

***Washington State Carbon Market Legislation***

In March 2024, the Washington legislature voted in favor of linking the statewide carbon trading market with California and Quebec. California and Quebec must now go through their own regulatory processes to determine whether to link with Washington, and the WA Department of Ecology would need to engage a formal rulemaking process.

Further, in November 2024, voters in Washington state will consider a ballot initiative (Initiative 2117) that would repeal the cap-and-invest program designed to reduce greenhouse gas (GHG) emissions by 95% by 2050. If successful, the carbon trading market in Washington would cease to exist, and the linkage efforts highlighted above would terminate. The Frederickson 1 Generating Station will not likely be financially impacted by Initiative 2117, as its carbon costs will be covered by Morgan Stanley or PSE through September 2030. Our Environmental Trading Desk participates in the auctions and US Government Affairs and Regulatory team is working with industry association partners to discuss options on potential safeguards if Initiative 2117 passes.

## USE OF JUDGMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management made judgments, estimates and assumptions that affect the application of Capital Power's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. There have been no significant changes to Capital Power's use of judgments and estimates as described in our 2023 Integrated Annual Report.

## FINANCIAL INSTRUMENTS

The classification, carrying amounts and fair values of financial instruments held at March 31, 2024 and December 31, 2023 were as follows:

| ($ millions) | | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|---|
| | **Fair value hierarchy level [1]** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Financial assets:** | | | | | |
| Amortized cost | | | | | |
| Cash and cash equivalents | N/A | 152 | 152 | 1,423 | 1,423 |
| Trade and other receivables [2] | N/A | 552 | 552 | 689 | 689 |
| Government grant receivable [3] | Level 2 | 330 | 306 | 327 | 295 |
| Fair value through income or loss | | | | | |
| Derivative financial instruments assets [4] | See below | 427 | 427 | 284 | 284 |
| Fair value through other comprehensive income | | | | | |
| Derivative financial instruments assets [4] | See below | 105 | 105 | 68 | 68 |
| **Financial liabilities:** | | | | | |
| Other financial liabilities | | | | | |
| Trade and other payables | N/A | 840 | 840 | 717 | 717 |
| Subscription receipts | N/A | - | - | 399 | 399 |
| Loans and borrowings [3] | Level 2 | 4,653 | 4,600 | 4,716 | 4,690 |
| Fair value through income or loss | | | | | |
| Derivative financial instruments liabilities [4] | See below | 492 | 492 | 536 | 536 |
| Fair value through other comprehensive income | | | | | |
| Derivative financial instruments liabilities [4] | See below | 15 | 15 | 64 | 64 |

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

2 Excludes current portion of government grant receivable.

3 Includes current portion.

4 Includes current and non-current.

## Risk management and hedging activities

There have been no material changes in the three months ended March 31, 2024 to our risk management and hedging activities as described in our 2023 Integrated Annual Report.

The derivative financial instruments assets and liabilities held at March 31, 2024 compared with December 31, 2023 and used for risk management purposes were measured at fair value and consisted of the following:

| ($ millions) | | At March 31, 2024 | | | |
|---|---|---|---|---|---|
| | Fair value hierarchy level | Commodity cash flow hedges | Commodity non-hedges | Interest rate cash flow hedges | Total |
| Derivative financial instruments assets | Level 2 | 49 | 334 | 56 | 439 |
| | Level 3 | - | 93 | - | 93 |
| | | 49 | 427 | 56 | 532 |
| Derivative financial instruments liabilities | Level 2 | (5) | (192) | (10) | (207) |
| | Level 3 | - | (300) | - | (300) |
| | | (5) | (492) | (10) | (507) |
| **Net derivative financial instruments assets (liabilities)** | | **44** | **(65)** | **46** | **25** |

| ($ millions) | | At December 31, 2023 | | | | |
|---|---|---|---|---|---|---|
| | 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)** |

### 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 power and natural gas prices and their impact on the Alberta and U.S. portfolio. Unrealized and realized gains and losses for fair value changes on commodity derivatives that do not qualify for hedge accounting are recorded in net income as revenues or energy purchases and fuel.

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

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

With the exception of the acquisitions of La Paloma and Harquahala (see Significant events), which is being integrated into Capital Power's systems of internal controls, there were no significant changes in Capital Power's disclosure controls and procedures and internal controls over financial reporting that occurred during the three months ended March 31, 2024 that have materially affected or are reasonably likely to materially affect disclosures of required information and internal control over financial reporting.

## SUMMARY OF QUARTERLY RESULTS

| (GWh) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Electricity generation** | **Mar 2024** | **Dec 2023** | **Sep 2023** | **Jun 2023** | **Mar 2023** | **Dec 2022** | **Sep 2022** | **Jun 2022** |
| Total generation | 8,809 | 8,692 | 8,521 | 7,857 | 7,417 | 8,049 | 6,993 | 6,638 |
| **Alberta commercial facilities** | | | | | | | | |
| Genesee 1 | 700 | 801 | 829 | 793 | 809 | 869 | 863 | 733 |
| Genesee 2 | 687 | 848 | 798 | 759 | 883 | 916 | 803 | 843 |
| Genesee 3 | 1,001 | 1,017 | 1,023 | 1,000 | 998 | 543 | 988 | 1,010 |
| Clover Bar Energy Centre 1, 2 and 3 | 165 | 163 | 294 | 130 | 150 | 278 | 218 | 72 |
| Joffre | 215 | 138 | 110 | 150 | 154 | 45 | 135 | 187 |
| Shepard | 820 | 781 | 768 | 741 | 715 | 829 | 824 | 814 |
| Halkirk Wind | 109 | 139 | 85 | 107 | 122 | 139 | 87 | 124 |
| Clover Bar Landfill Gas | - | - | 2 | 1 | 3 | 2 | 2 | 3 |
| | 3,697 | 3,887 | 3,909 | 3,681 | 3,834 | 3,621 | 3,920 | 3,786 |
| **Western Canada facilities** | | | | | | | | |
| Island Generation | 34 | - | - | 2 | - | 4 | - | - |
| Quality Wind | 87 | 135 | 74 | 73 | 104 | 124 | 93 | 70 |
| EnPower | 6 | 5 | 4 | 3 | 4 | 4 | 2 | 4 |
| Whitla Wind | 325 | 345 | 222 | 280 | 384 | 381 | 238 | 349 |
| Strathmore Solar | 13 | 7 | 24 | 28 | 12 | 10 | 26 | 26 |
| Clydesdale Solar[1] | 32 | 7 | 57 | 54 | 27 | 6 | N/A | N/A |
| | 497 | 499 | 381 | 440 | 531 | 529 | 359 | 449 |
| **Ontario facilities** | | | | | | | | |
| York Energy | 6 | 4 | 8 | 3 | 4 | 5 | 8 | 6 |
| East Windsor | 12 | 3 | 5 | 3 | 1 | 4 | 6 | 3 |
| Goreway | 799 | 552 | 800 | 608 | 358 | 655 | 721 | 234 |
| Kingsbridge 1 | 28 | 28 | 11 | 16 | 31 | 36 | 14 | 23 |
| Port Dover and Nanticoke | 82 | 81 | 41 | 54 | 87 | 91 | 50 | 67 |
| | 927 | 668 | 865 | 684 | 481 | 791 | 799 | 333 |
| **U.S. facilities** | | | | | | | | |
| Decatur Energy, Alabama | 455 | 666 | 723 | 494 | 240 | 617 | 785 | 752 |
| Arlington Valley, Arizona | 840 | 1,067 | 1,007 | 908 | 513 | 907 | 685 | 659 |
| Beaufort Solar, North Carolina | 7 | 6 | 8 | 8 | 6 | 5 | 8 | 9 |
| Bloom Wind, Kansas | 174 | 169 | 107 | 153 | 186 | 171 | 126 | 208 |
| Macho Springs Wind, New Mexico | 41 | 26 | 21 | 41 | 44 | 31 | 17 | 48 |
| New Frontier Wind, North Dakota | 89 | 110 | 74 | 83 | 108 | 117 | 83 | 116 |
| Cardinal Point Wind, Illinois | 165 | 167 | 69 | 134 | 174 | 170 | 86 | 167 |
| Buckthorn Wind, Texas | 96 | 94 | 81 | 77 | 108 | 82 | 75 | 81 |
| Midland Cogeneration, Michigan[2] | 1,298 | 1,333 | 1,276 | 1,154 | 1,192 | 1,008 | 61 | N/A |
| Frederickson 1, Washington[3] | 246 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Harquahala, Arizona[4] | - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| La Paloma, California[5] | 277 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | 3,688 | 3,638 | 3,366 | 3,052 | 2,571 | 3,108 | 1,915 | 2,070 |

1 Clydesdale Solar was commissioned on December 13, 2022.

2 Midland Cogeneration was acquired on September 23, 2022.

3 Frederickson 1 was acquired on December 28, 2023. Due to the proximity of the acquisition to December 31, 2023, generation for the quarter ended December 31, 2023 was immaterial.

4 Harquahala was acquired February 16, 2024 (see Significant events).

5 La Paloma was acquired February 9, 2024 (see Significant events).

| (%) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Facility availability** | **Mar 2024** | **Dec 2023** | **Sep 2023** | **Jun 2023** | **Mar 2023** | **Dec 2022** | **Sep 2022** | **Jun 2022** |
| Total average facility availability | 94 | 93 | 96 | 95 | 94 | 90 | 96 | 92 |
| **Alberta commercial facilities** | | | | | | | | |
| Genesee 1 | 93 | 92 | 95 | 95 | 97 | 99 | 99 | 86 |
| Genesee 2 | 84 | 96 | 93 | 91 | 100 | 99 | 93 | 100 |
| Genesee 3 | 99 | 100 | 100 | 100 | 99 | 54 | 99 | 100 |
| Clover Bar Energy Centre 1, 2 and 3 | 56 | 56 | 95 | 47 | 69 | 84 | 93 | 89 |
| Joffre | 100 | 89 | 76 | 95 | 96 | 53 | 81 | 96 |
| Shepard | 98 | 100 | 99 | 98 | 85 | 100 | 98 | 100 |
| Halkirk Wind | 93 | 95 | 91 | 96 | 97 | 96 | 94 | 98 |
| Clover Bar Landfill Gas | - | - | 48 | 58 | 83 | 82 | 69 | 74 |
| | 90 | 93 | 95 | 91 | 93 | 84 | 95 | 96 |
| **Western Canada facilities** | | | | | | | | |
| Island Generation | 100 | 100 | 100 | 100 | 100 | 91 | 100 | 100 |
| Quality Wind | 95 | 98 | 96 | 92 | 98 | 97 | 99 | 98 |
| EnPower | 85 | 91 | 91 | 94 | 73 | 99 | 92 | 99 |
| Whitla Wind | 95 | 96 | 94 | 94 | 98 | 96 | 92 | 97 |
| Strathmore Solar | 97 | 88 | 97 | 98 | 96 | 100 | 100 | 100 |
| Clydesdale Solar[1] | 97 | 88 | 97 | 97 | 97 | 100 | N/A | N/A |
| | 97 | 97 | 97 | 96 | 98 | 95 | 96 | 99 |
| **Ontario facilities** | | | | | | | | |
| York Energy | 100 | 100 | 99 | 89 | 100 | 100 | 96 | 100 |
| East Windsor | 99 | 97 | 95 | 99 | 99 | 73 | 93 | 76 |
| Goreway | 99 | 96 | 100 | 98 | 91 | 99 | 100 | 59 |
| Kingsbridge 1 | 90 | 91 | 92 | 89 | 95 | 98 | 96 | 99 |
| Port Dover and Nanticoke | 98 | 97 | 95 | 96 | 96 | 96 | 90 | 99 |
| | 99 | 97 | 99 | 96 | 94 | 97 | 98 | 71 |
| **U.S. facilities** | | | | | | | | |
| Decatur Energy, Alabama | 100 | 79 | 98 | 100 | 99 | 76 | 98 | 100 |
| Arlington Valley, Arizona | 82 | 98 | 100 | 98 | 81 | 99 | 97 | 96 |
| Beaufort Solar, North Carolina | 98 | 100 | 99 | 99 | 99 | 99 | 100 | 99 |
| Bloom Wind, Kansas | 98 | 96 | 91 | 98 | 97 | 94 | 95 | 94 |
| Macho Springs Wind, New Mexico | 96 | 97 | 96 | 98 | 99 | 98 | 97 | 98 |
| New Frontier Wind, North Dakota | 83 | 91 | 97 | 94 | 95 | 92 | 94 | 95 |
| Cardinal Point Wind, Illinois | 87 | 94 | 92 | 95 | 93 | 96 | 96 | 98 |
| Buckthorn Wind, Texas | 96 | 96 | 93 | 94 | 95 | 93 | 92 | 90 |
| Midland Cogeneration, Michigan[2] | 93 | 93 | 97 | 94 | 95 | 92 | 86 | N/A |
| Frederickson 1, Washington[3] | 89 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Harquahala, Arizona[4] | 100 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| La Paloma, California[5] | 95 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | 93 | 90 | 97 | 97 | 94 | 89 | 96 | 97 |

1 Clydesdale Solar was commissioned on December 13, 2022.

2 Midland Cogeneration was acquired on September 23, 2022.

3 Frederickson 1 was acquired on December 28, 2023. Due to the proximity of the acquisition to December 31, 2023, availability for the quarter ended December 31, 2023 was immaterial.

4 Harquahala was acquired February 16, 2024 (see Significant events).

5 La Paloma was acquired February 9, 2024 (see Significant events).

## Financial results

| ($ millions) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Mar 2024** | **Dec 2023** | **Sep 2023** | **Jun 2023** | **Mar 2023** | **Dec 2022** | **Sep 2022** | **Jun 2022** |
| **Revenues and other income [1]** | | | | | | | | |
| Alberta commercial facilities and portfolio optimization | 593 | 596 | 685 | 609 | 681 | 668 | 572 | 419 |
| Western Canada facilities | 37 | 47 | 32 | 32 | 41 | 41 | 29 | 30 |
| Ontario facilities | 108 | 93 | 94 | 90 | 97 | 118 | 126 | 89 |
| U.S. facilities | 175 | 123 | 121 | 103 | 144 | 186 | 111 | 126 |
| Corporate [2] | 3 | 27 | 35 | 35 | 33 | 33 | 33 | 33 |
| Unrealized changes in fair value of commodity derivatives and emission credits | 203 | 98 | 183 | 12 | 271 | (117) | (85) | 16 |
| | **1,119** | **984** | **1,150** | **881** | **1,267** | **929** | **786** | **713** |
| **Adjusted EBITDA [1,3]** | | | | | | | | |
| Alberta commercial facilities and portfolio optimization | 135 | 169 | 210 | 166 | 235 | 176 | 234 | 181 |
| Western Canada facilities | 24 | 36 | 18 | 20 | 28 | 28 | 17 | 20 |
| Ontario facilities [4] | 64 | 60 | 58 | 60 | 62 | 67 | 59 | 56 |
| U.S. facilities [4] | 112 | 75 | 130 | 88 | 76 | 48 | 92 | 68 |
| Corporate | (56) | (27) | (2) | (7) | - | (16) | (19) | (6) |
| | **279** | **313** | **414** | **327** | **401** | **303** | **383** | **319** |

1 Commencing in 2024, the Company reclassified the presentation of U.S. Trading within Alberta portfolio optimization to the U.S. facilities category to better reflect the nature of these activities. Comparatives for revenues and other income and adjusted EBITDA were reclassified to conform to the current presentation.

2 Revenues are offset by interplant category revenue eliminations.

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

4 Ontario facilities include adjusted EBITDA from York Energy joint venture and U.S. facilities include adjusted EBITDA from the Midland Cogen and Harquahala joint ventures.

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.

### Financial highlights

| ($ millions except per share amounts) | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar 2024 | Dec 2023 | Sep 2023 | Jun 2023 | Mar 2023 | Dec 2022 | Sep 2022 | Jun 2022 |
| Revenues and other income | 1,119 | 984 | 1,150 | 881 | 1,267 | 929 | 786 | 713 |
| Adjusted EBITDA [1, 2] | 279 | 313 | 414 | 327 | 401 | 303 | 383 | 319 |
| Net income (loss) | 205 | 95 | 272 | 85 | 285 | (99) | 31 | 77 |
| Net income (loss) attributable to shareholders of the Company | 205 | 97 | 274 | 87 | 286 | (98) | 34 | 80 |
| Basic earnings (loss) per share ($) | 1.58 | 0.74 | 2.27 | 0.68 | 2.39 | (0.91) | 0.21 | 0.59 |
| Diluted earnings (loss) per share ($)[3] | 1.57 | 0.74 | 2.26 | 0.67 | 2.38 | (0.91) | 0.20 | 0.59 |
| Net cash flows from (used in) operating activities | 334 | (18) | 480 | 11 | 349 | 42 | 370 | 108 |
| Adjusted funds from operations [1] | 142 | 162 | 296 | 151 | 210 | 140 | 328 | 180 |
| Adjusted funds from operations per share ($) [1] | 1.15 | 1.38 | 2.53 | 1.29 | 1.80 | 1.20 | 2.81 | 1.55 |
| Purchase of property, plant and equipment and other assets, net | 218 | 244 | 262 | 131 | 86 | 179 | 224 | 147 |

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 Includes adjusted EBITDA from the York Energy, Midland Cogeneration and Harquahala joint ventures.

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

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Spot price averages** | Mar 2024 | Dec 2023 | Sep 2023 | Jun 2023 | Mar 2023 | Dec 2022 | Sep 2022 | Jun 2022 |
| Alberta power ($ per MWh) | 99 | 82 | 152 | 160 | 142 | 214 | 221 | 122 |
| Alberta natural gas (AECO) ($ per GJ) | 1.94 | 2.19 | 2.49 | 2.39 | 3.08 | 4.91 | 4.02 | 6.86 |
| Capital Power's Alberta portfolio average realized power price ($ per MWh) | 82 | 84 | 93 | 85 | 98 | 111 | 101 | 85 |

### Factors impacting results for the previous quarters

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

***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 increase 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 emission reductions resulting from the conversion of G3 from coal to natural gas, and lower transmission costs at the Alberta Commercial facilities which more than offset the lower power prices realized during the quarter compared to the prior period.

***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.

***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.

***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.

## SHARE AND PARTNERSHIP UNIT INFORMATION

### Quarterly common share trading information

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

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar 2024 | Dec 2023 | Sep 2023 | Jun 2023 | Mar 2023 | Dec 2022 | Sep 2022 | Jun 2022 |
| **Share price ($/common share)** | | | | | | | | |
| High | 39.43 | 39.88 | 42.34 | 46.73 | 46.90 | 50.28 | 51.90 | 46.51 |
| Low | 35.55 | 35.11 | 37.84 | 41.16 | 40.06 | 40.69 | 44.34 | 40.48 |
| Close | 38.21 | 37.84 | 37.92 | 42.10 | 41.64 | 46.33 | 46.90 | 45.01 |
| **Volume of shares traded (millions)** | 25.9 | 26.0 | 18.6 | 20.7 | 25.1 | 23.4 | 28.2 | 19.9 |

### Outstanding share and partnership unit data

At April 26, 2024, the Company had 129.140 million common shares, 5 million Cumulative Rate Reset Preference Shares (Series 1), 6 million Cumulative Rate Reset Preference Shares (Series 3), 8 million Cumulative Rate Reset Preference Shares (Series 5), 6 million Cumulative Minimum Rate Reset Preference Shares (Series 11), and one special limited voting share outstanding. Assuming full conversion of the outstanding and issuable share purchase options to common shares and ignoring exercise prices, the outstanding and issuable common shares at April 26, 2024 were 131.181 million. The outstanding special limited voting share is held by EPCOR.

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

At April 26, 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.com.

Condensed Interim Consolidated Financial Statements of

# CAPITAL POWER CORPORATION

(Unaudited, in millions of Canadian dollars)
Three months ended March 31, 2024 and 2023

# CAPITAL POWER CORPORATION
Condensed Interim Consolidated Financial Statements
Three months ended March 31, 2024 and 2023

**Condensed Interim Consolidated Financial Statements:**


Condensed Interim Consolidated Statements of Income 43

Condensed Interim Consolidated Statements of Comprehensive Income 44

Condensed Interim Consolidated Statements of Financial Position 45

Condensed Interim Consolidated Statements of Changes in Equity 46

Condensed Interim Consolidated Statements of Cash Flows 48

Notes to the Condensed Interim Consolidated Financial Statements 49

# CAPITAL POWER CORPORATION

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

| | Three months ended March 31, 2024 | 2023 |
|---|---|---|
| Revenues | $ 1,097 | $ 1,214 |
| Other income | 22 | 53 |
| Energy purchases and fuel | (526) | (604) |
| **Gross margin** | 593 | 663 |
| Other raw materials and operating charges | (46) | (44) |
| Staff costs and employee benefits expense | (49) | (41) |
| Depreciation and amortization | (122) | (141) |
| Other administrative expense | (56) | (34) |
| Foreign exchange (loss) gain | (10) | 1 |
| **Operating income** | 310 | 404 |
| Gains on disposals and other transactions | 2 | - |
| Net finance expense | (42) | (48) |
| Income from joint ventures | 12 | 15 |
| **Income before tax** | 282 | 371 |
| Income tax expense (note 4) | (77) | (86) |
| **Net income** | $ 205 | $ 285 |
| **Attributable to:** | | |
| Non-controlling interests | $ - | $ (1) |
| Shareholders of the Company | $ 205 | $ 286 |

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

| | | |
|---|---|---|
| Basic (note 5) | $ 1.58 | $ 2.39 |
| Diluted (note 5) | $ 1.57 | $ 2.38 |

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | Three months ended March 31, 2024 | 2023 |
|---|---|---|
| **Net income** | $ 205 | $ 285 |
| **Other comprehensive income:** | | |
| **Items that are or may be reclassified subsequently to net income:** | | |
| Cash flow hedges: | | |
| Unrealized gains on derivative instruments[1] | 70 | 123 |
| Reclassification of losses on derivative instruments to net income for the period[2] | 3 | 28 |
| Equity-accounted investments[3] | 5 | (2) |
| Net investment in foreign subsidiaries: | | |
| Unrealized gains (losses)[4] | 39 | (3) |
| Total items that are or may be reclassified subsequently to net income, net of tax | 117 | 146 |
| Total other comprehensive income, net of tax | 117 | 146 |
| **Total comprehensive income** | $ 322 | $ 431 |
| **Attributable to:** | | |
| Non-controlling interests | $ - | $ (1) |
| Shareholders of the Company | $ 322 | $ 432 |

[1] For the three months ended March 31, 2024 and 2023, net of income tax expenses of $13 and of $37, respectively.

[2] For the three months ended March 31, 2024 and 2023, net of reclassification of income tax recoveries of $1 and $9, respectively.

[3] For the three months ended March 31, 2024, net of income tax expenses of $1. For the three months ended March 31,2023, net of income tax recoveries $1.

[4] For the three months ended March 31, 2024 and 2023, net of income tax expenses of nil.

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 152 | $ 1,423 |
| Trade and other receivables | 611 | 747 |
| Inventories | 288 | 309 |
| Derivative financial instruments assets (note 6) | 204 | 153 |
| | 1,255 | 2,632 |
| Non-current assets: | | |
| Other assets | 125 | 110 |
| Derivative financial instruments assets (note 6) | 328 | 199 |
| Finance lease receivable | 23 | 25 |
| Government grant receivable | 271 | 269 |
| Deferred tax assets | 20 | 16 |
| Equity-accounted investments (note 3) | 791 | 455 |
| Right-of-use assets | 128 | 118 |
| Intangible assets and goodwill | 950 | 775 |
| Property, plant and equipment | 7,527 | 6,557 |
| Total assets | $ 11,418 | $ 11,156 |
| Liabilities and equity | | |
| Current liabilities: | | |
| Trade and other payables | $ 840 | $ 717 |
| Subscription receipts | - | 399 |
| Derivative financial instruments liabilities (note 6) | 108 | 178 |
| Loans and borrowings | 586 | 590 |
| Deferred revenue and other liabilities | 76 | 96 |
| Provisions | 58 | 67 |
| | 1,668 | 2,047 |
| Non-current liabilities: | | |
| Derivative financial instruments liabilities (note 6) | 399 | 422 |
| Loans and borrowings | 4,067 | 4,126 |
| Lease liabilities | 152 | 140 |
| Deferred revenue and other liabilities | 199 | 206 |
| Deferred tax liabilities | 755 | 677 |
| Provisions | 355 | 352 |
| | 5,927 | 5,923 |
| Equity: | | |
| Equity attributable to shareholders of the Company | | |
| Share capital (note 7) | 3,928 | 3,524 |
| Deficit | (288) | (404) |
| Other reserves | 187 | 70 |
| Deficit and other reserves | (101) | (334) |
| | 3,827 | 3,190 |
| Non-controlling interests | (4) | (4) |
| Total equity | 3,823 | 3,186 |
| Total liabilities and equity | $ 11,418 | $ 11,156 |

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | Share capital (note 7) | Cash flow hedges[1] | Cumulative translation reserve[1] | Defined benefit plan actuarial losses[1] | Employee benefits reserve | Deficit | Equity attributable to shareholders of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| Equity as at January 1, 2024 | $ 3,524 | $ 48 | $ 22 | $ (10) | $ 10 | $ (404) | $ 3,190 | $ (4) | $ 3,186 |
| Net income | - | - | - | - | - | 205 | 205 | - | 205 |
| Other comprehensive income (loss): | | | | | | | | | |
| Cash flow derivative hedge gains | - | 83 | - | - | - | - | 83 | - | 83 |
| Reclassification of derivative hedge losses to net income | - | 4 | - | - | - | - | 4 | - | 4 |
| Equity-accounted investments | - | 6 | - | - | - | - | 6 | - | 6 |
| Unrealized gains on foreign currency translation | - | - | 39 | - | - | - | 39 | - | 39 |
| Tax on items recognized directly in equity | - | (15) | - | - | - | - | (15) | - | (15) |
| Other comprehensive income | $ - | $ 78 | $ 39 | $ - | $ - | $ - | $ 117 | $ - | $ 117 |
| Total comprehensive income | - | 78 | 39 | - | - | 205 | 322 | - | 322 |
| Common share dividends (note 7) | - | - | - | - | - | (79) | (79) | - | (79) |
| Preferred share dividends (note 7) | - | - | - | - | - | (9) | (9) | - | (9) |
| Tax on preferred shares (note 7) | - | - | - | - | - | (1) | (1) | - | (1) |
| Issue of share capital | 400 | - | - | - | - | - | 400 | - | 400 |
| Share issue costs | (16) | - | - | - | - | - | (16) | - | (16) |
| Tax on share issue costs | 3 | - | - | - | - | - | 3 | - | 3 |
| Dividends reinvested | 15 | - | - | - | - | - | 15 | - | 15 |
| Share options exercised | 2 | - | - | - | - | - | 2 | - | 2 |
| Equity as at March 31, 2024 | $ 3,928 | $ 126 | $ 61 | $ (10) | $ 10 | $ (288) | $ 3,827 | $ (4) | $ 3,823 |

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

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

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

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

See accompanying notes to the condensed interim consolidated financial statements

# CAPITAL POWER CORPORATION

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

| | Three months ended March 31, 2024 | 2023 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 205 | $ 285 |
| Non-cash adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation and amortization | 122 | 141 |
| Net finance expense | 42 | 48 |
| Fair value changes on commodity derivative instruments and emission credits held for trading | (200) | (179) |
| Foreign exchange losses (gains) | 10 | (1) |
| Income tax expense | 77 | 86 |
| Income from joint ventures | (12) | (15) |
| Recognition of government grant deferred revenue | - | (31) |
| Tax equity attributes | (20) | (20) |
| Other items | - | 4 |
| Change in fair value of derivative instruments reflected as cash settlement | 12 | 111 |
| Distributions received from joint ventures | 8 | 9 |
| Interest paid | (48) | (50) |
| Income taxes paid | (15) | (14) |
| Other cash items | (9) | (22) |
| Change in non-cash operating working capital | 162 | (3) |
| Net cash flows from operating activities | 334 | 349 |
| **Cash flows used in investing activities:** | | |
| Purchase of property, plant and equipment and other assets, net[1] | (218) | (86) |
| Business acquisition, net of acquired cash (note 3) | (909) | - |
| Acquisition of equity-accounted investment (note 3) | (317) | - |
| Other cash flows from investing activities | 5 | - |
| Net cash flows used in investing activities | (1,439) | (86) |
| **Cash flows used in financing activities:** | | |
| Repayment of loans and borrowings | (64) | (237) |
| Issue costs on loans and borrowings | (1) | - |
| Repayment of lease liabilities | (1) | (1) |
| Share issue costs | (8) | - |
| Proceeds from exercise of share options | 2 | 1 |
| Dividends paid (note 7) | (66) | (75) |
| Capitalized interest paid | (16) | (8) |
| Distributions to non-controlling interests | - | (2) |
| Other cash items | (7) | - |
| Income taxes paid on preferred share dividends | (4) | (3) |
| Net cash flows used in financing activities | (165) | (325) |
| Foreign exchange loss on cash held in foreign currency | (1) | - |
| Net decrease in cash and cash equivalents | (1,271) | (62) |
| Cash and cash equivalents at beginning of period | 1,423 | 307 |
| Cash and cash equivalents at end of period | $ 152 | $ 245 |

[1] Reflects total additions for the three months ended March 31, 2024, increased by $24 million for changes in non-cash investing working capital and other non-current assets (three months ended March 31, 2023 – increased by $5 million), to arrive at cash additions of property, plant and equipment and other assets.

See accompanying notes to the condensed interim consolidated financial statements

**1. Reporting entity:**

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

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

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

**2. Basis of presentation:**

These condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s 2023 annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

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

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2024.

**3. Business Acquisitions**

**Acquisition of New Harquahala Generating Company, LLC**

On February 16, 2024, Capital Power and an affiliate of a fund managed by BlackRock's Diversified Infrastructure business each acquired 50% equity interests in New Harquahala Generating Company, LLC (Harquahala), through their joint venture partnership, Trident Parent Holdings LLC. Harquahala owns a 1,092 MW natural gas-fired generation facility in Maricopa County, Arizona.

The Company has assessed Trident Parent Holdings LLC as a joint venture as all relevant operating, investing and financing activities of Trident Parent Holdings LLC are shared jointly between Capital Power and its joint venture partner. Accordingly, Capital Power’s investment in Trident Parent Holdings LLC is accounted for under the equity method.

Capital Power’s investment for its 50% ownership of Trident Parent Holdings LLC was $311 million (US$231 million) of cash consideration, including working capital and other closing adjustments of $6 million (US$4 million). The Company previously entered into foreign exchange cash flow hedges pertaining to the hedged portion of U.S. dollar denominated funds used to acquire the equity-accounted investment which settled during the first quarter of 2024 for a loss of $6 million and was recorded as part of the equity accounted investment balance on the condensed interim 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 Harquahala are property, plant and equipment representing the fair value of the generation facility.

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

**3. Business Acquisitions, continued**

**Acquisition of CXA La Paloma, LLC**

On February 9, 2024, the Company acquired 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 purchase price consisted of $911 million (US$677 million) in total cash consideration, including working capital and other closing adjustments.

The acquisition of the contracted combined-cycle U.S. gas generation facility supports the Company's strategic growth and expansion in the U.S. Western Electricity Coordinating Council region.

The valuation techniques used for measuring the fair value of material assets acquired includes the depreciated replacement cost approach for property, plant and equipment and an income based approach, the multi-period excess earning method for the intangible assets. The depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by power purchase arrangements acquired, by excluding any cash flows related to contributory assets.

La Paloma is substantially contracted with resource adequacy contracts through 2029 with multiple investment grade utilities and load serving entities.

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

| | February 9, 2024 |
|---|---|
| Cash and cash equivalents | $ 2 |
| Trade and other receivables | 24 |
| Inventories | 6 |
| Prepaid expenses | 2 |
| Right-of-use assets | 5 |
| Intangible assets | 186 |
| Property, plant and equipment | 837 |
| Trade and other payables | (114) |
| Lease liabilities | (5) |
| Provisions | (32) |
| Fair value of net assets acquired | $ 911 |

The purchase price allocation is subject to the finalization primarily related to working capital adjustments which is expected to occur in the second half of 2024.

The results of operations of La Paloma are included in the Company's condensed interim 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 condensed interim consolidated statements of financial position. Since the acquisition date, the condensed interim consolidated statements of income reflect income of $39 million recorded in revenues and $9 million of net income for the three months ended March 31, 2024 related to La Paloma.

Had the acquisition occurred at January 1, 2024, the combined entity of the Company and La Paloma would have had a total of $1,124 million of revenues, $22 million of other income and $213 million of net income for the three months ended March 31, 2024.

In conjunction with the acquisition of La Paloma, for the three months ended March 31, 2024, the Company incurred $10 million (US $7 million) in acquisition costs which have been recorded on the Company's consolidated statements of income as other administrative expenses.

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

## 4. Income tax:

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

| | Three months ended March 31, 2024 | Three months ended March 31, 2023 |
|---|---|---|
| Net income before tax | $ 282 | $ 371 |
| Income tax at the statutory rate of 23% | 65 | 85 |
| Increase (decrease) resulting from: | | |
| Non-taxable amounts | 4 | - |
| Amounts attributable to non-controlling interests and tax-equity interests | (2) | (1) |
| Statutory and other rate differences | 2 | 1 |
| Other | 8 | 1 |
| Income tax expense | $ 77 | $ 86 |

## 5. Earnings per share:

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

| | Three months ended March 31, 2024 | Three months ended March 31, 2023 |
|---|---|---|
| Income for the period attributable to shareholders | $ 205 | $ 286 |
| Preferred share dividends[1] | (10) | (7) |
| Earnings available to common shareholders | $ 195 | $ 279 |
| Weighted average number of common shares | 123,669,718 | 116,894,777 |
| Basic earnings per share | $ 1.58 | $ 2.39 |
| Weighted average number of common shares | 123,669,718 | 116,894,777 |
| Effect of dilutive share purchase options | 233,593 | 464,579 |
| Diluted weighted average number of common shares | 123,903,311 | 117,359,356 |
| Diluted earnings per share | $ 1.57 | $ 2.38 |

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

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

## 6. Derivative financial instruments and hedge accounting:

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

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

| | March 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Energy and emission allowances | | Interest rate | Foreign exchange | |
| | cash flow hedges | non-hedges | cash flow hedges | cash flow hedges | Total |
| Derivative instruments assets: | | | | | |
| Current | $ 22 | $ 130 | $ 52 | $ - | $ 204 |
| Non-current | 27 | 297 | 4 | - | 328 |
| Derivative instruments liabilities: | | | | | |
| Current | (4) | (102) | (2) | - | (108) |
| Non-current | (1) | (390) | (8) | - | (399) |
| Net fair value | $ 44 | $ (65) | $ 46 | $ - | $ 25 |
| Net notional buys (sells) (millions): | | | | | |
| Megawatt hours of electricity | (4) | (41) | | | |
| Gigajoules of natural gas purchased[1] | | 126 | | | |
| Gigajoules of natural gas basis swaps[1] | | 85 | | | |
| Metric tonnes of emission allowances | | 5 | | | |
| Number of renewable energy credits | | (14) | | | |
| Interest rate swaps | | | $ 1,256 | | |
| Forward currency buys (sells) (U.S. dollars) | | | | $ 70 | |
| Range of remaining contract terms in years | 0.1 to 3.8 | 0.1 to 22.9 | 0.2 to 2.8 | 0.4 to 0.9 | |

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

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

**6. Derivative financial instruments and hedge accounting, continued:**

| | 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[2] | | 93 | | | | |
| Gigajoules of natural gas basis swaps[2] | | 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 | |

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

Fair values of derivative instruments are determined using valuation techniques, inputs, and assumptions as described in the Company's 2023 annual consolidated financial statements. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

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

| | Three months ended March 31, 2024 | | Three months ended March 31, 2023 | |
|---|---|---|---|---|
| | Unrealized gains | Realized (losses) gains | Unrealized gains (losses) | Realized (losses) gains |
| Energy cash flow hedges | $ 42 | $ (7) | $ 213 | $ (41) |
| Energy and emission allowances non-hedges | 200 | (21) | 168 | (29) |
| Interest rate cash flow hedges | 16 | 3 | (16) | 4 |
| Interest rate non-hedges | - | - | (3) | - |
| Foreign exchange cash flow hedges | 29 | - | - | - |
| Foreign exchange non-hedges | - | (1) | - | - |

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

**6. Derivative financial instruments and hedge accounting, continued:**

The following realized and unrealized gains and losses on derivative financial instruments are included in the Company's statements of income for the three months ended March 31, 2024 and 2023:

| | Three months ended March 31, 2024 | 2023 |
|---|---|---|
| Revenues | $ 190 | $ 194 |
| Energy purchases and fuel | (18) | (96) |
| Foreign exchange loss | (1) | - |
| Net finance expense | 3 | 1 |

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices, interest rate risk relating to future borrowings and foreign exchange risk relating to future capital investment in U.S. dollars.

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

| | March 31, 2024 |
|---|---|
| Within one year | $ 27 |
| Between one and five years | 78 |
| After five years | 28 |
| | $ 133 |

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

## 7. Share capital:

### Issued and fully paid shares

In relation to the La Paloma and Harquahala acquisitions (note 3), the Company completed a public and private subscription receipt offering in the fourth quarter of 2023. In February 2024, upon closing of the La Paloma acquisition, each subscription receipt has been automatically exchanged in accordance with their terms for one common share of Capital Power.

The public offering of 8,231,000 common shares was issued at an issue price of $36.45 per common share (Offering Price) for total gross proceeds of $300 million less issue costs of $12 million. The private offering of 2,745,000 common shares was issued at the Offering Price to Alberta Investment Management Corporation on a private placement basis, for gross proceeds of approximately $100 million less issue costs of $4 million.

### Common and preferred share dividends

| | Dividends declared | | | | Dividends paid | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2024 | | 2023 | |
| | Per share | Total | Per share | Total | Per share | Total | Per share | Total |
| Common[1] | $ 0.6150 | $ 79 | $ 0.5800 | $ 68 | $ 0.6150 | $ 72 | $ 0.5800 | $ 68 |
| Preference: | | | | | | | | |
| Series 1 | 0.1638 | 1 | 0.1638 | 1 | 0.1638 | 1 | 0.1638 | 1 |
| Series 3 | 0.4288 | 3 | 0.3408 | 2 | 0.4288 | 3 | 0.3408 | 2 |
| Series 5 | 0.4144 | 3 | 0.3274 | 2 | 0.4144 | 3 | 0.3274 | 2 |
| Series 11 | 0.3594 | 2 | 0.3594 | 2 | 0.3594 | 2 | 0.3594 | 2 |

[1] For the three months ended March 31, 2024, common dividends paid consist of $57 million cash and $15 million through the Company's dividend re-investment plan. For the three months ended March 31, 2023, all common dividends were paid in cash. The Company reinstated its dividend reinvestment plan for its common shares effective for the September 30, 2023 dividend (paid in the fourth quarter of 2023).

During the three months ended March 31, 2024 and 2023, the Company did not purchase and cancel any of its outstanding common shares under its Toronto Stock Exchange approved normal course issuer bid.

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

## 8. Financial Instruments

### Fair values

Details of the fair values of the Company's derivative instruments are described in note 6.

The Company's other short-term financial instruments are classified and measured at amortized cost, consistent with the methodologies described in the Company's 2023 annual consolidated financial statements. Due to the short-term nature of these financial instruments, the fair values are not materially different from their carrying amounts.

The fair values of the Company's other long-term financial instruments are determined using the same valuation techniques, inputs, and assumptions as described in the Company's 2023 annual consolidated financial statements. The carrying amount and fair value of the Company's other financial instruments, which are all classified and subsequently measured at amortized cost, are summarized as follows:

| | | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|---|
| | Fair value hierarchy level | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets[1] | | | | | |
| Government grant receivable | Level 2 | $ 330 | $ 306 | $ 327 | $ 295 |
| Financial liabilities[1] | | | | | |
| Loans and borrowings | Level 2 | $ 4,653 | $ 4,600 | $ 4,716 | $ 4,690 |

[1] Includes current portion.

### Fair value hierarchy

Fair value represents the Company's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction under no compulsion to act. Fair value measurements recognized in the consolidated statements of financial position are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs and precedence is given to those fair value measurements calculated using observable inputs over those using unobservable inputs. The determination of fair value requires judgment and is based on market information where available and appropriate. The valuation techniques used by the Company in determining the fair value of its financial instruments are the same as those used at December 31, 2023.

The fair value measurement of a financial instrument is included in only one of the three levels described in the Company's 2023 annual consolidated financial statements, the determination of which is based upon the lowest level input that is significant to the derivation of the fair value. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment which will affect the placement within the fair value hierarchy levels.

The Company's policy is to recognize transfers between levels as of the date of the event of change in circumstances that caused the transfer.

The table below presents the Company's financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position, classified using the fair value hierarchy described in the Company's 2023 annual consolidated financial statements.

| | March 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative financial instruments assets | $ - | $ 439 | $ 93 | $ 532 |
| Derivative financial instruments liabilities | - | (207) | (300) | (507) |

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

**8. Financial instruments, continued:**

**Fair value hierarchy, continued**

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Derivative financial instruments assets | $ - | $ 336 | $ 16 | $ 352 |
| Derivative financial instruments liabilities | - | (287) | (313) | (600) |

*Valuation techniques used in determination of fair values within Level 3*

The Company has various commodity, renewable energy agreements and renewable energy credit (REC) contracts with terms that extend beyond a liquid trading period. Certain of these contracts include notional quantities based on future actual generation of underlying generation facilities. As forward market prices and actual generation are not available for the full period of these contracts, their fair values are derived using forecasts based on internal modelling and as a result, are classified within Level 3 of the hierarchy.

The fair values of the Company's commodity derivatives included within Level 3 are determined by applying a mark-to-forecast model.

The table below presents ranges for the Company's Level 3 inputs:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| REC pricing (per certificate) – Solar | $3 to $208 | $3 to $204 |
| REC pricing (per certificate) – Wind | $3 to $7 | $3 to $7 |
| Forward power pricing (per MWh) – Solar | $21 to $101 | $34 to $194 |
| Forward power pricing (per MWh) – Wind | $20 to $151 | $22 to $136 |
| Forward power pricing (per MWh) - Thermal | $21 to $127 | - |
| Average monthly generation (MWh) – Strathmore Solar | 6,687 | 6,671 |
| Average monthly generation (MWh) – Clydesdale Solar | 11,215 | 11,162 |
| Average monthly generation (MWh) – Whitla Wind | 38,885 | 39,123 |
| Average monthly generation (MWh) – Bloom Wind | 59,560 | 59,471 |
| Average monthly generation (MWh) – Buckthorn Wind | 17,649 | 17,620 |
| Average monthly generation (MWh) – Halkirk 2 Wind | 16,000 | - |

*Valuation process applied to Level 3*

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

The table below presents the increase or decrease to fair value of Level 3 derivative instruments based on a 10% decrease or increase in the respective input:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| REC pricing – Solar | $ - | $ 1 |
| REC pricing – Wind | 1 | 3 |
| Forward power pricing – Solar | - | 19 |
| Forward power pricing – Wind | 51 | 71 |
| Forward power pricing - Thermal | 2 | - |
| Generation – Solar | (3) | 5 |
| Generation – Wind | 13 | 18 |

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

**8. Financial instruments, continued:**

**Fair value hierarchy, continued**

*Continuity of Level 3 balances*

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| At January 1[2] | $ (297) | $ (456) |
| Additions | 14 | - |
| Unrealized and realized gains included in net income[3] | 82 | 40 |
| Settlements[4] | (1) | 114 |
| Transfers[5] | - | (2) |
| Foreign exchange (losses) gains | (5) | 7 |
| At end of period | $ (207) | $ (297) |
| Total unrealized and realized gains for the period included in net income[3] | $ 82 | $ 40 |

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

[3] Recorded in revenues.

[4] Relates to settlement of financial derivative instruments.

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

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

**9. 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. (Alabama, Arizona, California, Illinois, Kansas, Michigan, New Mexico, North Carolina, North Dakota, Texas 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:

| | Three months ended March 31, 2024 | | | | Three months ended March 31, 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Canada | U.S. | Inter-area eliminations | Total | Canada | U.S. | Inter-area eliminations | Total |
| Revenues – external[1] | $ 978 | $ 119 | $ - | $1,097 | $ 974 | $ 240 | $ - | $1,214 |
| Revenues – inter-area | 8 | - | (8) | - | 11 | - | (11) | - |
| Other income | 2 | 20 | - | 22 | 33 | 20 | - | 53 |
| Total revenues and other income | $ 988 | $ 139 | $ (8) | $1,119 | $ 1,018 | $ 260 | $ (11) | $1,267 |

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

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

**9. Segment information, continued:**

| | At March 31, 2024 | | | At December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Canada | U.S. | Total | Canada | U.S. | Total |
| Property, plant and equipment | $ 5,022 | $ 2,505 | $ 7,527 | $ 4,898 | $ 1,659 | $ 6,557 |
| Right-of-use assets | 63 | 65 | 128 | 59 | 59 | 118 |
| Intangible assets and goodwill | 620 | 330 | 950 | 631 | 144 | 775 |
| Finance lease receivable[2] | 32 | - | 32 | 34 | - | 34 |
| Other assets | 46 | 79 | 125 | 47 | 63 | 110 |
| | $ 5,783 | $ 2,979 | $ 8,762 | $ 5,669 | $ 1,925 | $ 7,594 |

[2] Includes current portion.

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

| | Three months ended March 31, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Alberta Commercial facilities | Western Canada facilities | Ontario facilities | U.S. facilities | Total from contracts with customers | Other sources | Total |
| Energy revenues | $ 566 | $ 30 | $ 98 | $ 111 | $ 805 | $ 268 | $ 1,073 |
| Emission credit revenues | 6 | 4 | - | 2 | 12 | 12 | 24 |
| Total revenues[3] | $ 572 | $ 34 | $ 98 | $ 113 | $ 817 | 280 | $ 1,097 |

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

[3] Included within trade and other receivables, at March 31, 2024, were amounts related to contracts with customers of $325 million (2023 - $415 million).