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

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Capital Power announces third quarter 2024 results

Record quarterly generation and increased EBITDA diversification from newly acquired U.S. assets

EDMONTON, Alberta – October 30, 2024 – Capital Power Corporation (TSX: CPX) today released financial results for the quarter ended September 30, 2024.

Financial highlights

- Generated adjusted funds from operations (AFFO) of $315 million and net cash flows from operating activities of $236 million
- Generated adjusted EBITDA of $401 million and a net income of $178 million
- Successfully closed a $600 million medium term note offering, the Company's largest single tranche to date

Strategic highlights

- Completed operational integration of Harquahala and on track for integration of La Paloma, with total U.S. facilities contributing over 50% of Q3 adjusted EBITDA
- Quarterly generation record of 11TWh across the Company's fleet, driven by high dispatch at U.S. flexible generation facilities
- Genesee Repower 1 and 2 combined cycle commissioning are on track for Q4 2024 completion
- Signed a 3-year partnership and equity option agreement with four First Nations to acquire a combined total of 25% of Halkirk 2 Wind following the 3-year agreement

"In Q3 2024 Genesee Repower 1 began commissioning and generating MWs as a combined cycle unit. This significant step towards the completion of the Repowering project is a real-world example of how we can transform existing infrastructure to support the energy expansion. It's about supporting a grid to accommodate renewables, new baseload generation technologies, and growing demand, ensuring a balanced and sustainable energy future," said Avik Dey, President and CEO of Capital Power. "We continued to make significant progress across all key strategic areas of focus in our portfolio and achieved record quarterly generation of ~11 TWh. Notably, our U.S. assets continue to see strong generation underscoring the value of a diversified portfolio," stated Mr. Dey.

"The third quarter results continue to demonstrate the success of our geographic diversification strategy, with over 50% of adjusted EBITDA contribution coming from our U.S. facilities for the first time. In particular, we saw meaningful contributions from the newly acquired assets in California, Arizona and Washington and higher than expected overall dispatch to meet increasing demand driving strong adjusted EBITDA and AFFO performance for the quarter," said Sandra Haskins, SVP Finance and CFO of Capital Power.

Ms. Haskins added, "From a funding perspective, Capital Power successfully closed a $600 million medium term note offering, demonstrating our disciplined approach to balance sheet optimization and continued ability to access capital to fund our growth and diversification efforts."

Operational and Financial Highlights[1]

($ millions, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Electricity generation (Gigawatt hours)	11,001	8,521	28,413	23,795
Generation facility availability	94%	96%	93%	95%
Revenues and other income	1,030	1,150	2,923	3,298
Adjusted EBITDA [2]	401	414	1,003	1,142
Net income [3]	178	272	459	642
Net income attributable to shareholders of the Company	179	274	459	647
Basic earnings per share ($)	1.32	2.27	3.39	5.33
Diluted earnings per share ($)	1.32	2.26	3.38	5.31
Net cash flows from operating activities	236	480	706	840
Adjusted funds from operations [2]	315	296	635	657
Adjusted funds from operations per share ($) [2]	2.42	2.53	4.97	5.62
Purchase of property, plant and equipment and other assets, net	231	262	675	479
Dividends per common share, declared ($)	0.6519	0.6150	1.8819	1.7750

1 The operational and financial highlights in this press release should be read in conjunction with the Management's Discussion and Analysis and the unaudited condensed interim financial statements for the nine months ended September 30, 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 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 September 30, 2024 and 2023 of $124 million and $148 million, respectively, and for the nine months ended September 30, 2024 and 2023 of $366 million and $432 million, respectively. Forecasted depreciation and amortization for the remainder of 2024 is $130 million for the fourth quarter.

Significant Events

$600 million medium term notes offering

On September 16, 2024, the Company closed a public offering of unsecured medium term notes in the aggregate principal amount of $600 million (the Notes). The Notes have a coupon rate of 4.831% and mature on September 16, 2031. The Company used the net proceeds to repay, redeem and refinance existing indebtedness, including indebtedness under the Company's credit facilities, and for general corporate purposes.

$350 million Green Hybrid Subordinated Notes, Series 1 exchange

On August 15, 2024, the Company announced the approval of amendments to the indenture governing the $350 million 7.95% Fixed-to-Fixed Rate Subordinated Notes, Series 1, due September 9, 2082 (Series 1 Notes). These changes allowed for the exchange of all outstanding principal amount of Series 1 Notes for an equal principal amount of new 7.95% Fixed-to-Fixed Rate Subordinated Notes, Series 3, due September 9, 2082 (Series 3 Notes).

The Series 3 Notes have the same economic terms as the Series 1 Notes, including interest rates and maturity dates, but without the provision for delivery of preferred shares upon the occurrence of certain bankruptcy and related events. Holders will continue to receive interest accrued on the exchanged Series 1 Notes.

This note exchange was completed on August 15, 2024, following the execution of the necessary supplemental indentures. The Series 3 Notes will rank equally in right of payment with the $450 million 8.125% Fixed-to-Fixed Subordinated Notes, Series 2, due June 5, 2054. S&P Global Ratings and Morningstar DBRS confirmed the instrument rating of the Series 3 Notes at BB and BB with a Stable trend, respectively.

Dividend increase

On July 30, 2024, the Company's Board of Directors approved an increase of 6% in the annual dividend for holders of its common shares, from $2.46 per common share to $2.61 per common share. This increased common share dividend commenced with the third quarter 2024 quarterly dividend payment on October 31, 2024 to shareholders of record at the close of business on September 30, 2024.

Partnership with Maskwacis First Nations

On July 19, 2024, the Company signed a three-year partnership and equity option agreement with the Louis Bull Tribe, Ermineskin Cree Nation, Montana First Nation and Samson Cree Nation of Maskwacis located in Alberta. Following the three-year agreement, the Company is offering the four First Nations an opportunity to acquire a combined total of 25% of Halkirk 2 Wind. As part of the Company's commitment to reconciliation, the agreement provides an equitable profit-sharing model that supports a pathway to future, long-term equity ownership in the project that can support these nations with sustainable income throughout the lifetime of its operations.

Subsequent Event

Organizational Review - Voluntary Departure Program

On October 24, 2024, the Company announced the rollout of the voluntary departure program (VDP or the Program) aimed to reduce its workforce of Canada-based corporate employees by at least 25% (approximately 130 positions). The VDP is part of a strategic organizational review to optimize the organization to scale and grow efficiently, inclusive of decentralizing corporate functions, reducing headcount in certain areas and expanding in key growth areas. The program is open to eligible Canada-based corporate employees and offers eligible employees a financial incentive to voluntarily leave the organization. Employees who wish to participate in the Program must elect to participate by November 7, 2024.

The Company expects to incur a total cost of approximately $30 million related to the VDP and the timing of the recognition of the cost in the financial statements will be determined once participation in the Program is known. Actual cost may differ from the Company's initial expectations significantly if nearly all or all eligible employees elect to participate. The Company believes this initiative will enhance operational efficiency, aligns the workforce with the organization's strategic objectives and in respect to employees, provides them a choice in the change process.

Analyst conference call and webcast

Capital Power will be hosting a conference call and live webcast with analysts on October 30, 2024 at 9:00 am (MT) to discuss the second quarter financial results. The webcast can be accessed at: https://edge.media-server.com/mmc/p/rvd9z4cf/.

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 specified financial measures. Adjusted EBITDA and AFFO are both non-GAAP financial measures.

Capital Power also uses AFFO per share as a specified 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							
	Sep 2024	**Jun 2024**	**Mar 2024**	**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**
Revenues and other income	1,030	774	1,119	984	1,150	881	1,267	929
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(612)	(504)	(677)	(694)	(626)	(614)	(723)	(909)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	(78)	(8)	(200)	(14)	(151)	23	(179)	247
Remove other non-recurring items [1]	-	4	-	1	4	-	-	-
Adjusted EBITDA from joint ventures [2]	61	57	37	36	37	37	36	36
Adjusted EBITDA	**401**	**323**	**279**	**313**	**414**	**327**	**401**	**303**
Depreciation and amortization	(124)	(120)	(122)	(142)	(148)	(143)	(141)	(139)
Unrealized changes in fair value of commodity derivatives and emission credits	78	8	200	14	151	(23)	179	(247)
Other non-recurring items	-	(4)	-	(1)	(4)	-	-	-
Impairments	(27)	-	-	-	-	-	-	-
Foreign exchange gains (losses)	5	(4)	(10)	(2)	(9)	4	1	3
Net finance expense	(65)	(53)	(42)	(49)	(35)	(34)	(48)	(44)
(Losses) gains on acquisition and disposal transactions	(5)	(17)	2	(5)	5	(3)	-	(33)
Other items [2,3]	(32)	(34)	(25)	(22)	(19)	(19)	(21)	(17)
Income tax (expense) recovery	(53)	(23)	(77)	(11)	(83)	(24)	(86)	75
Net income (loss)	**178**	**76**	**205**	**95**	**272**	**85**	**285**	**(99)**
Net income (loss) attributable to:								
Non-controlling interests	(1)	1	-	(2)	(2)	(2)	(1)	(1)
Shareholders of the Company	179	75	205	97	274	87	286	(98)
Net income (loss)	**178**	**76**	**205**	**95**	**272**	**85**	**285**	**(99)**

[1] Other non-recurring items for the three months ended June 30, 2024 includes costs related to the end-of-life of Genesee coal operations.

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

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

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 September 30**		**Nine months ended September 30**	
	2024	**2023**	**2024**	**2023**
Net cash flows from operating activities per condensed interim consolidated statements of cash flows	**236**	**480**	**706**	**893**
Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows:				
Interest paid	73	40	132	103
Change in fair value of derivatives reflected as cash settlement	2	(130)	(17)	(211)
Realized gain on settlement of interest rate derivatives	(28)	-	(42)	(10)
Distributions received from joint ventures	(13)	(7)	(24)	(25)
Miscellaneous financing charges paid [1]	1	2	(6)	6
Income taxes paid	(3)	11	17	36
Change in non-cash operating working capital	63	(69)	(7)	126
	95	(153)	53	25
Net finance expense [2]	(56)	(31)	(136)	(97)
Current income tax expense	(7)	(54)	(29)	(135)
Sustaining capital expenditures [3]	(35)	(16)	(96)	(72)
Preferred share dividends paid	(6)	(8)	(24)	(23)
Cash received for off-coal compensation	50	50	50	50
Remove tax equity interests' respective shares of adjusted funds from operations	(1)	(1)	(4)	(5)
Adjusted funds from operations from joint ventures	40	25	99	70
Other non-recurring items [4]	(1)	4	16	4
Adjusted funds from operations	**315**	**296**	**635**	**657**
Weighted average number of common shares outstanding (millions)	**130.3**	**117.0**	**127.8**	**116.9**
Adjusted funds from operations per share ($)	**2.42**	**2.53**	**4.97**	**5.62**

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 $2 million and $8 million for the three and nine months ended September 30, 2024, respectively, compared with $1 million and $5 million for the three and nine months ended September 30, 2023, respectively.

[4] For the three and nine months ended September 30, 2024 other non-recurring items reflects costs related to the end-of-life of Genesee coal operations of $1 million and $5 million, respectively, and a provision of $18 million for discontinuation of the Genesee CCS project related to termination of sequestration hub evaluation work for the nine months ended September 30, 2024, net of current income tax recovery of $2 million and $7 million for the three and nine months ended September 30, 2024, related to other non-recurring items recognized in the prior and current periods, respectively. For the three and nine months ended September 30, 2023, other non-recurring items includes restructuring costs of $3 million and costs related to the end-of-life of Genesee coal operations of $1 million.

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, (v) the ability of profit-sharing arrangements to support partner communities, (vi) the anticipated impacts of the organizational review, including costs, and anticipated benefits of the organizational review, (vii) the performance of future projects and the performance of such projects in comparison to the market, and (viii) the future energy needs of certain jurisdictions.

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 with approximately 9,300 MW of power generation at 32 facilities across North America. We prioritize safely delivering reliable and affordable power communities can depend on, building clean power systems, and creating balanced solutions for our energy future. 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 October 29, 2024, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Capital Power Corporation and its subsidiaries for the nine months ended September 30, 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 nine months ended September 30, 2024 and September 30, 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 October 29, 2024.

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FORWARD-LOOKING INFORMATION

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

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

- our 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 emission intensity as well as 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;
- the ability of profit-sharing arrangements to support partner communities;
- the anticipated impacts of the organizational review, including costs, and anticipated benefits of the organizational review;
- the performance of future projects and the performance of such projects in comparison to the market;
- future growth and emerging opportunities in our target markets;
- the future energy needs of certain jurisdictions;
- anticipated litigation in respect of Environmental Protection Agency (EPA) rules and plans and the outcome thereof;
- 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;
- 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; and
- the eligibility of certain projects for the Clean Technology ITC.

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 with approximately 9,300 MW of power generation at 32 facilities across North America.

We prioritize safely delivering reliable and affordable power communities can depend on, building clean power systems and creating balanced solutions for our energy future. 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

With our balanced approach to energy transition, we pursue strategic growth opportunities, with discipline, building upon our integrated core business – flexible generation, renewables and trading & origination. Capital Power's pathway to achieve net zero by 2045 includes transitioning off coal, developing renewables, delivering low carbon grid-critical capacity, pursuing low carbon power solutions, and making strategic investments to optimize our existing power generation assets. We are currently assessing our pathway to net zero, in addition to our interim emissions targets.

PERFORMANCE OVERVIEW

We measure our operational and financial performance in relation to our corporate strategy 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 September 30, 2024
Deliver		
Provide safe, reliable generation	Facility availability average of **93%** or greater	**93%[1] availability**
Execution of major turnarounds at seven facilities	Sustaining capital expenditures of **$180 million to $200 million**	**$128 million[1,2]**

Priority	2024 target	Status at September 30, 2024
Generate financial stability and strength	• Adjusted funds from operations[3] ○ 2024 target: **$770 million to $870 million**	**$635 million[1]**
	• Adjusted EBITDA[3] ○ Updated guidance[4] of **$1,310 million to $1,410 million** ○ 2024 target: **$1,405 million to $1,505 million**	**$1,003 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) with operational integration completed for Harquahala and on track for La Paloma. We continue to evaluate business development opportunities.
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 and Unit 2 occurred in the first half of 2024. Both units are expected to achieve combined cycle commercial operations in the fourth 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).
Advance construction on over 560 MWs of incremental capacity	Continue construction on Ontario growth and commercial initiative projects, Halkirk 2 Wind, and Maple Leaf Solar on schedule	Construction is underway and the projects remain on track to meet the 2024 target. In June 2024, Halkirk 2 Wind received Alberta Utilities Commission (AUC) approval for 28 of 31 of the turbines originally planned for the project. Management is currently assessing its options for the remaining 3 turbines.
Expand U.S. renewables portfolio	Continue to explore opportunities to build or acquire renewable facilities in the U.S.	Successfully executed PPAs for the Hornet and Bear Branch solar projects in June 2024. Located in North Carolina, these projects have a total capacity of 107.5 MW. Hornet solar began construction in August 2024, and construction of Bear Branch solar is scheduled to commence in the first quarter of 2025 (see Significant events).
Create		
Advance low-carbon solutions to meet 2045 net zero	Continue to explore economic viability of carbon capture and storage (CCS) in markets compatible with the technology	The positive results from the FEED study affirmed the technology. The Genesee CCS project has been deemed uneconomic and has been discontinued (see Significant events). Capital Power will continue to evaluate CCS for viability at certain assets in our North American fleet.
	Evaluate SMRs in Alberta	Announced Partnership with Ontario Power Generation to assess new nuclear in Alberta. In October 2024, Capital Power qualified for $5 million in Government of Canada funding to support certain activities to be undertaken as part of the feasibility assessment (see Significant events).

1 For the nine months ended September 30, 2024.
2 Includes our share of joint venture sustaining capital expenditures of $32 million net of partner contributions of $8 million.
3 Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures and as a result do not have standardized meanings. These measures may not be comparable to similar financial measures disclosed by other issuers. See Non-GAAP Financial Measures and Ratios.
4 See Outlook.

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). In the second quarter of 2024, adjusted EBITDA guidance range was revised to $1,310 million to $1,410 million and remains unchanged.

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

The Alberta portfolio position, contracted prices and forward Alberta pool prices for 2025, 2026 and 2027 (all at September 30, 2024) were:

Alberta commercial portfolio	2025	2026	2027
Power			
Hedged Volume (GWh)	10,500	9,500	6,000
Weighted average hedged prices[1] ($/MWh)	High-$70s	High-$70s	High-$70s
Forward Alberta pool prices ($/MWh)	$46	$49	$56
Natural gas			
Hedged Volume (TJ)	75,000	70,000	40,000
Weighted average hedged prices[1,2] ($/GJ)	$2.75	$3.75	$4.00
Forward Alberta natural gas prices ($/GJ)	$2.30	$2.90	$2.90

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 hedged power volumes and weighted average hedged prices include origination contracts longer than 12 months, entered during higher price periods in the past three years, averaging in the high-$70s per megawatt hour. The AB Commercial portfolio's open baseload position, gas peaking assets and renewable assets are available to capture upside from Alberta power price volatility driven by factors such as weather, operational events, and renewables intermittency.

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

At our 2024 guidance call held in January 2024, management reaffirmed the annual dividend growth guidance of 6% through to 2025. At Investor Day in May 2024, management announced a long-term targeted dividend growth guidance of 2-4% after 2025. The future lower dividend growth rate will fund growth opportunities. 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 specified financial measures. Adjusted EBITDA and AFFO are both non-GAAP financial measures.

Capital Power also uses AFFO per share as a specified 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							
	Sep 2024	Jun 2024	Mar 2024	Dec 2023	Sep 2023	Jun 2023	Mar 2023	Dec 2022
Revenues and other income	1,030	774	1,119	984	1,150	881	1,267	929
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(612)	(504)	(677)	(694)	(626)	(614)	(723)	(909)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	(78)	(8)	(200)	(14)	(151)	23	(179)	247
Remove other non-recurring items [1]	-	4	-	1	4	-	-	-
Adjusted EBITDA from joint ventures [2]	61	57	37	36	37	37	36	36
Adjusted EBITDA	**401**	**323**	**279**	**313**	**414**	**327**	**401**	**303**
Depreciation and amortization	(124)	(120)	(122)	(142)	(148)	(143)	(141)	(139)
Unrealized changes in fair value of commodity derivatives and emission credits	78	8	200	14	151	(23)	179	(247)
Other non-recurring items [1]	-	(4)	-	(1)	(4)	-	-	-
Impairment	(27)	-	-	-	-	-	-	-
Foreign exchange gains (losses)	5	(4)	(10)	(2)	(9)	4	1	3
Net finance expense	(65)	(53)	(42)	(49)	(35)	(34)	(48)	(44)
(Losses) gains on acquisition and disposal transactions	(5)	(17)	2	(5)	5	(3)	-	(33)
Other items [2,3]	(32)	(34)	(25)	(22)	(19)	(19)	(21)	(17)
Income tax (expense) recovery	(53)	(23)	(77)	(11)	(83)	(24)	(86)	75
Net income (loss)	**178**	**76**	**205**	**95**	**272**	**85**	**285**	**(99)**
Net income (loss) attributable to:								
Non-controlling interests	(1)	1	-	(2)	(2)	(2)	(1)	(1)
Shareholders of the Company	179	75	205	97	274	87	286	(98)
Net income (loss)	**178**	**76**	**205**	**95**	**272**	**85**	**285**	**(99)**

[1] Other non-recurring items for the three months ended June 30, 2024 includes costs related to the end-of-life of Genesee coal operations.

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

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

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 September 30		Nine months ended September 30	
	2024	2023	2024	2023
Net cash flows from operating activities per condensed interim consolidated statements of cash flows	**236**	**480**	**706**	**840**
Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows:				
Interest paid	73	40	132	103
Change in fair value of derivatives reflected as cash settlement	2	(130)	(17)	(211)
Realized gain on settlement of interest rate derivatives	(28)	-	(42)	(10)
Distributions received from joint ventures	(13)	(7)	(24)	(25)
Miscellaneous financing charges paid [1]	1	2	(6)	6
Income taxes (recovered) paid	(3)	11	17	36
Change in non-cash operating working capital	63	(69)	(7)	126
	95	(153)	53	25
Net finance expense [2]	(56)	(31)	(136)	(97)
Current income tax expense	(7)	(54)	(29)	(135)
Sustaining capital expenditures [3]	(35)	(16)	(96)	(72)
Preferred share dividends paid	(6)	(8)	(24)	(23)
Cash received for off-coal compensation	50	50	50	50
Remove tax equity interests' respective shares of adjusted funds from operations	(1)	(1)	(4)	(5)
Adjusted funds from operations from joint ventures	40	25	99	70
Other non-recurring items [4]	(1)	4	16	4
Adjusted funds from operations	**315**	**296**	**635**	**657**
Weighted average number of common shares outstanding (millions)	**130.3**	**117.0**	**127.8**	**116.9**
Adjusted funds from operations per share ($)	**2.42**	**2.53**	**4.97**	**5.62**

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 $2 million and $8 million for the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, includes sustaining capital expenditures net of: (i) partner contributions of $1 million and $5 million respectively and (ii) insurance recoveries of $3 million for the three and nine months ended September 30, 2023.

4 For the three and nine months ended September 30, 2024 other non-recurring items reflects costs related to the end-of-life of Genesee coal operations of $1 million and $5 million, respectively, and a provision of $18 million for discontinuation of the Genesee CCS project related to termination of sequestration hub evaluation work (see Significant events) for the nine months ended September 30, 2024, net of current income tax recovery of $2 million and $7 million for the three and nine

months ended September 30, 2024, respectively, related to other non-recurring items recognized in the prior and current periods. For the three and nine months ended September 30, 2023, other non-recurring items includes restructuring costs of $3 million and costs related to the end-of-life of Genesee coal operations of $1 million.

FINANCIAL HIGHLIGHTS

($ millions, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Revenues and other income	1,030	1,150	2,923	3,298
Adjusted EBITDA [1]	401	414	1,003	1,142
Net income	178	272	459	642
Net income attributable to shareholders of the Company	179	274	459	647
Basic earnings per share ($)	1.32	2.27	3.39	5.33
Diluted earnings per share ($) [2]	1.32	2.26	3.38	5.31
Net cash flows from operating activities	236	480	706	840
Adjusted funds from operations [1]	315	296	635	657
Adjusted funds from operations per share ($) [1]	2.42	2.53	4.97	5.62
Purchase of property, plant and equipment and other assets, net	231	262	675	479
Dividends per common share, declared ($)	0.6519	0.6150	1.8819	1.7750
Dividends per Series 1 preferred share, declared ($)	0.1638	0.1638	0.4914	0.4914
Dividends per Series 3 preferred share, declared ($)	0.4288	0.3408	1.2863	1.0224
Dividends per Series 5 preferred share, declared ($)	0.4144	0.4144	1.2433	1.0692
Dividends per Series 11 preferred share, declared ($) [3]	N/A	0.3594	1.7188	1.0781

	As at	
	September 30, 2024	December 31, 2023
Loans and borrowings including current portion	4,984	4,716
Total assets	11,982	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 include the impact of outstanding share purchase options.

3 Capital Power redeemed all of our 6 million issued and outstanding 5.75% cumulative minimum rate reset preference shares, Series 11 (see Significant events).

Adjusted EBITDA for the three and nine months ended September 30, 2024, was lower than the corresponding period in 2023 largely due to lower generation and lower power prices captured by our Alberta commercial portfolio and full recognition of the off-coal compensation from the Province of Alberta at the end of 2023, partly offset by the following factors:

- lower emissions cost from reduced intensity driven by a shift to more natural gas versus coal as the Genesee facilities are 100% natural gas-fueled as of June 18, 2024 (see Significant events),
- increased U.S. facility contributions from Frederickson 1, Harquahala, and La Paloma, which were acquired in December 2023 and February 2024, respectively, and
- strong U.S. trading results for the first nine months of 2024 compared to 2023 due to increased trading activity and higher realized gains from our power and environmental trading portfolio.

AFFO for the three months ended September 30, 2024, was higher than the corresponding period in 2023 primarily due to:

- lower current income tax expense partly due to lower overall consolidated net income before tax and higher tax deductions for certain capital projects,
- higher contributions from our joint venture investment in Harquahala, acquired in February 2024, and,
- partly offset by higher finance expense attributable to increased loans and borrowings outstanding due to issuances in the second half of 2023 and first half of 2024, lower adjusted EBITDA described above and higher sustaining capital expenditures as a result of larger outage scope and recent acquisitions.

AFFO for the nine months ended September 30, 2024, was lower than the corresponding period in 2023 primarily due to:

- lower adjusted EBITDA, higher finance expense and higher sustaining capital expenditures as described above, and

- partly offset by decreased current income tax expense due to lower overall consolidated net income before tax, higher tax deductions for certain capital projects and contributions from our joint venture investment in Harqualaha.

Revenues and other income for the three and nine months ended September 30, 2024 were lower compared to the same period in 2023 primarily due to lower generation and lower power prices captured by our Alberta commercial portfolio. This was partly offset by increased contributions from U.S. facilities Frederickson 1 and La Paloma, acquired in December 2023 and February 2024, respectively and changes in the fair value of commodity derivatives and emission credits. Further contributing to the decline is lower revenues from cost recoveries and other income related to off-coal compensation from the Province of Alberta that was fully recognized at the end of fiscal 2023.

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

SIGNIFICANT EVENTS

$600 million medium term notes offering

On September 16, 2024, the Company closed a public offering of unsecured medium term notes in the aggregate principal amount of $600 million (the Notes). The Notes have a coupon rate of 4.831% and mature on September 16, 2031. The Company used the net proceeds to repay, redeem and refinance existing indebtedness, including indebtedness under the Company’s credit facilities, and for general corporate purposes.

$350 million Green Hybrid Subordinated Notes, Series 1 exchange

On August 15, 2024, the Company announced the approval of amendments to the indenture governing the $350 million 7.95% Fixed-to-Fixed Rate Subordinated Notes, Series 1, due September 9, 2082 (Series 1 Notes). These changes allowed for the exchange of all outstanding principal amount of Series 1 Notes for an equal principal amount of new 7.95% Fixed-to-Fixed Rate Subordinated Notes, Series 3, due September 9, 2082 (Series 3 Notes).

The Series 3 Notes have the same economic terms as the Series 1 Notes, including interest rates and maturity dates, but without the provision for delivery of preferred shares upon the occurrence of certain bankruptcy and related events. Holders will continue to receive interest accrued on the exchanged Series 1 Notes.

This note exchange was completed on August 15, 2024, following the execution of the necessary supplemental indentures. The Series 3 Notes will rank equally in right of payment with the $450 million 8.125% Fixed-to-Fixed Subordinated Notes, Series 2, due June 5, 2054. S&P Global Ratings and Morningstar DBRS confirmed the instrument rating of the Series 3 Notes at BB and BB with a Stable trend, respectively.

Dividend increase

On July 30, 2024, the Company’s Board of Directors approved an increase of 6% in the annual dividend for holders of its common shares, from $2.46 per common share to $2.61 per common share. This increased common share dividend commenced with the third quarter 2024 quarterly dividend payment on October 31, 2024 to shareholders of record at the close of business on September 30, 2024.

Partnership with Maskwacis First Nations

On July 19, 2024, the Company signed a three-year partnership and equity option agreement with the Louis Bull Tribe, Ermineskin Cree Nation, Montana First Nation and Samson Cree Nation of Maskwacis located in Alberta. Following the three-year agreement, the Company is offering the four First Nations an opportunity to acquire a combined total of 25% of Halkirk 2 Wind. As part of the Company’s commitment to reconciliation, the agreement provides an equitable profit-sharing model that supports a pathway to future, long-term equity ownership in the project that can support these nations with sustainable income throughout the lifetime of its operations.

Executes 25-year contracts for Hornet Solar and Bear Branch Solar projects in North Carolina

In June 2024, the Company successfully executed 25-year power purchase agreements with Duke Energy

Carolinas for the Hornet Solar and Bear Branch Solar projects located in North Carolina totalling 107.5 MW. Hornet Solar began construction in August 2024 and Bear Branch is expected to commence construction in the first quarter of 2025. Targeted commercial operations for both projects is expected in the second half of 2026.

Genesee Generating Station is off coal

On June 18, 2024, the Company reached a significant milestone for the Genesee Repowering project with the announcement that the Genesee Generating Station is off coal and now 100% natural gas-fueled, resulting in the facility being off coal more than 5 years ahead of the Alberta government mandate.

As part of the Genesee Repowering project, the facility completed simple cycle commissioning for Units 1 and 2 on May 3 and June 28, respectively, and Unit 3 has transitioned fully to natural gas. The project continues to progress with combined cycle commercial operations expected in Q4 2024, which will result in 512 MW of additional net high efficiency, low heat rate capacity from the site. Both units are expected to reach 566 MWs in the first half of 2025.

During the commissioning phase, unit dispatch is driven by project needs rather than economic dispatch; therefore, output during simple cycle commissioning ranged between 0 and 411 MWs, and output during combined cycle commissioning will range between 0 and 466 MWs. 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.

$450 million Subordinated Notes offering

On June 5, 2024, the Company closed a public offering of Fixed-to-Fixed Subordinated Notes, Series 2, in the aggregate principal amount of $450 million (the Subordinated Notes). The Subordinated Notes have a fixed interest rate of 8.125% and mature on June 5, 2054.

The Company used the net proceeds from the sale of the Subordinated Notes to repay certain amounts drawn on the Company's credit facilities (which include amounts drawn for the acquisition of a 50% interest in New Harquahala Generating Company, LLC, and a 100% interest in CXA La Paloma, LLC, and related expenses, development purposes and in respect of ongoing operations), to redeem all of the Company's outstanding Cumulative Minimum Rate Reset Preference Shares, Series 11 (TSX: CPX.PR.K), (the Preferred Shares, Series 11) and for general corporate purposes.

Redemption of Preferred Shares, Series 11

On May 15, 2024, the Company announced its intention to redeem all of its 6 million issued and outstanding Preferred Shares, Series 11 on June 30, 2024 (Redemption Date) at a price of $25.00 per share (Redemption Price) for an aggregate total of $150 million, less any tax required to be deducted and withheld by the Company. As June 30, 2024 was not a business day payment of the Redemption Price for the share redemption occurred on July 2, 2024.

Board of Director changes

On May 15, 2024, the Company announced the appointment of Neil H. Smith and George Williams to the Company's Board of Directors effective May 15, 2024. The appointments follow Doyle Beneby's retirement, after serving the full 12 year term limit as a member of the Board of Directors. With these appointments and retirement, Capital Power's Board of Directors consists of 11 directors, with 40% of the independent directors being women, and 30% of the independent directors representing diverse groups beyond gender.

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. As part of our discontinuation of the project, Capital Power will incur a pre-tax cost of $18 million, related to termination of sequestration hub evaluation work. Capital Power looks forward to exploring CCS at Genesee and certain assets in our North American fleet in the future as economics improve.

Reevaluating Emissions Targets

When our Genesee Repowering project is completed, the units are expected to achieve industry-leading greenhouse gas (GHG) emission reductions of 3.4 million tonnes annually. Capital Power is on track to meet its Scope 1 absolute emissions target at Genesee by 2030. However, our current projections show we will exceed our corporate emission intensity and absolute emission targets for 2030 due to a combination of higher anticipated utilization of our fleet, the discontinuation of the Genesee CCS project and growth in accordance with our strategy. As a result of the foregoing, we are currently assessing our overall emissions targets as well as our pathway to net zero. We remain committed to delivering reliable, affordable and decarbonized electricity.

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. Final regulatory approval was received in June 2024 and once operational, the portion of the wind facility contracted by Saputo will generate approximately 181,000 MWh of renewable electricity per year (see Performance Overview).

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.

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. In October 2024, Capital Power qualified for $5 million in funding to support certain activities to be undertaken as part of the feasibility assessment.

SUBSEQUENT EVENT

Organizational Review - Voluntary Departure Program

On October 24, 2024, the Company announced the rollout of the voluntary departure program (VDP or the Program) aimed to reduce its workforce of Canada-based corporate employees by at least 25% (approximately 130 positions). The VDP is part of a strategic organizational review to optimize the organization to scale and grow efficiently, inclusive of decentralizing corporate functions, reducing headcount in certain areas and expanding in key growth areas. The program is open to eligible Canada-based corporate employees and offers eligible employees a financial incentive to voluntarily leave the organization. Employees who wish to participate in the

Program must elect to participate by November 7, 2024.

The Company expects to incur a total cost of approximately $30 million related to the VDP and the timing of the recognition of the cost in the financial statements will be determined once participation in the Program is known. Actual cost may differ from the Company's initial expectations significantly if nearly all or all eligible employees elect to participate. The Company believes this initiative will enhance operational efficiency aligns the workforce with the organization's strategic objectives and in respect to employees, provides them a choice in the change process.

CONSOLIDATED NET INCOME AND RESULTS OF OPERATIONS

The primary factors contributing to the change in consolidated net income for the three and nine months ended September 30, 2024, compared with 2023 are presented below followed by further discussion of these items.

($ millions)	Three months		Nine months	
Consolidated net income for the periods ended September 30, 2023		**272**		**642**
Increase (decrease) in adjusted EBITDA:				
Alberta commercial facilities and portfolio optimization	(76)		(220)	
Western Canada facilities	1		4	
Ontario facilities	3		-	
U.S. facilities	108		213	
Corporate	(49)	(13)	(136)	(139)
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits		(73)		(21)
Decrease in depreciation and amortization expense		24		66
Increase in losses on disposals and other transactions		(10)		(22)
Increase in impairment		(27)		(27)
Decrease (increase) in foreign exchange gain or loss		14		(5)
Increase in finance expense and depreciation expense from joint ventures		(13)		(32)
Increase in net finance expense		(30)		(43)
Change in other non-recurring items		4		-
Decrease in income before tax		(124)		(223)
Decrease in income tax expense		30		40
Decrease in net income		**(94)**		**(183)**
Consolidated net income for the periods ended September 30, 2024		**178**		**459**

Results by facility category and other

	Three months ended September 30							
	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	11,001	8,521	94	96	644	819		
Alberta commercial facilities								
Genesee 1	-	829	N/A	95	-	127		
Genesee 1 Repowered [5]	407	N/A	53	N/A	28	N/A		
Genesee 2	-	798	N/A	93	-	120		
Genesee 2 Repowered [5]	768	N/A	99	N/A	42	N/A		
Genesee 3	939	1,023	95	100	55	155		
Clover Bar Energy Centre 1, 2 and 3	203	294	94	95	17	57		
Joffre	164	110	100	76	15	23		
Shepard	807	768	100	99	39	77		
Halkirk Wind	96	85	95	91	8	13		
Clover Bar Landfill Gas	-	2	-	48	-	-		
Alberta commercial facilities	3,384	3,909	89	95	204	572		
Portfolio optimization	N/A	N/A	N/A	N/A	236	113		
	3,384	3,909	89	95	440	685	134	210
Western Canada facilities								
Island Generation	300	-	100	100	3	3		
Quality Wind	84	74	87	96	11	11		
EnPower	5	4	100	91	-	-		
Whitla Wind	234	222	96	94	12	11		
Strathmore Solar	24	24	97	97	1	2		
Clydesdale Solar	55	57	97	97	4	5		
	702	381	96	97	31	32	19	18
Ontario facilities								
York Energy [6]	19	8	100	99	N/A	N/A		
East Windsor	5	5	93	95	8	7		
Goreway	901	800	100	100	77	79		
Kingsbridge 1	11	11	97	92	1	1		
Port Dover and Nanticoke Wind	37	41	97	95	6	7		
	973	865	99	99	92	94	61	58
U.S. facilities								
Decatur Energy, Alabama	1,287	723	100	98	44	38		
Arlington Valley, Arizona	832	1,007	97	100	36	41		
Beaufort Solar, North Carolina	5	8	94	99	1	1		
Bloom Wind, Kansas	137	107	92	91	11	12		
Macho Springs Wind, New Mexico	19	21	95	96	2	3		
New Frontier Wind, North Dakota	77	74	90	97	4	5		
Cardinal Point Wind, Illinois	65	69	75	92	7	7		
Buckthorn Wind, Texas	65	81	96	93	6	5		
Midland Cogen, Michigan [6]	1,436	1,276	95	97	N/A	N/A		
Frederickson 1, Washington [7]	258	N/A	97	N/A	6	N/A		
Harquahala, Arizona [6,7]	860	N/A	98	N/A	N/A	N/A		
La Paloma, California [7]	901	N/A	94	N/A	194	N/A		
U.S. trading	N/A	N/A	N/A	N/A	6	9		
	5,942	3,366	95	97	317	121	238	130
Corporate [8]					5	35	(51)	(2)
Unrealized changes in fair value of commodity derivatives and emission credits					145	183		
Consolidated revenues and other income and adjusted EBITDA					**1,030**	**1,150**	**401**	**414**

	Nine months ended September 30							
	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	28,413	23,795	93	95	1,782	2,428		
Alberta commercial facilities								
Genesee 1	746	2,431	94	96	83	377		
Genesee 1 Repowered [5]	1,023	N/A	75	N/A	53	N/A		
Genesee 2	1,030	2,440	90	95	88	360		
Genesee 2 Repowered [5]	886	N/A	99	N/A	46	N/A		
Genesee 3	2,845	3,021	95	99	198	454		
Clover Bar Energy Centre 1, 2 and 3	497	574	69	77	48	120		
Joffre	518	414	93	89	56	94		
Shepard	2,179	2,224	91	94	125	219		
Halkirk Wind	311	314	94	95	30	49		
Clover Bar Landfill Gas	-	6	-	61	-	1		
Alberta commercial facilities	10,035	11,424	89	93	727	1,674		
Portfolio optimization	N/A	N/A	N/A	N/A	714	301		
	10,035	11,424	89	93	1,441	1,975	391	611
Western Canada facilities								
Island Generation	334	2	100	100	9	10		
Quality Wind	264	251	94	95	36	36		
EnPower	14	11	95	86	1	1		
Whitla Wind	897	886	96	95	45	42		
Strathmore Solar	62	64	97	97	3	4		
Clydesdale Solar	139	138	97	97	11	12		
	1,710	1,352	97	97	105	105	70	66
Ontario facilities								
York Energy [6]	37	15	100	96	N/A	N/A		
East Windsor	19	9	97	98	24	24		
Goreway	2,252	1,766	94	96	225	224		
Kingsbridge 1	58	58	94	92	5	5		
Port Dover and Nanticoke Wind	182	182	97	96	28	28		
	2,548	2,030	96	96	282	281	180	180
U.S. facilities								
Decatur Energy, Alabama	2,625	1,457	99	99	92	81		
Arlington Valley, Arizona	2,467	2,428	93	93	121	159		
Beaufort Solar, North Carolina	19	22	97	99	2	2		
Bloom Wind, Kansas	495	446	95	95	31	29		
Macho Springs Wind, New Mexico	101	106	96	97	12	13		
New Frontier Wind, North Dakota	273	265	89	95	16	16		
Cardinal Point Wind, Illinois	373	377	82	93	29	31		
Buckthorn Wind, Texas	260	266	96	94	19	18		
Midland Cogen, Michigan [6]	4,178	3,622	94	95	N/A	N/A		
Frederickson 1, Washington [7]	641	N/A	79	N/A	18	N/A		
Harquahala, Arizona [6,7]	1,193	N/A	91	N/A	N/A	N/A		
La Paloma, California [7]	1,495	N/A	94	N/A	302	N/A		
U.S. trading	N/A	N/A	N/A	N/A	26	19		
	14,120	8,989	94	96	668	368	507	294
Corporate [8]					10	103	(145)	(9)
Unrealized changes in fair value of commodity derivatives and emission credits					417	466		
Consolidated revenues and other income and adjusted EBITDA					**2,923**	**3,298**	**1,003**	**1,142**

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 Genesee Repowered 1 and Genesee Repowered 2 simple cycle commissioned May 3, 2024 and June 28, 2024, respectively (see Significant events).

6 York Energy, Midland Cogen and Harquahala are accounted for under the equity method. Capital Power's share of the facilities' net income is included in income from joint ventures on the Company's condensed interim consolidated statements of income. Capital Power's share of the facilities adjusted EBITDA are included in adjusted EBITDA above.

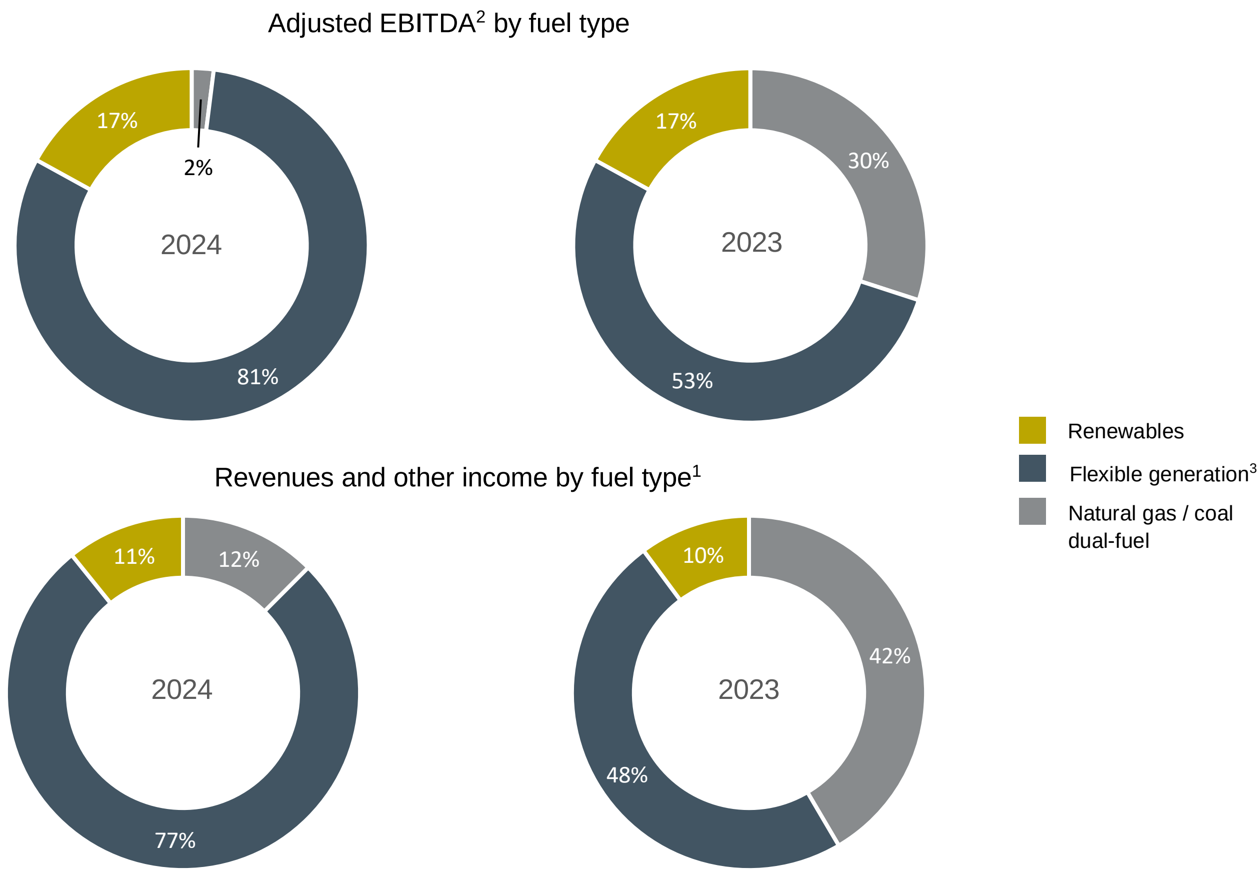
The equivalent of Capital Power's share of the facility's revenue was $116 million and $325 million for three and nine months ended September 30, 2024, respectively, compared with $90 million and $263 million for the three and nine months ended September 30, 2023. The facilities revenues are not included in the above results.

7 Frederickson 1, Harquahala and La Paloma were acquired December 28, 2023, February 16, 2024 and February 9, 2024, respectively (see Significant events).

8 Corporate revenues were offset by interplant category eliminations.

Adjusted EBITDA and revenues and other income by fuel type for the nine months ended September 30

Alberta commercial portfolio optimization amounts in adjusted EBITDA and revenues and other income are allocated to fuel source based on generation of baseload assets and off-coal compensation is reflected within natural gas / coal dual-fuel. Off-coal compensation was fully recognized during 2023 leading to lower contributions to natural gas / coal dual-fuel going forward. The increase in percentages from our flexible generation facilities is mainly due to reclassifying Genesee 3 to natural gas after the conversion in May 2023, and repowering of Genesee 1 and 2 to natural gas in 2024 (see Significant events). 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.



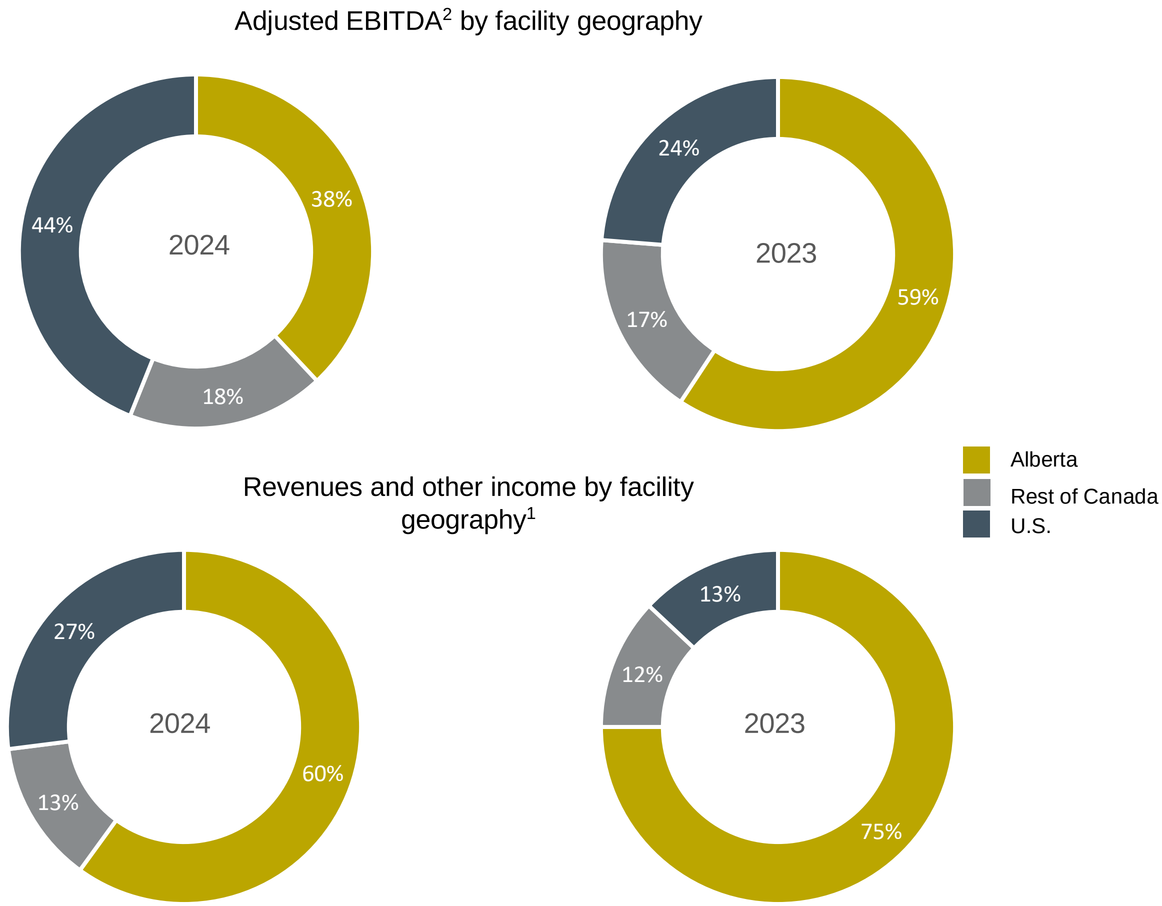
1 The allocation of revenues and other income by fuel type excludes the impacts of unrealized changes in fair value of commodity derivatives and emission credits.

2 See Non-GAAP Financial Measures and Ratios.

3 Flexible generation is defined as the Company's natural gas generation assets and energy storage business. Comparative information has been reclassified to conform to the current year's presentation.

Adjusted EBITDA and revenues and other income by facility geography for the nine months ended September 30

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 recent acquisitions of Frederickson 1 at the end of 2023, and La Paloma and Harquahala in early 2024 significantly boosted U.S. percentages. This reduced the contribution from Alberta due to lower realized power prices compared to the previous period. The rest of Canada's percentages remained stable.



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 September 30		Nine months ended September 30		Year ended December 31, 2023
	2024	2023	2024	2023	
Power					
Hedged volume at beginning of period (GWh)	3,000	3,000	8,000	8,000	10,500
Spot power price average ($/MWh)	55	152	67	151	134
Realized power price average [1] ($/MWh)	74	93	78	92	90
Natural gas					
Hedged volume at beginning of period (TJ)	21,500	20,500	52,000	34,000	51,500
Spot natural gas price average (AECO) [2] ($/GJ)	0.65	2.49	1.24	2.65	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 nine months ended September 30, 2024 and 2023, this resulted in realized natural gas prices that are lower than spot natural gas prices.

Alberta commercial facilities and portfolio optimization

The Alberta spot price averaged $55 per MWh over the past three months of 2024 and $67 per MWh over the past nine months, in contrast to $152 per MWh and $151 per MWh during the same periods last year. Several factors have contributed to the year-over-year decline in Alberta spot and captured pricing for our Alberta commercial portfolio:

- moderate temperatures across Alberta throughout most of 2024 compared to 2023,
- more planned and unplanned thermal outages in the province in 2023,
- higher renewables generation from the additional capacity combined with higher capacity factors in the province compared to 2023,
- additional baseload capacity and generation in the province compared to 2023, and
- lower AECO spot pricing due to strong production and high storage levels throughout 2024.

Generation and availability for the three and nine months ended September 30, 2024, compared to 2023 were impacted by the following net effect:

- more frequent intermittent unplanned outages at Genesee 1 and 2 in the first quarter of 2024 compared to last year,
- planned outages to complete simple cycle commissioning for Genesee repowered units 1 and 2, achieved in the first and second quarter of 2024,
- planned outages for the Genesee repowered unit 1 in the third quarter of 2024 to progress towards combined cycle commissioning,
- planned outage at Genesee 3 in the second quarter of 2024 versus no outages in the comparative periods,
- longer unplanned outages at Clover Bar Energy Center compared to the same periods last year, and
- longer planned and unplanned outages at Shepard compared to 2023.

Lower revenues and other income and adjusted EBITDA for the three and nine months of 2024 compared to 2023 primarily due to reduced realized power prices by the Alberta commercial portfolio, lower generation as listed above*,* and an insurance recovery in 2023 for an unplanned outage at Joffre in 2022.

Adjusted EBITDA benefited year-over-year from lower coal costs and lower emissions costs, partly offset by higher natural gas costs due to higher volumes procured, as the Genesee Generating Station transitioned off-coal to 100% natural gas (see Significant Events). Adjusted EBITDA was further impacted in 2024 compared to the same period in 2023 by higher realized natural gas prices on positions entered into during a higher-priced environment.

Western Canada facilities

Stronger generation in the third quarter and first nine months of 2024 compared to the same periods in 2023 were driven by Island Generation which was dispatched more quarter-over-quarter due to higher demand in the region from hotter temperatures. Despite this, revenues and other income and adjusted EBITDA remained stable because Island Generation's off-take agreement is based on availability. Adjusted EBITDA further increased year-over-year from the costs incurred in 2023 due to the wildfire impacting Quality Wind.

Ontario facilities

Stronger generation for the quarter ended September 30, 2024, compared to the same period in 2023 was due to higher exports and increased demand in the province. Revenues and other income quarter-over-quarter was slightly below 2023 from lower wind resource at Port Dover & Nanticoke and slightly lower prices captured at Goreway. Adjusted EBITDA quarter over quarter was slightly stronger from lower fuel and maintenance costs.

Generation for the first nine months of 2024 benefited from increased demand on thermal facilities to backstop tight market conditions in the Ontario power market. Revenues and other income for the first nine months of 2024 was consistent compared to the previous year due to higher generation that was offset by lower prices. Adjusted EBITDA for the first nine months of 2024 was consistent with the same period in 2023 due to the aforementioned factors.

U.S. facilities

Generation and availability for the third quarter and first nine months of 2024 compared to the previous year were impacted by the following net effect:

- stronger demand from higher temperatures, low gas prices and nuclear outages leading to increased dispatch of our thermal facilities for the first nine months of the year, and
- contributions from Frederickson 1, acquired in December 2023 and from Harquahala and La Paloma, both acquired in February 2024.

The above factors, strong revenues and other income and adjusted EBITDA for the third quarter and first nine months of 2024 versus 2023 were impacted by the following net effect:

- lower results from Midland Cogen in 2024 compared to previous year primarily from a lower 2024 gross margin driven by lower energy rates and higher first quarter fuel costs due to a January winter storm and slightly higher maintenance and operation costs. This decrease was partially offset by higher dispatch.
- lower revenues at Arlington Valley from lower capacity payments and reduced recovery of natural gas expense in 2024 compared to 2023. However, net impacts to adjusted EBITDA from the latter were negligible as fuel costs are recovered through Heat Rate Call Option (HRCO) strike payments from the off-taker.
- strong trading results for the first nine months of 2024 compared to 2023 due to increased trading activity and higher realized gains from our power and environmental trading portfolio.

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 three and nine months ended September 30, 2024, were lower than the same period in 2023 primarily because the off-coal compensation from the Province of Alberta was fully recognized at the end of 2023. However, the cash payment received from Province of Alberta will continue to be reflected in AFFO annually through 2030. Higher business development costs further contributed to the lower adjusted EBITDA year-over-year.

Unrealized changes in fair value of commodity derivatives and emission credits

($ millions)	Three months ended September 30			
	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	38	219	35	189
Unrealized gains (losses) on U.S. power derivatives	129	(7)	109	(7)
Unrealized losses on natural gas derivatives	(15)	(19)	(58)	(21)
Unrealized losses on emission derivatives	(7)	(10)	(18)	(10)
Unrealized losses on emission credits held for trading	-	-	10	-
	145	**183**	**78**	**151**

($ millions)	Nine months ended September 30			
	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	332	358	328	315
Unrealized gains on U.S. power derivatives	124	94	104	94
Unrealized (losses) gains on natural gas derivatives	(31)	13	(120)	(118)
Unrealized (losses) gains on emission derivatives	(8)	1	(25)	1
Unrealized (losses) gains on emission credits held for trading	-	-	(1)	15
	417	**466**	**286**	**307**

1 Revenues and other income and adjusted EBITDA from our Alberta commercial facilities and portfolio optimization and U.S. trading include realized changes in the fair value of commodity derivatives and emission credits but exclude unrealized changes in these values. The unrealized changes 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 relevant facility category.

During the three and nine months ended September 30, 2024, the Alberta power portfolio recognized unrealized gains of $35 million and $328 million, from the impact of decreasing forward prices on net forward sale contracts, partially offset by the reversal of prior period positions that settled during those periods. In the same periods for 2023, the Alberta power portfolio recognized unrealized gains of $189 million and $315 million, respectively, from the impact of reduced forward prices on net forward sale contracts and the reversal of prior period unrealized losses on settled positions in those periods.

During the three and nine months ended September 30, 2024, the US power portfolio recognized unrealized gains of $109 million and $104 million, respectively, due to decreasing forward prices on forward sales contracts on the Company's U.S. wind facilities and La Paloma. In contrast, during the three months ended September 30, 2023, the U.S. power portfolio recognized unrealized losses of $7 million due to increasing forward power prices on long term sales contracts associated with the Company’s US wind facilities. During the nine months ended September 30, 2023, the portfolio recognized unrealized gains of $94 million due to reduced forward power prices on long term sales contracts that were partially offset by the reversal of prior period unrealized gains during the year.

The unrealized losses on natural gas derivatives for the three and nine months ended September 2024 and 2023 are due to impacts of decreased pricing on forward purchase contracts, net of the impact of the reversal of prior period positions that settled during those periods.

During both the three months ended September 30, 2023 and 2024 and nine months ended September 30, 2024, Capital Power recognized unrealized losses on emissions derivatives of $10 million, $18 and $25 million, respectively, mainly due to decreased forward prices on forward purchases. During the nine months ended September 30, 2023, an unrealized gain of $1 million was recognized due to higher pricing on forward buy contracts.

During the three months ended September 30, 2024, Capital Power recognized $10 million in unrealized gains on emission credits held for trading mainly due to higher quantities of credits and forward prices exceeding the cost of credits. During the nine months ended September 30, 2023, the Company recognized $15 million in unrealized gains on emission credits held for trading primarily driven by increasing market prices on the value of inventory positions, partially offset by the reversal of unrealized gains on emission credits sold during those periods.

Consolidated other expenses and non-controlling interests

($ millions)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Interest on borrowings less capitalized interest	(58)	(36)	(156)	(111)
Realized gains on settlement of interest rate derivatives	4	4	11	22
Other net finance expense – bank interest, interest on off-coal compensation from the Province of Alberta, lease liability interest, sundry interest, guarantee and other fees	(4)	(2)	(1)	(9)
	(58)	(34)	(146)	(98)
Unrealized (losses) gains representing changes in the fair value of interest rate derivatives	(1)	4	(1)	(1)
Other net finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to off-coal compensation from the Province of Alberta	(6)	(5)	(13)	(18)
Total net finance expense	(65)	(35)	(160)	(117)
Depreciation and amortization	(124)	(148)	(366)	(432)
Impairment	(27)	-	(27)	-
Foreign exchange gain (loss)	5	(9)	(9)	(4)
(Losses) gains on disposals and other transactions	(5)	5	(20)	2
Other items from joint ventures[1]	(32)	(19)	(91)	(59)
Income tax expense	(53)	(83)	(153)	(193)
Net loss (income) attributable to non-controlling interests	1	2	-	5

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

Net finance expense

Higher net finance expense for the three and nine months ended September 30, 2024 compared with the same periods in the prior year largely reflects higher interest on increased loans and borrowings. This is due to the $850 million and $350 million medium-term notes issued in the second half of 2023, and the $450 million Subordinated Notes issued in June 2024 (see Significant events). Lower realized gains on settlement of interest rate derivatives also contributed to higher net finance expense for the nine months ended September 30, 2024. This was partially offset by higher capitalized interest from the continued advancement of the Genesee Repowering project, higher interest income on proceeds of financing for Harquahala and La Paloma acquisitions in the first quarter of 2024, and lower accretion charges incurred due to full recognition of off-coal compensation at the end of 2023.

Depreciation and amortization

Lower depreciation and amortization for the three and nine months ended September 30, 2024 compared with the same periods in the prior year primarily due to Genesee and Genesee Mine assets being fully depreciated at the end of 2023. The decrease was partly 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.

Impairment

During the third quarter of 2024, management made the strategic decision to redirect resources from the Company’s C2CNT equity-accounted investment to other opportunities in order to better serve our customers with balanced energy solutions. Accordingly, the C2CNT equity-accounted investment was tested for impairment and an impairment of $27 million (US $20 million) was recorded

Losses on disposals and other transactions

Losses on disposals and other transactions for the nine months ended September 30, 2024 mostly reflects a provision for a pre-tax cost of $18 million to be incurred as part of the discontinuation of the Genesee CCS project related to termination of sequestration hub evaluation work (see Significant events). For the three months ended September 30, 2024, losses on disposals and other transactions reflects an accrual for additional Genesee Mine decommissioning costs.

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 and nine months ended September 30, 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 for the Genesee Mine. The Genesee Mine was fully depreciated at the end of 2023.

COMPREHENSIVE INCOME

($ millions)	**Three months ended September 30**		**Nine months ended September 30**	
	2024	**2023**	**2024**	**2023**
Net income	178	272	459	642
Other comprehensive income (loss):				
Actuarial gain related to the Company's defined benefit pension plan	-	2	-	2
Net unrealized (losses) gains on derivative instruments	(8)	179	82	168
Net realized (gains) losses on derivative instruments reclassified to net income	(9)	20	(17)	163
Equity-accounted investments	(9)	3	(3)	1
Unrealized foreign exchange (losses) gains on the translation of foreign operations	(38)	38	30	7
Total other comprehensive (loss) income, net of tax	(64)	242	92	341
Comprehensive income	**114**	**514**	**551**	**983**

Other comprehensive income includes fair value adjustments on financial instruments used to hedge market risks and which meet hedge accounting criteria. If these hedges are ineffective, 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 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 September 30, 2024 were as follows:

($ millions)	**September 30, 2024**	**December 31, 2023**	**Increase (decrease)**	**Acquisition through business combination[1]**	**Other**	**Primary reason for increase (decrease)**
Trade and other receivables	647	747	(100)	26	(126)	Timing of AESO pool receipt receivables combined with lower amount resulting from lower Alberta pool prices and generation compared to December 2023.
Government grant receivable	300	269	31	-	31	Accrual of Clean Technology investment tax credits (ITCs) on the Halkirk 2 Wind, York Energy and Goreway BESS projects partly offset by annual off-coal compensation received in the third quarter of 2024.
Equity-accounted investments	787	455	332	-	332	Acquisition of Harquahala in the first quarter of 2024 (see Significant events) partly offset by an impairment on our investment in C2CNT.
Intangible assets and goodwill	848	775	73	188	(115)	Use of emission credits for plant compliance and ongoing amortization.
Property, plant and equipment	7,968	6,557	1,411	834	577	Ongoing construction of Genesee Repowering, Ontario

($ millions)	September 30, 2024	December 31, 2023	Increase (decrease)	Acquisition through business combination[1]	Other	Primary reason for increase (decrease)
						growth projects, Halkirk 2 Wind, and commercial initiatives. Partially offset by depreciation.
Trade and other payables	779	717	62	114	(52)	Lower trading margin account payables driven by decreasing forward natural gas prices on net forward purchase contracts, the impact of lower accrued power costs for commercial and industrial customers due to lower Alberta pool pricing and settlement of prior years emission compliance liability.
Subscription receipts liability	-	399	(399)	-	(399)	Conversion of subscription receipts to common shares upon closing the La Paloma and Harquahala acquisitions in February 2024.
Net derivative financial instruments assets (liabilities)	45	(248)	293	-	293	Impact of decreasing forward power pricing in Canada and U.S. on net forward sale contracts and reversal of unrealized losses on power positions that settled during the year. Partially offset by the impact of decreasing forward natural gas and emissions pricing on forward purchase contracts.
Loans and borrowings (including current portion)	4,984	4,716	268	-	268	Issuance of $450 million Subordinated Notes and $600 million medium term notes (see Significant events). Partly offset by $450 million debt maturity in September 2024, 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.
Net deferred tax liabilities	791	661	130	-	130	Recognition of taxable temporary differences that will reverse in the future, and changes in derivative financial instrument balances.
Net deferred revenue and other liabilities	446	302	144	-	144	Accrual of Clean Technology ITCs on the Halkirk 2 Wind and York Energy and Goreway BESS projects and deferred financing on capital projects.

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

LIQUIDITY AND CAPITAL RESOURCES

($ millions)	Nine months ended September 30		
Cash inflows (outflows)	**2024**	**2023**	**Change**
Operating activities	706	840	(134)
Investing activities	(1,846)	(429)	(1,417)
Financing activities	(129)	(315)	186

Operating activities

Cash flows from operating activities decreased compared to the same period in 2023 mainly due to a decline in adjusted EBITDA described in the Consolidated Net Income and Results of Operations, and fair value changes reflected as cash settlements during 2024 compared with the same period in 2023. Fair value changes are 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 these decreases are favourable changes in non-cash operating working capital (see Financial position), realized settlement of interest rate swaps and reduced income taxes paid.

Investing activities

Cash flows used in investing activities for the nine months ended September 30, 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, Halkirk 2 Wind and commercial initiatives.

Capital expenditures and investments

($ millions)	Pre-2024 actual	Nine months ended September 30, 2024 actual	Balance of 2024 estimated [1,2]	Actual or projected total [2]	Targeted completion
Repowering of Genesee 1 and 2 [3]	1,053	346	111 to 211	1,550 to 1,650	Fourth quarter of 2024
Halkirk 2 Wind	69	182	94	345	Fourth quarter of 2024
Ontario growth projects [4]	19	127	230	600	York and Goreway BESS in 2025 East Windsor Expansion in 2026
Maple Leaf Solar [5]	2	9	4	219	First quarter of 2027
Hornet Solar [3]	6	3	7	187	Second half of 2026
Bear Branch Solar [3]	6	2	3	103	Second half of 2026
Commercial initiatives [6]	214	51	6		
Development sites and projects	63	-	-		
Subtotal growth projects		**720**	**455 to 555**		
Sustaining – plant maintenance excluding Genesee mine		104			
Total capital expenditures [7]		**824**			
Emission credits held for compliance		13			
Capitalized interest		(44)			
Additions of property, plant and equipment and other assets		**793**			
Change in other non-cash investing working capital and non-current liabilities		(118)			
Purchase of property, plant and equipment and other assets, net		**675**			

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 The Repowering of Genesee 1 and 2's projected total includes an estimated $40 million that will be incurred in 2025 after commercial operations. See Significant events.

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

5 Targeted completion for Maple Leaf Solar has been updated to reflect a change in timing of the execution of an interconnection agreement.

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

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

Financing activities

Cash flows used in financing activities decreased in the nine months ended September 30, 2024 compared with the same period in 2003, mainly due to the issuance of $450 million Subordinated Notes and $600 million term notes (see Significant events), partially offset by higher net repayments of loans and borrowings and redemption of the Preferred Shares, Series 11 during 2024.

The Company's credit facilities consisted of:

($ millions)		At September 30, 2024			At December 31, 2023		
	Maturity timing	**Total facilities**	**Credit facility utilization**	**Available**	**Total facilities**	**Credit facility utilization**	**Available**
Committed credit facilities	2029	1,000			1,000		
Letters of credit outstanding			-			-	
Bankers' acceptances outstanding			9			-	
Bank loans outstanding [1]			-			266	
		1,000	9	991	1,000	266	734
Bilateral demand credit facilities	N/A	1,395			1,387		
Letters of credit outstanding			610			559	
		1,395	610	785	1,387	559	828
Demand credit facilities	N/A	25	-	25	25	-	25
		2,420	**619**	**1,801**	**2,412**	**825**	**1,587**

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

At September 30, 2024, the committed credit facility utilization decreased $257 million compared with December 31, 2023 due to repayment of U.S. 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 September 30, 2024, $98 million of bonds were issued under these facilities (December 31, 2023 - $77 million).

Capital Power holds 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 within their ten-tier rating system 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, enhancing 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 section of the MD&A. Capital Power's expected cash requirements for 2024 include:

($ millions)	Nine months ended September 30, 2024 actual	Balance of 2024 estimated	Total 2024 expected cash requirements
Repayment of debt payable [1]	493	35	528
Interest on loans and borrowings	132	92	224
Capital expenditures – sustaining	128	68	196
Capital expenditures – ongoing growth projects [2]	703	509	1,212
Capital expenditures – commercial initiatives	51	6	57
Common share dividends [3]	181	69	250
Preferred share dividends	24	8	32
	1,712	**787**	**2,499**

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 (see Significant events).

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 dated June 12, 2024, 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 $3 billion of medium-term notes by way of a prospectus supplement. This prospectus expires in July 2026.

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 through 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 September 30, 2024, Capital Power has $610 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements, and to satisfy legislated reclamation requirements and $98 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)	As at	
	September 30, 2024	December 31, 2023
Loans and borrowings	4,984	4,716
Subscription receipts [1]	-	399
Lease liabilities [2]	155	147
Less cash and cash equivalents	(153)	(1,423)
Net debt	4,986	3,839
Share capital	3,826	3,524
Deficit and other reserves	(54)	(334)
Non-controlling interests	(6)	(4)
Total equity	3,766	3,186
Total capital	**8,752**	**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 nine months ended September 30, 2024, Capital Power's 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 nine months ended September 30, 2024.

On October 24, 2024, the Company announced the rollout of its VDP (see Subsequent event). While the Company believes offering a VDP can manage workforce reductions fairly and transparently, it also comes with key risks including loss of talent, operational disruption, higher than anticipated financial costs, and morale and reputational impacts. To mitigate these risks, the Company is implementing transition plans for key personnel who have elected to participate in the VDP and providing clear communication with its employees about the reasons for the VDP, the process and expected outcomes. Members of the Executive Leadership team are not eligible for the Program.

ENVIRONMENTAL MATTERS

Capital Power recorded decommissioning provisions of $363 million at September 30, 2024 ($324 million at December 31, 2023) for our generation facilities and the Genesee Mine. This is due to the obligation 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 decommissioning provisions could change depending on potential future changes in environmental regulations.

Capital Power has forward contracts to purchase environmental credits totaling $1,756 million and forward contracts to sell environmental credits totaling $1,455 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. Bill C-59 (which includes the CCUS ITC and Clean Technology ITC) received Royal Assent on June 20, 2024. Capital Power's Halkirk 2 Wind, Goreway BESS and York BESS projects are expected to be eligible for the Clean Technology ITC and an accrual of $73 million, based on the respective project-to-date spend, was recorded in 2024.

Public Consultation on Competition Act's New Greenwashing Provisions

Bill C-59 introduced amendments to Section 74.01 of the Competition Act (Act) to address greenwashing. The Act now targets environmental claims that promote the environmental, social, and ecological benefits of using or supplying a product if the claim is not based on an adequate and proper test. More broadly, it also targets environmental claims that promote the environmental and ecological benefits of a business or business activity that are not based on adequate and proper substantiation in accordance with an internationally recognized methodology. Both of these sections place the burden of proof on the entity making the environmental claim to demonstrate compliance with these provisions.

On July 22, 2024, the Competition Bureau launched a public consultation on the greenwashing provisions seeking feedback from interested parties to inform its future enforcement guidance about environmental claims and implementation of the new provisions. Management submitted comments on September 27 outlining its concerns around unintended consequences as a result of the new provisions and recommendations on how to mitigate the likelihood of such consequences through guidance.

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 emission limits by owners/operators of multiple units within the same jurisdiction as well as limited use of offsets as a compliance option. The ultimate workability will depend on key design details that still need to be finalized by ECCC. Management submitted comments on the proposed concept on March 15, 2024, and continues to follow up with key officials at ECCC as well as provincial officials and system operators in Alberta and Ontario. The final regulations are planned for release by the end of 2024.

Mandatory Climate Disclosures for Federal Corporations and Made-in-Canada Sustainable Investment Guidelines

On October 9, 2024, the Government of Canada (GoC) announced an intention to amend the Canada Business Corporations Act (CBCA) to mandate climate-related financial disclosures for large, federally incorporated private companies. The federal government intends to work with provincial partners to harmonize its regulations with similar regulations imposed on public companies by securities regulators. Although Capital Power is a public company and not directly impacted, management is monitoring developments and assessing potential impacts to Capital Power's subsidiaries.

Until such time mandatory climate-related disclosures under Canada Securities Administrators (CSA) ruling are finalized, we will continue to prioritize voluntary climate-related disclosures on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework. To streamline our current voluntary disclosures, we will discontinue voluntary disclosures on guidance from the Global Reporting Initiative, and no longer respond to climate change questionnaires from CDP (the global disclosure system for environmental impacts). Management continues to monitor developments on voluntary climate-related disclosures.

The GoC also announced a plan to deliver Made-in-Canada sustainable investment guidelines. These guidelines will be a voluntary tool for investors, lenders and other stakeholders for identifying (1) "green" activities, to be defined as low or zero-emitting activities that do not have material Scope 1 and 2 emissions, lower or zero downstream scope 3 emissions and sells into or benefits from markets that are expected to grow in the global net-zero transitions; and (2) "transition" economic activities, to be defined as decarbonizing activities that have material scope 1 and 2 emissions, including those with low or zero scope 3 emissions, that do not face immediate demand-side risk and do not create carbon lock-in and path dependency. The federal government has highlighted priority sectors, including electricity, where it will concentrate its efforts on developing eligibility criteria. Management continues to monitor developments and assess impacts should Capital Power pursue sustainable financing in the future.

Alberta

Alberta Market Reforms

On July 11, 2024, the Minister of Affordability and Utilities announced policy decisions that direct the AESO's technical design of the Restructured Energy Market (REM). Specifically, this includes moving forward with a day ahead market, allowing price to be determined by strategic offers of market participants, mitigating the market to limit the potential for excessive exercises of market power, a review of the price cap and floor, and market operational changes (security constrained dispatch and co-optimized dispatch, and shortened settlement intervals). The decision to maintain competitive forces in the market over introducing administrative pricing (which was a feature of the AESO's initial REM proposal) is intended to maintain much of the existing pricing framework. The AESO started consultation on design details on September 10, 2024, and is progressing the design through a series of engagements through to the end of the year. Approvals and implementation will start in 2025. Management is fully participating in the AESO's consultation.

Expedited ISO rules to implement the two interim regulations announced on March 11, 2024, namely the *Market*

Power Mitigation Regulation and the *Supply Cushion Regulation*, were approved by the AUC on June 19, 2024, and came into effect on July 1, 2024. The AUC has initiated a process to consider the AESO's request for final approval of these rules. Management is participating in this process.

Transmission Policy Review

On July 11, 2024, the Minister also announced policy direction on long-standing transmission policy. On a go forward basis the policy direction is to move away from the current zero-congestion transmission planning standard to an optimally planned transmission planning standard where costs of transmission is evaluated against the benefits. For new transmission infrastructure, costs will be allocated based on cost causation principles, similarly all ancillary services costs will be allocated to those that cause the cost. This is a shift away from the load-pays policy as generators will now also incur cost should they cause them. These changes will be integrated in the AESO's market reform engagement where Management will fully participate.

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 AUC has started consulting on necessary changes to its rules as a result of these changes and management is participating as appropriate.

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/tCO2e per year to $170/tCO2e in 2030. 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 the Company'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 MRP is a set of coordinated market and Independent Electricity System Operator (IESO) system reforms intended to improve market transparency, competitiveness, and real-time unit scheduling. It will introduce locational marginal pricing, market mitigation measures, and a financially binding day ahead market. The IESO is targeting May 1, 2025 for the transition to the new market and is now in the final stages of implementation.

Management is actively involved in MRP stakeholder engagement sessions, working groups, and user tests in preparation for the transition to the new market. MRP will trigger amendments to the Company's generating contracts with the IESO. While the overall impact MRP will have on the Company will largely depend on these amendments, the Company, if necessary, may leverage various provisions within the contracts that are intended to protect suppliers from adverse effects resulting from market rule changes. Management continues to work with the IESO to minimize the impact MRP will have on its existing fleet.

IESO Resource Adequacy Framework and Procurements

On August 28, 2024, Ontario's Minister of Energy and Electrification announced that the government will be looking to the IESO to procure up to 5000 MW of new energy producing resources by 2034. Simultaneous to the announcement, the Minister issued a letter to the IESO asking them to report on ways they can increase the procurement targets and accelerate the timelines of their upcoming Long-Term Procurement ("LT2"). The Minister's letter also stipulated that LT2 should be technology agnostic and provided other policy considerations surrounding municipal support, Indigenous community participation, and development on agricultural land.

The Minister's announcement and letter is in response to Ontario's continued need for electricity and builds on the latest Annual Planning Outlook ("APO") released by the IESO on March 27, 2024. The APO forecasts that electric vehicle and battery manufacturing, population growth, and electrification will lead to the province's electricity demand increasing 60% over the next 25 years.

In addition to the Minister's announcement, the IESO accelerated their medium-term procurement ("MT2"). MT2 will award flexible, 5-year contracts to successful proponents who have generating facilities coming off contract on or before April 30, 2029 (such as Kingsbridge 1 Wind). The IESO expects to finalize MT2 in Q4 2024. The deadline for proposals is expected to be early next year.

Management believes Ontario's overall electricity needs and the IESO's commitment to awarding contracts through competitive procurements will continue to provide opportunities for the Company, including possible re-contracting opportunities for existing assets. Management remains involved in the IESO's engagements related to resource adequacy, the APO, and procurements.

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 (IRP)

In June 2024, BC Hydro initiated consultation on its planned 2025 Integrated Resource Plan (IRP) with further consultation expected to occur later in 2024. Management will continue to monitor and participate in this process as necessary.

United States

Recent Supreme Court Decisions

In July 2024, the US Supreme Court overturned the *Chevron* doctrine, a framework that gave deference to federal agency expertise in making decisions where federal statutes are silent or ambiguous to certain issues. The authority to determine reasonable readings of ambiguous laws will now reside more clearly with the judicial branch of government, and future legislation will require Congress to draft much more precise legislative provisions and will narrow the traditional reliance on the subject matter expertise of the executive branch in the regulatory process. It is anticipated that this decision will influence how the courts view Clean Air Act issues as applicable to Capital Power's thermal portfolio.

The Supreme Court also granted a preliminary injunction request against the Environmental Protection Agency's (EPA) updated Good Neighbor Plan, which addresses interstate emissions that hurt downwind states' ability to meet the Clean Air Act Standards for ozone. The stay signals that a majority on the US Supreme Court believe that the opponents of the Good Neighbor Plan are likely to succeed on the merits of their litigation against the EPA rule. Without *Chevron*, it will be difficult for the EPA to prove they were acting within their statutory authority in updating the plan, and the Supreme Court decision eases states' requirements to reduce NOx emissions from covered sources, including fossil power plants. Capital Power has existing operations in 2 (Michigan and Alabama) of the 23 total Good Neighbor Plan States, and Management is working with legal counsel to determine the implications for

Midland Cogeneration and Decatur in the event the Good Neighbor Plan is overturned.

U.S. Clean Air Act

On May 23, 2023, the EPA announced a proposed rule that aims to curb GHG 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 was unveiled in May 2024, and covers 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 at existing sites. 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 has been subject to several legal challenges, and the rule's legal status is yet to be determined.

A future, separate rulemaking is anticipated for existing facilities, and the timing of that proposal is largely dependent upon the November 2024 election results. The outcome of legal challenges against the finalized rule for new and modified power plants will also influence the regulatory appetite to open a rulemaking docket for existing facilities.

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 GHG emissions. These new laws were 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. In September 2024, the state legislature passed SB 219 which grants CARB an extended deadline of six months to complete their rulemaking process for SB 253, moving the CARB rulemaking deadline from January 2025 to July 2025. An extended CARB rulemaking deadline, coupled with outstanding legal challenges that have been raised against SB 253, increase the likelihood that relevant compliance deadlines for Capital Power to report scope 1, 2, and 3 GHG emissions will be pushed out beyond current legislatively mandated deadlines. Management will continue to monitor legal and legislative updates and provide guidance as needed.

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 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 Management 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 September 30, 2024 and December 31, 2023 were as follows:

($ millions)		September 30, 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	153	153	1,423	1,423
Trade and other receivables [2]	N/A	589	589	689	689
Government grant receivable [3]	Level 2	358	331	327	295
Fair value through income or loss					
Derivative financial instruments assets [4]	See below	567	567	284	284
Fair value through other comprehensive income					
Derivative financial instruments assets [4]	See below	69	69	68	68
Financial liabilities:					
Other financial liabilities					
Trade and other payables	N/A	779	779	717	717
Subscription receipts	N/A	-	-	399	399
Loans and borrowings [3]	Level 2	4,984	5,205	4,716	4,690
Fair value through income or loss					
Derivative financial instruments liabilities [4]	See below	566	566	536	536
Fair value through other comprehensive income					
Derivative financial instruments liabilities [4]	See below	25	25	64	64

1 Fair values for Level 1 financial instruments are based on unadjusted quoted prices in active markets for identical instruments, while Level 2 fair values are generally based on indirectly observable prices. Level 3 valuations are determined 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 nine months ended September 30, 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 September 30, 2024 compared with December 31, 2023 and used for risk management purposes were measured at fair value and consisted of the following:

($ millions)		At September 30, 2024					
	Fair value hierarchy level	Commodity cash flow hedges	Commodity non-hedges	Interest rate cash flow hedges	Interest rate non-hedges	Foreign exchange cash flow hedges	Total
Derivative financial instruments assets	Level 2	65	452	4	-	-	521
	Level 3	-	115	-	-	-	115
		65	567	4	-	-	636
Derivative financial instruments liabilities	Level 2	(4)	(306)	(20)	(1)	(1)	(332)
	Level 3	-	(259)	-	-	-	(259)
		(4)	(565)	(20)	(1)	(1)	(591)
Net derivative financial instruments assets (liabilities)		**61**	**2**	**(16)**	**(1)**	**(1)**	**45**

($ 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 from fair value changes on commodity, interest rate and foreign exchange derivatives that qualify for hedge accounting are recorded in other comprehensive income (loss). When realized, they are reclassified to net income as revenues, energy purchases and fuel, finance expense or foreign exchange gains and losses as appropriate. For interest rate derivatives 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. For foreign exchange derivatives hedging cash flow variability from foreign currency fluctuations on future capital expenditures, realized gains and losses are also deferred within accumulated other comprehensive income (loss) and then recorded in property, plant and equipment and amortized through depreciation and amortization over the hedged asset’s estimated useful life.

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 mainly driven by changes in forward power and natural gas prices and their impact on the Alberta and U.S. portfolio. Unrealized and realized gains and losses from these 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 nine months ended September 30, 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	**Sep 2024**	**Jun 2024**	**Mar 2024**	**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**
Total generation	11,001	8,603	8,809	8,692	8,521	7,857	7,417	8,049
Alberta commercial facilities								
Genesee 1	-	46	700	801	829	793	809	869
Genesee 1 Repowered [1]	407	616	N/A	N/A	N/A	N/A	N/A	N/A
Genesee 2	-	343	687	848	798	759	883	916
Genesee 2 Repowered [1]	768	118	N/A	N/A	N/A	N/A	N/A	N/A
Genesee 3	939	905	1,001	1,017	1,023	1,000	998	543
Clover Bar Energy Centre 1, 2 and 3	203	129	165	163	294	130	150	278
Joffre	164	139	215	138	110	150	154	45
Shepard	807	552	820	781	768	741	715	829
Halkirk Wind	96	106	109	139	85	107	122	139
Clover Bar Landfill Gas	-	-	-	-	2	1	3	2
	3,384	2,954	3,697	3,887	3,909	3,681	3,834	3,621
Western Canada facilities								
Island Generation	300	-	34	-	-	2	-	4
Quality Wind	84	93	87	135	74	73	104	124
EnPower	5	3	6	5	4	3	4	4
Whitla Wind	234	338	325	345	222	280	384	381
Strathmore Solar	24	25	13	7	24	28	12	10
Clydesdale Solar [2]	55	52	32	7	57	54	27	6
	702	511	497	499	381	440	531	529
Ontario facilities								
York Energy	19	12	6	4	8	3	4	5
East Windsor	5	2	12	3	5	3	1	4
Goreway	901	552	799	552	800	608	358	655
Kingsbridge 1	11	19	28	28	11	16	31	36
Port Dover and Nanticoke	37	63	82	81	41	54	87	91
	973	648	927	668	865	684	481	791
U.S. facilities								
Decatur Energy, Alabama	1,287	883	455	666	723	494	240	617
Arlington Valley, Arizona	832	795	840	1,067	1,007	908	513	907
Beaufort Solar, North Carolina	5	7	7	6	8	8	6	5
Bloom Wind, Kansas	137	184	174	169	107	153	186	171
Macho Springs Wind, New Mexico	19	41	41	26	21	41	44	31
New Frontier Wind, North Dakota	77	107	89	110	74	83	108	117
Cardinal Point Wind, Illinois	65	143	165	167	69	134	174	170
Buckthorn Wind, Texas	65	99	96	94	81	77	108	82
Midland Cogen, Michigan [3]	1,436	1,444	1,298	1,333	1,276	1,154	1,192	1,008
Frederickson 1, Washington [4]	258	137	246	N/A	N/A	N/A	N/A	N/A
Harquahala, Arizona [5]	860	333	-	N/A	N/A	N/A	N/A	N/A
La Paloma, California [6]	901	317	277	N/A	N/A	N/A	N/A	N/A
	5,942	4,490	3,688	3,638	3,366	3,052	2,571	3,108

1 Genesee Repowered 1 and Genesee Repowered 2 simple cycle commissioned May 3, 2024 and June 28, 2024, respectively. (see Significant events).

2 Clydesdale Solar was commissioned on December 13, 2022.

3 Midland Cogen was acquired on September 23, 2022.

4 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.

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

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

(%)	Three months ended							
Facility availability	**Sep 2024**	**Jun 2024**	**Mar 2024**	**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**
Total average facility availability	94	91	94	93	96	95	94	90
Alberta commercial facilities								
Genesee 1	N/A	100	93	92	95	95	97	99
Genesee 1 Repowered [1]	53	97	N/A	N/A	N/A	N/A	N/A	N/A
Genesee 2	N/A	98	84	96	93	91	100	99
Genesee 2 Repowered [1]	99	100	N/A	N/A	N/A	N/A	N/A	N/A
Genesee 3	95	92	99	100	100	100	99	54
Clover Bar Energy Centre 1, 2 and 3	94	58	56	56	95	47	69	84
Joffre	100	80	100	89	76	95	96	53
Shepard	100	74	98	100	99	98	85	100
Halkirk Wind	95	95	93	95	91	96	97	96
Clover Bar Landfill Gas	-	-	-	-	48	58	83	82
	89	86	90	93	95	91	93	84
Western Canada facilities								
Island Generation	100	100	100	100	100	100	100	91
Quality Wind	87	98	95	98	96	92	98	97
EnPower	100	100	85	91	91	94	73	99
Whitla Wind	96	98	95	96	94	94	98	96
Strathmore Solar	97	97	97	88	97	98	96	100
Clydesdale Solar [2]	97	97	97	88	97	97	97	100
	96	98	97	97	97	96	98	95
Ontario facilities								
York Energy	100	100	100	100	99	89	100	100
East Windsor	93	99	99	97	95	99	99	73
Goreway	100	85	99	96	100	98	91	99
Kingsbridge 1	97	94	90	91	92	89	95	98
Port Dover and Nanticoke	97	98	98	97	95	96	96	96
	99	89	99	97	99	96	94	97
U.S. facilities								
Decatur Energy, Alabama	100	98	100	79	98	100	99	76
Arlington Valley, Arizona	97	99	82	98	100	98	81	99
Beaufort Solar, North Carolina	94	99	98	100	99	99	99	99
Bloom Wind, Kansas	92	94	98	96	91	98	97	94
Macho Springs Wind, New Mexico	95	96	96	97	96	98	99	98
New Frontier Wind, North Dakota	90	95	83	91	97	94	95	92
Cardinal Point Wind, Illinois	75	84	87	94	92	95	93	96
Buckthorn Wind, Texas	96	96	96	96	93	94	95	93
Midland Cogen, Michigan [3]	95	95	93	93	97	94	95	92
Frederickson 1, Washington [4]	97	50	89	N/A	N/A	N/A	N/A	N/A
Harquahala, Arizona [5]	98	80	100	N/A	N/A	N/A	N/A	N/A
La Paloma, California [6]	94	94	95	N/A	N/A	N/A	N/A	N/A
	95	93	93	90	97	97	94	89

1 Genesee Repowered 1 and Genesee Repowered 2 simple cycle commissioned May 3, 2024 and June 28, 2024, respectively (see Significant events).

2 Clydesdale Solar was commissioned on December 13, 2022.

3 Midland Cogen was acquired on September 23, 2022.

4 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.

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

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

Financial results

($ millions)	Three months ended							
	Sep 2024	**Jun 2024**	**Mar 2024**	**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**
Revenues and other income [1]								
Alberta commercial facilities and portfolio optimization	440	408	593	596	685	609	681	668
Western Canada facilities	31	37	37	47	32	32	41	41
Ontario facilities	92	82	108	93	94	90	97	118
U.S. facilities	317	176	175	123	121	103	144	186
Corporate [2]	5	2	3	27	35	35	33	33
Unrealized changes in fair value of commodity derivatives and emission credits	145	69	203	98	183	12	271	(117)
	1,030	**774**	**1,119**	**984**	**1,150**	**881**	**1,267**	**929**
Adjusted EBITDA [1,3]								
Alberta commercial facilities and portfolio optimization	134	122	135	169	210	166	235	176
Western Canada facilities	19	27	24	36	18	20	28	28
Ontario facilities [4]	61	55	64	60	58	60	62	67
U.S. facilities [4]	238	157	112	75	130	88	76	48
Corporate	(51)	(38)	(56)	(27)	(2)	(7)	-	(16)
	401	**323**	**279**	**313**	**414**	**327**	**401**	**303**

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.

5 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							
	Sep 2024	**Jun 2024**	**Mar 2024**	**Dec 2023**	**Sep 2023**	**Jun 2023**	**Mar 2023**	**Dec 2022**
Revenues and other income	1,030	774	1,119	984	1,150	881	1,267	929
Adjusted EBITDA [1, 2]	401	323	279	313	414	327	401	303
Net income (loss)	178	76	205	95	272	85	285	(99)
Net income (loss) attributable to shareholders of the Company	179	75	205	97	274	87	286	(98)
Basic earnings (loss) per share ($)	1.32	0.51	1.58	0.74	2.27	0.68	2.39	(0.91)
Diluted earnings (loss) per share ($)[3]	1.32	0.51	1.57	0.74	2.26	0.67	2.38	(0.91)
Net cash flows from (used in) operating activities	236	136	334	(18)	480	11	349	42
Adjusted funds from operations [1]	315	178	142	162	296	151	210	140
Adjusted funds from operations per share ($) [1]	2.42	1.37	1.15	1.38	2.53	1.29	1.80	1.20
Purchase of property, plant and equipment and other assets, net	231	226	218	244	262	131	86	179

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 Cogen and Harquahala joint ventures.

3 Diluted earnings (loss) per share include the impact of outstanding share purchase options.

Spot price averages	Three months ended Sep 2024	Jun 2024	Mar 2024	Dec 2023	Sep 2023	Jun 2023	Mar 2023	Dec 2022
Alberta power ($ per MWh)	55	45	99	82	152	160	142	214
Alberta natural gas (AECO) ($ per GJ)	0.65	1.14	1.94	2.19	2.49	2.39	3.08	4.91
Capital Power's Alberta portfolio average realized power price ($ per MWh)	74	78	82	84	93	85	98	111

Factors impacting results for the previous quarters

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

Second quarter of 2024 – For the quarter ended June 30, 2024, Capital Power recorded AFFO of $178 million compared to $151 million for the quarter ended June 30, 2023. AFFO was higher than the corresponding period primarily due to higher contributions from our joint venture investment in Harquahala acquired in February 2024, and lower current income tax expense due to lower overall consolidated net income before tax. This was partially offset by higher finance expenses attributable to increased loans and borrowings outstanding due to issuances in the second half of 2023 and lower adjusted EBITDA described below. Adjusted EBITDA of $323 million for the quarter ended June 30, 2024, was lower than the corresponding period in 2023 of $327 million. The decrease was largely due to lower generation and lower power prices captured by our Alberta commercial portfolio and full recognition of the off-coal compensation from the Province of Alberta at the end of 2023. Partially offsetting these decreases were lower emissions costs from reduced intensity driven by a shift to more natural gas versus coal as the Genesee facilities became 100% natural gas-fueled, increased U.S. facility contributions from Frederickson 1, Harquahala, and La Paloma, which were acquired in December 2023 and February 2024, respectively, and strong U.S. trading results.

First quarter of 2024 – For the quarter ended March 31, 2024, Capital Power recorded AFFO of $142 million compared to $210 million for the quarter ended March 31, 2023. AFFO was lower than the corresponding period primarily due to lower adjusted EBITDA (see below), higher sustaining capital expenditures as a result of larger outage scope and recent acquisitions, and higher preferred share dividends. This was partially offset by lower current income tax due to lower overall consolidated net income before tax. Adjusted EBITDA of $279 million for the quarter ended March 31, 2024, was lower than the corresponding period in 2023 of $401 million. The decrease was 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. This was 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.

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.

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							
	Sep 2024	Jun 2024	Mar 2024	Dec 2023	Sep 2023	Jun 2023	Mar 2023	Dec 2022
Share price ($/common share)								
High	50.88	41.99	39.43	39.88	42.34	46.73	46.90	50.28
Low	38.33	33.90	35.55	35.11	37.84	41.16	40.06	40.69
Close	49.17	38.99	38.21	37.84	37.92	42.10	41.64	46.33
Volume of shares traded (millions)	28.3	33.5	25.9	26.0	18.6	20.7	25.1	23.4

Outstanding share and partnership unit data

At October 25, 2024, the Company had 130.511 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), 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 October 25, 2024 were 132.065 million. The outstanding special limited voting share is held by EPCOR.

In 2022, Capital Power issued 350,000 Series 2022-A Class A Preferred Shares to the Computershare Trust Company of Canada, to be held in trust. Theses shares were cancelled in August 2024 with the removal of the provision for issuing preferred shares in the event of certain bankruptcy and related events, upon conversion of the $350 million 7.95% Fixed-to-Fixed Rate Subordinated Notes, Series 1 to Series 3 (see Significant events). At October 25, 2024, CPLP had 323.305 million general partnership units outstanding and 1,203.255 million common limited partnership units outstanding. All of the outstanding general partnership units and the outstanding common limited partnership units are held by the Company.

ADDITIONAL INFORMATION

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

Condensed Interim Consolidated Financial Statements of

CAPITAL POWER CORPORATION

(Unaudited, in millions of Canadian dollars)
Nine months ended September 30, 2024 and 2023

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Financial Statements
Nine months ended September 30, 2024 and 2023

Condensed Interim Consolidated Financial Statements:

CAPITAL POWER CORPORATION

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

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenues	$ 1,013	$ 1,101	$ 2,863	$ 3,138
Other income	17	49	60	160
Energy purchases and fuel	(456)	(509)	(1,342)	(1,607)
Gross margin	574	641	1,581	1,691
Other raw materials and operating charges	(54)	(37)	(151)	(116)
Staff costs and employee benefits expense	(51)	(45)	(150)	(134)
Depreciation and amortization	(124)	(148)	(366)	(432)
Impairment (note 4)	(27)	-	(27)	-
Other administrative expense	(51)	(35)	(150)	(106)
Foreign exchange gain (loss)	5	(9)	(9)	(4)
Operating income	272	367	728	899
(Losses) gains on disposals and other transactions	(5)	5	(20)	2
Net finance expense	(65)	(35)	(160)	(117)
Income from joint ventures	29	18	64	51
Income before tax	231	355	612	835
Income tax expense (note 6)	(53)	(83)	(153)	(193)
Net income	$ 178	$ 272	$ 459	$ 642
Attributable to:				
Non-controlling interests	$ (1)	$ (2)	$ -	$ (5)
Shareholders of the Company	$ 179	$ 274	$ 459	$ 647
Earnings per share (attributable to common shareholders of the Company):				
Basic (note 7)	$ 1.32	$ 2.27	$ 3.39	$ 5.33
Diluted (note 7)	$ 1.32	$ 2.26	$ 3.38	$ 5.31

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 September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net income	$ 178	$ 272	$ 459	$ 642
Other comprehensive (loss) income:				
Items that will not be reclassified subsequently to net income:				
Defined benefit plans:				
Actuarial gains[1]	-	2	-	2
Items that are or may be reclassified subsequently to net income:				
Cash flow hedges:				
Unrealized (losses) gains on derivative instruments[2]	(8)	179	82	168
Reclassification of (gains) losses on derivative instruments to income for the period[3]	(9)	20	(17)	163
Equity-accounted investments[4]	(9)	3	(3)	1
Net investment in foreign subsidiaries:				
Unrealized (losses) gains[5]	(38)	38	30	7
Total items that are or may be reclassified subsequently to net income, net of tax	(64)	240	92	339
Total other comprehensive (loss) income, net of tax	(64)	242	92	341
Total comprehensive income	$ 114	$ 514	$ 551	$ 983
Attributable to:				
Non-controlling interests	$ (1)	$ (2)	$ -	$ (5)
Shareholders of the Company	$ 115	$ 516	$ 551	$ 988

1 For the three and nine months ended September 30, 2024, net of income tax expense of nil. For the three and nine months ended September 30, 2023, net of income tax expense of $1, respectively.

2 For the three and nine months ended September 30, 2024, net of income tax recovery of $2 and expense of $16, respectively. For the three and nine months ended September 30, 2023, net of income tax expenses of $53 and $50, respectively.

3 For the three and nine months ended September 30, 2024, net of reclassification of income tax expense of $3 and $5, respectively. For the three and nine months ended September 30, 2023, net of reclassification of income tax recoveries of $6 and $49, respectively.

4 For the three and nine months ended September 30, 2024, net of income tax recovery of $4 and $1, respectively. For the three and nine months ended September 30, 2023, net of income tax expense of $1.

5 For the three and nine months ended September 30, 2024 and 2023, net of income tax expense 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)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 153	$ 1,423
Trade and other receivables	647	747
Inventories	356	309
Derivative financial instruments assets (note 8)	230	153
	1,386	2,632
Non-current assets:		
Other assets	126	110
Derivative financial instruments assets (note 8)	406	199
Finance lease receivable	17	25
Government grant receivable	300	269
Deferred tax assets	22	16
Equity-accounted investments	787	455
Right-of-use assets	122	118
Intangible assets and goodwill	848	775
Property, plant and equipment	7,968	6,557
Total assets	$ 11,982	$ 11,156
Liabilities and equity		
Current liabilities:		
Trade and other payables	$ 779	$ 717
Subscription receipts	-	399
Derivative financial instruments liabilities (note 8)	125	178
Loans and borrowings (note 9)	146	590
Deferred revenue and other liabilities	195	96
Provisions	74	67
	1,319	2,047
Non-current liabilities:		
Derivative financial instruments liabilities (note 8)	466	422
Loans and borrowings (note 9)	4,838	4,126
Lease liabilities	147	140
Deferred revenue and other liabilities	251	206
Deferred tax liabilities	813	677
Provisions	382	352
	6,897	5,923
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 10)	3,826	3,524
Deficit	(216)	(404)
Other reserves	162	70
Deficit and other reserves	(54)	(334)
	3,772	3,190
Non-controlling interests	(6)	(4)
Total equity	3,766	3,186
Total liabilities and equity	$ 11,982	$ 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 10)	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	-	-	-	-	-	459	459	-	459
Other comprehensive income (loss):									
Cash flow derivative hedge gains	-	98	-	-	-	-	98	-	98
Reclassification of derivative hedge gains to net income	-	(22)	-	-	-	-	(22)	-	(22)
Equity-accounted investments	-	(4)	-	-	-	-	(4)	-	(4)
Unrealized gains on foreign currency translation	-	-	30	-	-	-	30	-	30
Tax on items recognized directly in equity	-	(10)	-	-	-	-	(10)	-	(10)
Other comprehensive income	$ -	$ 62	$ 30	$ -	$ -	$ -	$ 92	$ -	$ 92
Total comprehensive income	-	62	30	-	-	459	551	-	551
Distributions to non-controlling interests	-	-	-	-	-	-	-	(2)	(2)
Common share dividends (note 10)	-	-	-	-	-	(245)	(245)	-	(245)
Preferred share dividends (note 10)	-	-	-	-	-	(24)	(24)	-	(24)
Tax on preferred share dividends (note 10)	-	-	-	-	-	(2)	(2)	-	(2)
Preferred share redemption	(150)	-	-	-	-	-	(150)	-	(150)
Issue of share capital	400	-	-	-	-	-	400	-	400
Share issue costs	(16)	-	-	-	-	-	(16)	-	(16)
Tax on share issue costs	3	-	-	-	-	-	3	-	3
Dividends reinvested	50	-	-	-	-	-	50	-	50
Share-based payments	-	-	-	-	1	-	1	-	1
Share options exercised	15	-	-	-	(1)	-	14	-	14
Equity as at September 30, 2024	$ 3,826	$ 110	$ 52	$ (10)	$ 10	$ (216)	$ 3,772	$ (6)	$ 3,766

[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 10)	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	-	-	-	-	-	647	647	(5)	642
Other comprehensive income (loss):									
Defined benefit plan actuarial gain	-	-	-	3	-	-	3	-	3
Cash flow derivative hedge gains	-	218	-	-	-	-	218	-	218
Reclassification of derivative hedge losses to net income	-	212	-	-	-	-	212	-	212
Equity-accounted investments	-	2	-	-	-	-	2	-	2
Unrealized gains on foreign currency translation	-	-	7	-	-	-	7	-	7
Tax on items recognized directly in equity	-	(100)	-	(1)	-	-	(101)	-	(101)
Other comprehensive income	$ -	$ 332	$ 7	$ 2	$ -	$ -	$ 341	$ -	$ 341
Total comprehensive income (loss)	-	332	7	2	-	647	988	(5)	983
Distributions to non-controlling interests	-	-	-	-	-	-	-	(3)	(3)
Common share dividends (note 10)	-	-	-	-	-	(208)	(208)	-	(208)
Preferred share dividends (note 10)	-	-	-	-	-	(23)	(23)	-	(23)
Tax on preferred share dividends (note 10)	-	-	-	-	-	(1)	(1)	-	(1)
Share options exercised	4	-	-	-	-	-	4	-	4
Equity as at September 30, 2023	$ 3,502	$ 68	$ 60	$ (6)	$ 10	$ (420)	$ 3,214	$ (2)	$ 3,212

[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 Cash Flows
(Unaudited, in millions of Canadian dollars)

	Nine months ended September 30, 2024	2023
Cash flows from operating activities:		
Net income	$ 459	$ 642
Non-cash adjustments to reconcile net income to net cash flows from operating activities:		
Impairment	27	-
Depreciation and amortization	366	432
Net finance expense	160	117
Fair value changes on commodity derivative instruments and emission credits held for trading	(286)	(307)
Foreign exchange losses	9	4
Income tax expense	153	193
Income from joint ventures	(64)	(51)
Recognition of government grant deferred revenue	-	(94)
Tax equity attributes	(55)	(51)
Other items	15	11
Change in fair value of derivative instruments reflected as cash settlement	17	211
Distributions received from joint ventures	24	25
Interest paid	(132)	(103)
Income taxes paid	(17)	(36)
Other cash items	23	(27)
Change in non-cash operating working capital	7	(126)
Net cash flows from operating activities	706	840
Cash flows used in investing activities:		
Purchase of property, plant and equipment and other assets, net[1]	(675)	(479)
Business acquisition, net of acquired cash (note 5)	(908)	-
Acquisition of equity-accounted investment (note 5)	(316)	-
Government grant received	50	50
Other cash flows from investing activities	3	-
Net cash flows used in investing activities	(1,846)	(429)
Cash flows used in financing activities:		
Proceeds from issue of loans and borrowings (note 9)	1,050	350
Repayment of loans and borrowings	(754)	(395)
Issue costs on loans and borrowings	(8)	(2)
Repayment of lease liabilities	(5)	(5)
Share issue costs	(8)	-
Proceeds from exercise of share options	14	4
Redemption of preferred shares (note 10)	(150)	-
Dividends paid (note 10)	(205)	(227)
Capitalized interest paid	(44)	(28)
Distributions to non-controlling interests	(2)	(3)
Other cash items	(7)	-
Income taxes paid on preferred share dividends	(10)	(9)
Net cash flows used in financing activities	(129)	(315)
Foreign exchange loss on cash held in foreign currency	(1)	(4)
Net (decrease) increase in cash and cash equivalents	(1,270)	92
Cash and cash equivalents at beginning of period	1,423	307
Cash and cash equivalents at end of period	$ 153	$ 399

[1] Reflects total additions for the nine months ended September 30, 2024, reduced by $118 million for changes in non-cash investing working capital and other non-current assets (nine months ended September 30, 2023 – increased by $56 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 October 29, 2024.

3. Material accounting policies:

Current accounting changes:

Amended by International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12 – Income Taxes)

In June 2024, Canada enacted The Global Minimum Tax Act, which implements Canada's Pillar Two legislation, with effect for fiscal years that begin on or after December 31, 2023. The Company is within the scope of the Pillar Two model rules as issued by the Organization for Economic Cooperation and Development (OECD) and has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 – Income Taxes issued in May 2023.

Future accounting changes:

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board issued IFRS 18 which introduces key new requirements on presentation and disclosures in the financial statements, with a focus on the statement of profit or loss and reporting of financial performance and will replace IAS 1 - Presentation of Financial Statements. IFRS 18 will be effective for annual reporting periods beginning on or after date January 1, 2027, with early application permitted. Management is currently assessing the impact of IFRS 18 on the Company's consolidated financial statements.

4. Impairment

In the third quarter of 2024, management made the strategic decision to redirect resources from the Company's C2CNT equity-accounted investment to other opportunities to better serve our customers with balanced energy solutions. The C2CNT equity-accounted investment was tested for impairment and the fair values of the underlying assets were determined using a depreciated replacement cost valuation approach, which was the primary estimate underlying the assessment of the investment's recoverable amount. The carrying amount of the Company's C2CNT equity-accounted investment of $30 million (US $23 million) was above its estimated recoverable amount and an impairment of $27 million (US $20 million) was recorded.

5. 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 $310 million (US$230 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.

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 $910 million (US$676 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.

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

5. Business acquisitions, continued:

Acquisition of CXA La Paloma, LLC, continued:

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	188
Property, plant and equipment	834
Trade and other payables	(114)
Lease liabilities	(5)
Provisions	(32)
Fair value of net assets acquired	$ 910

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 the following revenues and net income related to La Paloma for the three and nine months ended September 30, 2024:

	Three months ended September 30, 2024	Nine months ended September 30, 2024
Revenues	$ 108	$ 207
Net income	45	88

The consolidated revenues and net income of the Company including La Paloma, had the acquisition occurred at January 1, 2024, would have been as follows:

	Three months ended September 30, 2024	Nine months ended September 30, 2024
Revenues	$ 1,013	$ 2,890
Net income	178	467

In conjunction with the acquisition of La Paloma, for the nine months ended September 30, 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)

6. Income tax:

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Income before tax	$ 231	$ 355	$ 612	$ 835
Income tax at the statutory rate of 23%	53	82	141	192
Increase (decrease) resulting from:				
Non-(taxable) deductible amounts	(4)	1	3	-
Amounts attributable to non-controlling interests and tax-equity interests	-	-	(5)	(1)
Change in unrecognized tax benefits	2	1	(3)	-
Statutory and other rate differences	4	(1)	10	3
Other	(2)	-	7	(1)
Income tax expense	$ 53	$ 83	$ 153	$ 193

Bill C-59, which includes Clean Technology investment tax credits (ITC), received Royal Assent on June 20, 2024. The Company applied the recognition and measurement principles of IAS 20 – Accounting for government grants and disclosure of government assistance, for the Clean Technology ITC pertaining to the Halkirk 2 Wind, York Energy Battery Energy Storage System (BESS) and Goreway BESS projects. As a result, an accrual of $7 million was recorded for the three months ended September 30, 2024 and $73 million for the nine months ended September 30, 2024, to government grant receivable and non-current deferred revenue and other liabilities in the condensed interim consolidated statements of financial position, based on spending-to-date for these projects.

7. 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 September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Income for the period attributable to shareholders	$ 179	$ 274	$ 459	$ 647
Preferred share dividends[1]	(7)	(9)	(26)	(24)
Earnings available to common shareholders	$ 172	$ 265	$ 433	$ 623
Weighted average number of common shares	130,269,528	116,970,312	127,837,004	116,934,730
Basic earnings per share	$ 1.32	$ 2.27	$ 3.39	$ 5.33
Weighted average number of common shares	130,269,528	116,970,312	127,837,004	116,934,730
Effect of dilutive share purchase options	265,218	389,226	229,713	436,427
Diluted weighted average number of common shares	130,534,746	117,359,538	128,066,717	117,371,157
Diluted earnings per share	$ 1.32	$ 2.26	$ 3.38	$ 5.31

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

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

8. Derivative financial instruments and hedge accounting:

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

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

	September 30, 2024					
	Energy and emission allowances		Interest rate		Foreign exchange	
	cash flow hedges	non-hedges	cash flow hedges	non-hedges	cash flow hedges	Total
Derivative instruments assets:						
Current	$ 37	$ 191	$ 2	$ -	$ -	$ 230
Non-current	28	376	2	-	-	406
Derivative instruments liabilities:						
Current	(3)	(116)	(5)	-	(1)	(125)
Non-current	(1)	(449)	(15)	(1)	-	(466)
Net fair value	$ 61	$ 2	$ (16)	$ (1)	$ (1)	$ 45
Net notional buys (sells) (millions):						
Megawatt hours of electricity	(3)	(43)				
Gigajoules of natural gas purchased[1]		180				
Gigajoules of natural gas basis swaps[1]		68				
Metric tonnes of emission allowances		16				
Number of renewable energy credits		(13)				
Interest rate swaps			$ 732	$ 94		
Forward currency buys (U.S. dollars)					$ 155	
Range of remaining contract terms in years	0.1 to 4.3	0.1 to 22.4	0.1 to 2.3	0.2 to 1.3	0.1 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)

8. 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 September 30, 2024		Three months ended September 30, 2023	
	Unrealized gains (losses)	Realized gains	Unrealized gains (losses)	Realized (losses) gains
Energy cash flow hedges	$ 6	$ 8	$ 232	$ (29)
Energy and emission allowances non-hedges	68	37	151	(79)
Interest rate cash flow hedges	(25)	4	26	3
Interest rate non-hedges	(1)	-	4	1
Foreign exchange cash flow hedges	(3)	-	-	-
Foreign exchange non-hedges	-	-	(1)	-

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

8. Derivative financial instruments and hedge accounting, continued:

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Unrealized gains (losses)	Realized gains (losses)	Unrealized gains (losses)	Realized (losses) gains
Energy cash flow hedges	$ 60	$ 11	$ 399	$ (223)
Energy and emission allowances non-hedges	287	57	292	(95)
Interest rate cash flow hedges	(11)	11	31	11
Interest rate non-hedges	(1)	-	(1)	11
Foreign exchange cash flow hedges	27	-	-	-
Foreign exchange non-hedges	-	(2)	(1)	-

The following realized and unrealized gains and (losses) are included in the Company's consolidated statements of income for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenues	$ 285	$ 77	$ 644	$ 122
Energy purchases and fuel	(172)	(34)	(289)	(148)
Foreign exchange loss	-	(1)	(2)	(1)
Net finance expense	3	8	10	21

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 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:

	September 30, 2024
Within one year	$ 37
Between one and five years	67
After five years	17
	$ 121

9. Loans and borrowings:

$350 million Subordinated Notes, Series 1 exchange

On August 15, 2024, the Company announced the approval of amendments to the indenture governing the $350 million 7.95% Fixed-to-Fixed Rate Subordinated Notes, Series 1, due September 9, 2082 (Series 1 Notes). These changes allowed for the exchange of all outstanding Series 1 Notes for an equal amount of new 7.95% Fixed-to-Fixed Rate Subordinated Notes, Series 3, due September 9, 2082 (Series 3 Notes). This note exchange was completed on August 15, 2024, following the execution of the necessary supplemental indentures. The Series 3 Notes share the same economic terms as the Series 1 Notes, including interest rates and maturity dates with the provision for delivery of preferred shares upon the occurrence of certain bankruptcy and related events being removed from terms governing the Series 3 Notes. Accordingly, the 350,000 Series 2022-A Class A Preferred Shares previously issued in connection with Series 1 Notes to Computershare Trust Company of Canada, to be held in trust as treasury shares to satisfy Capital Power's obligations under the indenture governing the Series 1 Subordinated Notes were cancelled.

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

9. Loans and borrowings, continued:

$600 million Medium Term Notes offering

On September 16, 2024, the Company closed a public offering of unsecured Medium-Term Notes, in the aggregate principal amount of $600 million. The Notes have a coupon rate of 4.831% and mature on September 16, 2031.

$450 million Subordinated Notes offering

On June 5, 2024, the Company closed a public offering of Fixed-to-Fixed Subordinated Notes, Series 2, in the aggregate principal amount of $450 million. The Series 2 Subordinated Notes have a fixed interest rate of 8.125% and mature on June 5, 2054.

10. Share capital:

Issued and fully paid shares

In relation to the La Paloma and Harquahala acquisitions (note 5), 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							
	For the three months ended September 30,				For the nine months ended September 30,			
	2024		2023		2024		2023	
	Per share	Total	Per share	Total	Per share	Total	Per share	Total
Common	$ 0.6519	$ 86	$ 0.6150	$ 72	$ 1.8819	$ 245	$ 1.7750	$208
Preference[2]								
Series 1	0.1638	1	0.1638	1	0.4914	3	0.4914	3
Series 3	0.4288	2	0.3408	2	1.2863	8	1.0224	6
Series 5	0.4144	3	0.4144	3	1.2433	9	1.0692	8
Series 11[1]	-	-	0.3594	2	0.7188	4	1.0781	6

[1] On June 30, 2024, the Company redeemed all of its 6 million issued and outstanding 5.75% cumulative rate reset preference shares, Series 11 at a price of $25.00 per share (Redemption Price) for an aggregate total of $150 million, less any tax required to be deducted and withheld by the Company. As June 30, 2024 is not a business day, payment of the Redemption Price and share redemption occurred on July 2, 2024.

The quarterly dividend for the second quarter of 2024 was the final quarterly dividend on the Series 11 shares and, as the Redemption Date is also the dividend payment date, the Redemption Price will not include the quarterly dividend for the second quarter of 2024. Instead, the quarterly dividend for the second quarter of 2024 was paid on the redemption date separately to shareholders of record as of June 17, 2024.

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

10. Share capital, continued:

Common and preferred share dividends, continued

	Dividends paid[2]							
	For the three months ended September 30,				For the nine months ended September 30,			
	2024		2023		2024		2023	
	Per share	Total	Per share	Total	Per share	Total	Per share	Total
Common[3]	$ 0.6150	$ 80	$ 0.5800	$ 68	$ 1.8450	$ 231	$ 1.7400	$204

[2] Preference Share dividends are declared and paid in the same period.

[3] For the nine months ended September 30, 2024 common dividends paid consist of $181 million cash and $50 million through the Company's dividend re-investment plan. For the nine months ended September 30, 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 and nine months ended September 30, 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 (NCIB). The most recent NCIB expired on March 2, 2024.

Dividend increase

On July 30, 2024, the Company's Board of Directors approved an increase of 6% in the annual dividend for holders of its common shares, from $0.6150 per common share to $0.6519 per common share. This increased common share dividend commenced with the third quarter 2024 quarterly dividend payment on October 31, 2024 to shareholders of record at the close of business on September 30, 2024.

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

11. Financial instruments

Fair values

Details of the fair values of the Company's derivative instruments are described in note 8.

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.

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:

		September 30, 2024		December 31, 2023	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets[1]					
Government grant receivable	Level 2	$ 358	$ 331	$ 327	$ 295
Financial liabilities[1]					
Loans and borrowings	Level 2	$ 4,984	$ 5,205	$ 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.

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

11. Financial instruments, continued:

Fair value hierarchy, continued

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.

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ -	$ 521	$ 115	$ 636
Derivative financial instruments liabilities	-	(332)	(259)	(591)

	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:

	September 30, 2024	December 31, 2023
REC pricing (per certificate) – Solar	$3 to $191	$3 to $204
REC pricing (per certificate) – Wind	$3 to $9	$3 to $7
Forward power pricing (per MWh) – Solar	$14 to $113	$34 to $194
Forward power pricing (per MWh) – Wind	$16 to $143	$22 to $136
Average monthly generation (MWh) – Strathmore Solar	6,674	6,671
Average monthly generation (MWh) – Clydesdale Solar	17,696	11,162
Average monthly generation (MWh) – Whitla Wind	38,934	39,123
Average monthly generation (MWh) – Bloom Wind	60,066	59,471
Average monthly generation (MWh) – Buckthorn Wind	16,441	17,620
Average monthly generation (MWh) – Halkirk 2 Wind	16,989	-

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.

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

11. Financial instruments, continued:

Fair value hierarchy, continued

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

	September 30, 2024	December 31, 2023
REC pricing – Solar	$ 2	$ 1
REC pricing – Wind	5	3
Forward power pricing – Solar	11	19
Forward power pricing – Wind	48	71
Generation – Solar	4	5
Generation – Wind	25	18

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:

	September 30, 2024	December 31, 2023
At January 1[2]	$ (297)	$ (456)
Additions	13	-
Unrealized and realized gains included in net income[3]	154	40
Settlements[4]	(9)	114
Transfers [5]	-	(2)
Foreign exchange (losses) gains	(5)	7
At end of period	$ (144)	$ (297)
Total unrealized and realized gains for the period included in net income[3]	$ 167	$ 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.

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

12. Segment information:

The Company operates in one reportable business segment involved in the operation of electrical generation facilities within Canada (Alberta, British Columbia and Ontario) and in the U.S. (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 September 30, 2024				Three months ended September 30, 2023			
	Canada	U.S.	Inter-area eliminations	Total	Canada	U.S.	Inter-area eliminations	Total
Revenues – external[1]	$ 584	$ 429	$ -	$1,013	$ 1,088	$ 13	$ -	$1,101
Revenues – inter-area	18	-	(18)	-	8	-	(8)	-
Other income	2	15	-	17	33	16	-	49
Total revenues and other income	$ 604	$ 444	$ (18)	$1,030	$ 1,129	$ 29	$ (8)	$1,150

	Nine months ended September 30, 2024				Nine months ended September 30, 2023			
	Canada	U.S.	Inter-area eliminations	Total	Canada	U.S.	Inter-area eliminations	Total
Revenues – external[1]	$ 2,139	$ 724	$ -	$ 2,863	$ 2,784	$ 354	$ -	$3,138
Revenues – inter-area	37	-	(37)	-	24	-	(24)	-
Other income	6	54	-	60	109	51	-	160
Total revenues and other income	$ 2,182	$ 778	$ (37)	$ 2,923	$ 2,917	$ 405	$ (24)	$3,298

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

	At September 30, 2024			At December 31, 2023		
	Canada	U.S.	Total	Canada	U.S.	Total
Property, plant and equipment	$ 5,506	$ 2,462	$ 7,968	$ 4,898	$ 1,659	$ 6,557
Right-of-use assets	60	62	122	59	59	118
Intangible assets and goodwill	533	315	848	631	144	775
Finance lease receivable[2]	28	-	28	34	-	34
Other assets	47	79	126	47	63	110
	$ 6,174	$ 2,918	$ 9,092	$ 5,669	$ 1,925	$ 7,594

[2] Includes current portion.

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

12. Segment information, continued:

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 September 30, 2024						
	Alberta Commercial facilities	Western Canada facilities	Ontario facilities	U.S. facilities	Total from contracts with customers	Other sources	Total
Energy revenues	$ 354	$ 21	$ 91	$ 125	$ 591	$ 410	$ 1,001
Emission credit revenues	5	5	-	1	11	1	12
Total revenues[3]	$ 359	$ 26	$ 91	$ 126	$ 602	411	$ 1,013

	Nine months ended September 30, 2024						
	Alberta Commercial facilities	Western Canada facilities	Ontario facilities	U.S. facilities	Total from contracts with customers	Other sources	Total
Energy revenues	$ 1,209	$ 72	$ 271	$ 335	$ 1,887	$ 914	$ 2,801
Emission credit revenues	17	15	-	3	35	27	62
Total revenues[3]	$ 1,226	$ 87	$ 271	$ 338	$ 1,922	941	$ 2,863

	Three months ended September 30, 2023						
	Alberta Commercial facilities	Western Canada facilities	Ontario facilities	U.S. facilities	Total from contracts with customers	Other sources	Total
Energy revenues	$ 738	$ 36	$ 91	$ 15	$ 880	$ 209	$ 1,089
Emission credit revenues	5	2	-	1	8	4	12
Total revenues[3]	$ 743	$ 38	$ 91	$ 16	$ 888	213	$ 1,101

	Nine months ended September 30, 2023						
	Alberta Commercial facilities	Western Canada facilities	Ontario facilities	U.S. facilities	Total from contracts with customers	Other sources	Total
Energy revenues	$ 2,125	$ 115	$ 269	$ 150	$ 2,659	$ 413	$ 3,072
Emission credit revenues	17	8	-	4	29	37	66
Total revenues[3]	$ 2,142	$ 123	$ 269	$ 154	$ 2,688	450	$ 3,138

[3] Included within trade and other receivables, at September 30, 2024, were amounts related to contracts with customers of $290 million (2023 - $337 million).

13. Subsequent event:

Organizational Review - Voluntary Departure Program

On October 24, 2024, the Company announced the rollout of the voluntary departure program (VDP or the Program) aimed to reduce its workforce of Canada-based corporate employees by at least 25% (approximately 130 positions). The VDP is part of a strategic organizational review to optimize the organization to scale and grow efficiently, inclusive of decentralizing corporate functions, reducing headcount in certain areas and expanding in key growth areas. The program is open to eligible Canada-based corporate employees and offers eligible employees a financial incentive to voluntarily leave the organization. Employees who wish to participate in the Program must elect to participate by November 7, 2024.

13. Subsequent event, continued:

Organizational Review - Voluntary Departure Program, continued

The Company expects to incur a total cost of approximately $30 million related to the VDP and the timing of the recognition of the cost in the financial statements will be determined once participation in the Program is known. Actual cost may differ from the Company's initial expectations significantly if nearly all or all eligible employees elect to participate. The Company believes this initiative will enhance operational efficiency aligns the workforce with the organization's strategic objectives and in respect to employees, provides them a choice in the change process.