Capital Power

Consolidated Financial Statements of

Capital Power Corporation

(In millions of Canadian dollars)
Years ended December 31, 2024 and 2023

Management's responsibility for financial reporting

The preparation and presentation of the accompanying consolidated financial statements of Capital Power Corporation (the Company) are the responsibility of management and the consolidated financial statements have been approved by the Board of Directors. In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily requires judgment and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to February 25, 2025. Financial information presented elsewhere in the Company's Integrated Annual Report is consistent with that in the consolidated financial statements.

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

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

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

On behalf of management,

Avik Dey
President and Chief Executive Officer

Sandra Haskins
Senior Vice President, Finance and
Chief Financial Officer

February 25, 2025

Consolidated financial statements

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Capital Power Corporation

Opinion

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

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of the fair value of level 3 derivative financial instruments

Description of the matter

We draw your attention to Note 2(k), Note 16, and Note 33 to the financial statements. The Entity has recorded derivative financial instrument assets of $136 million and liabilities of $292 million within level 3 of the fair value hierarchy at December 31, 2024. The estimate of fair value for level 3 derivative financial instruments contains significant unobservable inputs, including forward pricing and anticipated generation based on internally developed models.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

- We involved valuation professionals with specialized skills and knowledge to assess the appropriateness of the internally developed model for the contracts entered in the year.
- To assess the appropriateness of the Entity's internally developed models we compared them to the models used in the prior year.
- To assess the appropriateness of anticipated generation used in the models for operating assets, we compared the anticipated generation predicted by the models in the prior year to the actual generation.
- To assess the appropriateness of anticipated generation used in the models for assets in development, we compared the anticipated generation predicted by the models to the actual generation of a similar operating asset.

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

- We involved valuation professionals with specialized skills and knowledge to assess the appropriateness of the forward pricing in the Entity's internally developed model for the contracts entered in the year by comparing to independently derived forward pricing.
- To assess the appropriateness of the Entity's internally developed models we compared them to the models used in the prior year.

Evaluation of the acquisition-date fair value of PP&E of CXA La Paloma, LLC

Description of the matter

We draw attention to Note 2(d), Note 3 and Note 5 to the financial statements. The Entity acquired 100% of the equity interests in CXA La Paloma, LLC ("La Paloma"). The acquisition-date fair value of La Paloma's property, plant and equipment ("PP&E") was $834 million. The determination of the acquisition-date fair value of this PP&E involves significant estimates, including replacement cost estimates and reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Why the matter is a key audit matter

We identified the evaluation of the acquisition-date fair value of CXA La Paloma, LLC as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures regarding the estimates of the replacement cost and adjustments for physical deterioration as well as functional and economic obsolescence for the acquired property, plant and equipment. Further, specialized skills and knowledge were needed to evaluate these estimates.

How the matter was addressed in the audit

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

We involved valuation professionals with specialized skills and knowledge who assisted in:

- Assessing the appropriateness of the Entity's replacement cost estimates of the acquisition-date fair value of acquired property, plant and equipment by comparing the Entity's estimate to market data for comparable assets.
- Assessing the appropriateness of adjustments for physical deterioration as well as functional and economic obsolescence by comparing the Entity's estimated depreciated cost to a depreciation cost range that was independently developed using market data for comparable assets.
- Performing a physical site inspection to examine the existence of property, plant and equipment.

Assessment of joint control of the new partnerships

Description of the matter

We draw attention to Note 2(b), Note 3 and Note 4 to the financial statements. On December 20, 2024, the Entity sold a 49% ownership interest in the Port Dover and Nanticoke Wind and Quality Wind facilities. As part of the transaction, the facilities were transferred to newly formed partnerships in which the Entity retained 51% ownership interest (the "new partnerships"). The Entity determined that the transaction resulted in the Entity having joint control of the new partnerships. The assessment of control over the Entity's interest in partially owned subsidiaries is based on a review of the facts and circumstances, including key terms of the relevant agreements, and required significant management judgment.

Why the matter is a key audit matter

We identified the assessment of joint control of the new partnerships as a key audit matter. This matter represented an area of significant risk of material misstatement requiring significant auditor effort to evaluate the partner rights in the relevant agreements and the judgments applied to assess which activities most significantly impact the economic performance of the new partnerships.

How the matter was addressed in the audit

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

- We evaluated the Entity's accounting analysis of its exposure, or rights, to variable returns from its involvement with the new partnerships and whether it has power to direct the relevant activities of the new partnerships by inquiring of management about the nature of the rights conveyed and by comparing the analysis to the relevant agreements of the new partnerships.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2024 Integrated Annual Report".

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the "2024 Integrated Annual Report" as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report on that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

KPMG

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

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

Edmonton, Canada

February 25, 2025

Consolidated statements of income

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

Years ended December 31		2024		2023
Revenues	$	**3,677**	$	4,068
Other income (note 7)		**99**		214
Energy purchases and fuel		**(1,787)**		(2,166)
Gross margin		**1,989**		2,116
Other raw materials and operating charges		**(209)**		(159)
Staff costs and employee benefits expense (note 8)		**(254)**		(179)
Depreciation and amortization (note 8)		**(503)**		(574)
Impairment (note 9)		**(27)**		–
Other administrative expense		**(201)**		(153)
Foreign exchange loss		**(29)**		(6)
Operating income		**766**		1,045
Gain on divestiture (note 4)		**309**		–
Losses on disposals and other transactions (note 6)		**(31)**		(3)
Net finance expense (note 10)		**(221)**		(166)
Income from joint ventures (note 36)		**76**		65
Income before tax		**899**		941
Income tax expense (note 11)		**(198)**		(204)
Net income	$	**701**	$	737
Attributable to:				
Non-controlling interests	$	**2**	$	(7)
Shareholders of the Company	$	**699**	$	744
Earnings per share (attributable to common shareholders of the Company):				
Basic (note 12)	$	**5.16**	$	6.07
Diluted (note 12)	$	**5.15**	$	6.04

See accompanying notes to the consolidated financial statements

Consolidated statements of comprehensive income

(In millions of Canadian dollars)

Years ended December 31		2024		2023
Net income	**$**	**701**	$	737
Other comprehensive income (loss)				
Items that will not be reclassified to net income:				
Actuarial gains (losses) on defined benefits plans[1]		**1**		(2)
		1		(2)
Items that are or may be reclassified subsequently to net income:				
Cash flow hedges:				
Unrealized gains on derivative instruments[2]		**81**		155
Reclassification of (gains) losses on derivative instruments to income for the year[3]		**(25)**		160
Equity-accounted investments[4]		**4**		(3)
Net investment in foreign subsidiaries:				
Unrealized gains (losses) on foreign currency translation[5]		**218**		(31)
		278		281
Total other comprehensive income, net of tax		**279**		279
Total comprehensive income	**$**	**980**	$	1,016
Attributable to:				
Non-controlling interests	**$**	**2**	$	(7)
Shareholders of the Company	**$**	**978**	$	1,023

1 For the years ended December 31, 2024 and December 31, 2023, net of income tax of nil and income tax recoveries of $1, respectively.
2 For the years ended December 31, 2024 and December 31, 2023, net of income tax expenses of $15 and $55, respectively.
3 For the years ended December 31, 2024 and December 31, 2023, net of reclassifications of income tax expenses of $8 and income tax recoveries of $49, respectively.
4 For the years ended December 31, 2024 and December 31, 2023, net of income tax expenses of $2 and income tax recoveries of $1, respectively.
5 For the years ended December 31, 2024 and December 31, 2023, net of income tax expenses of nil.

See accompanying notes to the consolidated financial statements

Consolidated statements of financial position

(In millions of Canadian dollars)

At December 31	2024	2023
Assets		
Current assets:		
Cash and cash equivalents (note 13)	$ 865	$ 1,423
Trade and other receivables (note 14)	604	747
Inventories (note 15)	235	309
Derivative financial instruments assets (note 16)	244	153
	1,948	2,632
Non-current assets:		
Other assets	132	110
Derivative financial instruments assets (note 16)	412	199
Finance lease receivable (note 17)	13	25
Government grants receivable (note 18)	380	269
Deferred tax assets (note 19)	26	16
Equity-accounted investments (note 36)	1,096	455
Right-of-use assets (note 20)	118	118
Intangible assets and goodwill (note 21)	744	775
Property, plant and equipment (note 22)	8,061	6,557
Total assets	$ 12,930	$ 11,156
Liabilities and equity		
Current liabilities:		
Trade and other payables (note 23)	$ 751	$ 717
Subscription receipts (note 24)	–	399
Derivative financial instruments liabilities (note 16)	147	178
Loans and borrowings (note 25)	157	590
Deferred revenue and other liabilities (note 27)	213	96
Provisions (note 28)	85	67
	1,353	2,047
Non-current liabilities:		
Derivative financial instruments liabilities (note 16)	494	422
Loans and borrowings (note 25)	4,819	4,126
Lease liabilities (note 20)	134	140
Deferred revenue and other liabilities (note 27)	323	206
Deferred tax liabilities (note 19)	863	677
Provisions (note 28)	373	352
	7,006	5,923
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 29)	4,301	3,524
Deficit	(74)	(404)
Other reserves	349	70
Deficit and other reserves	275	(334)
	4,576	3,190
Non-controlling interests	(5)	(4)
Total equity	4,571	3,186
Total liabilities and equity	$ 12,930	$ 11,156

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

Jill Gardiner
Director and Chair of the Board

Barry Perry
Director and Chair of the Audit Committee

Consolidated statements of changes in equity

(In millions of Canadian dollars)

	Share capital (note 29)	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity at January 1, 2024	$ 3,524	$ 48	$ 22	$ (10)	$ 10	$ (404)	$ 3,190	$ (4)	$ 3,186
Net income	–	–	–	–	–	699	699	2	701
Other comprehensive income (loss):									
Defined benefit plan actuarial gain	–	–	–	1	–	–	1	–	1
Cash flow derivative hedge gains	–	96	–	–	–	–	96	–	96
Reclassification of derivative hedge gains to net income	–	(33)	–	–	–	–	(33)	–	(33)
Equity-accounted investments	–	6	–	–	–	–	6	–	6
Unrealized gains on foreign currency translation	–	–	218	–	–	–	218	–	218
Tax on items recognized directly in equity	–	(9)	–	–	–	–	(9)	–	(9)
Other comprehensive income	$ –	$ 60	$ 218	$ 1	$ –	$ –	$ 279	$ –	$ 279
Total comprehensive income	–	60	218	1	–	699	978	2	980
Distributions to non-controlling interests	–	–	–	–	–	–	–	(3)	(3)
Common share dividends (note 29)	–	–	–	–	–	(335)	(335)	–	(335)
Preferred share dividends (note 29)	–	–	–	–	–	(31)	(31)	–	(31)
Tax on preferred share dividends (note 29)	–	–	–	–	–	(3)	(3)	–	(3)
Preferred share redemption	(150)	–	–	–	–	–	(150)	–	(150)
Issue of share capital	860	–	–	–	–	–	860	–	860
Share issue costs	(35)	–	–	–	–	–	(35)	–	(35)
Tax on share issue costs	8	–	–	–	–	–	8	–	8
Dividends reinvested	67	–	–	–	–	–	67	–	67
Share-based payments	–	–	–	–	1	–	1	–	1
Share options exercised	27	–	–	–	(1)	–	26	–	26
Equity as at December 31, 2024	$ 4,301	$ 108	$ 240	$ (9)	$ 10	$ (74)	$ 4,576	$ (5)	$ 4,571

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

See accompanying notes to the consolidated financial statements

Consolidated statements of changes in equity

(In millions of Canadian dollars)

	Share capital (note 29)	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity at January 1, 2023	$ 3,498	$ (264)	$ 53	$ (8)	$ 10	$ (835)	$ 2,454	$ 6	$ 2,460
Net income	–	–	–	–	–	744	744	(7)	737
Other comprehensive income (loss):									
Defined benefit plan actuarial loss	–	–	–	(3)	–	–	(3)	–	(3)
Cash flow derivative hedge gains	–	210	–	–	–	–	210	–	210
Reclassification of derivative hedge losses to net income	–	209	–	–	–	–	209	–	209
Equity-accounted investments	–	(4)	–	–	–	–	(4)	–	(4)
Unrealized losses on foreign currency translation	–	–	(31)	–	–	–	(31)	–	(31)
Tax on items recognized directly in equity	–	(103)	–	1	–	–	(102)	–	(102)
Other comprehensive income (loss)	$ –	$ 312	$ (31)	$ (2)	$ –	$ –	$ 279	$ –	$ 279
Total comprehensive income (loss)	–	312	(31)	(2)	–	744	1,023	(7)	1,016
Distributions to non-controlling interests	–	–	–	–	–	–	–	(3)	(3)
Common share dividends (note 29)	–	–	–	–	–	(279)	(279)	–	(279)
Preferred share dividends (note 29)	–	–	–	–	–	(32)	(32)	–	(32)
Tax on preferred share dividends	–	–	–	–	–	(2)	(2)	–	(2)
Dividends reinvested	17	–	–	–	–	–	17	–	17
Share-based payments	–	–	–	–	1	–	1	–	1
Share options exercised	9	–	–	–	(1)	–	8	–	8
Equity at December 31, 2023	$ 3,524	$ 48	$ 22	$ (10)	$ 10	$ (404)	$ 3,190	$ (4)	$ 3,186

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

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(In millions of Canadian dollars)

Years ended December 31		2024		2023
Cash flows from operating activities:				
Net income	$	701	$	737
Non-cash adjustments to reconcile net income to net cash flows from operating activities:				
Impairment (note 9)		27		–
Depreciation and amortization (note 8)		503		574
Gain on divestiture (note 4)		(309)		–
Net finance expense (note 10)		221		166
Fair value changes on commodity derivative instruments and emission credits held for trading		(238)		(321)
Foreign exchange losses		29		6
Income tax expense (note 11)		198		204
Income from joint ventures (note 36)		(76)		(65)
Recognition of government grant deferred revenue		–		(126)
Tax-equity attributes (note 7)		(76)		(71)
Other items		44		13
Change in fair value of derivative instruments reflected as cash settlement		13		249
Distributions received from joint ventures (note 36)		120		36
Interest paid		(163)		(111)
Income taxes paid		(38)		(214)
Other cash items		15		(29)
Change in non-cash operating working capital (note 30)		173		(226)
Net cash flows from operating activities		1,144		822
Cash flows used in investing activities:				
Purchase of property, plant and equipment and other assets, net[1]		(1,070)		(723)
Business acquisition, net of acquired cash (note 5)		(908)		(134)
Acquisition of equity-accounted investment (note 5)		(316)		–
Divestiture (note 4)		333		–
Government grant received		50		50
Other cash flows from investing activities		(5)		–
Net cash flows used in investing activities		(1,916)		(807)
Cash flows from financing activities:				
Proceeds from issue of loans and borrowings (note 25)		1,050		1,200
Net proceeds from issuance of subscription receipts[2] (note 24)		–		399
Repayment of loans and borrowings		(781)		(145)
Issue costs on loans and borrowings		(9)		(6)
Repayment of lease liabilities		(7)		(6)
Issue of share capital (note 29)		460		–
Share issue costs		(27)		–
Proceeds from exercise of share options		26		8
Redemption of preferred shares (note 29)		(150)		–
Dividends paid (note 29)		(280)		(290)
Capitalized interest paid		(56)		(41)
Distributions to non-controlling interests		(3)		(3)
Other cash items		(8)		–
Income taxes paid on preferred share dividends		(13)		(13)
Net cash flows from financing activities		202		1,103
Foreign exchange gain (loss) on cash held in a foreign currency		17		(2)
Cash derecognized on loss of control of subsidiaries (note 4)		(5)		–
Net (decrease) increase in cash and cash equivalents		(558)		1,116
Cash and cash equivalents, beginning of year		1,423		307
Cash and cash equivalents, end of year	$	865	$	1,423

1 Reflects total additions for the year ended December 31, 2024, reduced by $124 million for changes in non-cash investing working capital and other non-current assets (2023 – increased by $99 million), to arrive at cash additions of property, plant and equipment and other assets.

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

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

1. Reporting entity:

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

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

2. Material accounting policies:

(a) Basis of presentation:

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

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 25, 2025.

(b) Basis of consolidation:

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

The Company has a 100% interest in each of Capital Power L.P. (CPLP), Capital Power L.P. Holdings Inc., and Capital Power (US Holdings) Inc. (2023 – 100%), which are all controlled by Capital Power and are therefore treated as subsidiaries of the Company.

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

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

(c) Accounting changes:

Current accounting changes:

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, 2024. 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.

The Company also adopted the following accounting amendments that were effective for our interim and annual consolidated financial statements commencing January 1, 2024. The adoption of these standards have not had a material impact on our financial results.

- Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Noncurrent, clarifying the classification requirements in the standard for liabilities as current or non-current.
- Amendments to IFRS 16 – Leases – Lease Liability in a Sale and Leaseback, clarifying subsequent measurement requirements for sale and leaseback transactions for seller-lessees.
- Amendments to IAS 1 – Presentation of Financial Statements – Non-current Liabilities with Covenants, refining the 2020 amendments to IAS 1 to further clarify the classification, presentation, and disclosure requirements in the standard for non-current liabilities with covenants.
- Amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Disclosures – Supplier Finance Arrangements, adding disclosure requirements that require entities to provide qualitative and quantitative information about supplier finance arrangements. The Company participates in a supplier finance arrangement related to expenditures on Halkirk 2 Wind (note 27).

2. Material accounting policies, continued:

(c) Accounting changes, continued:

Future accounting changes:

CSDS 1 – General Requirements for Disclosure of Sustainability-related Financial Information and CSDS 2 – Climate-related Disclosures

In December 2024, the Canadian Sustainability Standards Board (CSSB) released its first two finalized Canadian Sustainability Disclosure Standards (CSDS) in an effort to support companies in identifying and reporting sustainability information that investors need for informed decision-making. The CSSB Standards will be effective for annual reporting periods beginning on or after January 1, 2025, on a voluntary basis in Canada. Climate-related disclosures will remain voluntary until incorporated into Canadian Securities Administrators ruling and become mandatory under securities legislation in Canada. Until such time, Capital Power will continue to prioritize voluntary climate-related disclosures on the recommendations of the Task Force on Climate-related Financial Disclosures framework.

The IASB has issued the following new standard and amendments to existing standards, which will take effect in future years:

- Amendments to the Classification and Measurement of Financial Instruments (Amendment to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures re: Power Purchase Agreements)

  In December, 2024, the International Accounting Standards Board (IASB) issued targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The targeted amendments aim to help companies better report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements. The amendments include clarifying the application of the 'own-use' requirements; permitting hedge accounting if these contracts are used as hedging instruments; and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments are effective for annual reporting periods beginning or after January 1, 2026 with early application permitted.

- IFRS 18 – Presentation and Disclosure in the Financial Statements

  In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure in the Financial Statements 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. IFRS 18 will replace IAS 1 – Presentation of Financial Statements and 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 the amendments to IFRS 9 and IFRS 7 and IFRS 18 on the Company's consolidated financial statements.

(d) Business combinations and goodwill:

Business combinations

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

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

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

(e) Investments in joint arrangements:

Investments in joint operations

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

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

2. Material accounting policies, continued:

(e) Investments in joint arrangements, continued:

Investment in joint ventures

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

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

(f) Foreign currency translation:

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

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

(g) Government grants:

The Company's government grants include:

- compensation to be received from the Province of Alberta (the Province) through 2030 related to the phase-out of coal-fired generation (see note 18),
- government assistance for certain U.S. income tax benefits received under tax-equity structures with participating investors, and
- government contribution and credits for eligible projects (including Clean Technology Investment Tax Credits (ITC) for Halkirk 2 Wind, and Battery Energy Storage Systems (BESS) projects in Ontario (see note 18).

The Company accounts for government grants using the income approach and recognizes them initially at fair value, and subsequently at amortized cost using the effective interest method. Such grants are recorded as a receivable (except as noted below) and deferred revenue when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the respective grant. Interest income is accrued on the government grants receivable, within net finance expense, until the final payments are received. The associated deferred revenue is recognized as other income on a straight-line basis over the depreciable life of the respective assets or over the period which the related expenses are incurred, as applicable on a grant-by-grant basis.

For government assistance related to U.S. income tax benefits received under tax-equity structures, tax benefits received are treated and recorded within loans and borrowings, refer to note 2(j).

(h) Revenue recognition:

The Company's revenues from contracts with customers are disaggregated by major type of revenues and operational groupings by facility category. Major types of revenues include energy revenues and emission credit revenues. When multiple promises exist in a single customer contract, management exercises judgment to identify whether these promises are distinct performance obligations or a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. This determination of performance obligations affects whether the transaction price is recognized over time or at a point in time. Revenues excluded from the scope of IFRS 15 – Revenue from Contracts with Customers are disclosed as revenues from other sources and consist of contracts accounted for under IFRS 16 – Leases (note 2(i)) and IFRS 9 – Financial Instruments as described in the following table. Disaggregated revenues are disclosed in note 39.

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

2. Material accounting policies, continued:

(h) Revenue recognition, continued:

Contracts with customers by operational groupings

Operational grouping	Description
Alberta Commercial	Power sold into energy markets on a merchant or non-contracted basis is included in energy revenues. Renewable Energy Credit (REC) sales from Halkirk 1 Wind are also within the scope of IFRS 15 and are described in the contracts with customers table below. The Company's portfolio optimization activities and associated revenues are excluded from the scope of IFRS 15.
Western Canada Contracted	Power generated from the Western Canada Contracted facilities is sold pursuant to long-term energy supply contracts which are included in energy revenues within the scope of IFRS 15. REC sales from a portion of Whitla 2 Wind are within the scope of IFRS 15 and are described in the contracts with customers table below. The following are excluded from the scope of IFRS 15: ▸ Energy sales from Island Generation are managed under an electricity purchase agreement that is considered a lease and accounted for under IFRS 16. ▸ VPPAs to sell renewable generation and environmental attributes from the renewable facilities are accounted for under IFRS 9.
Ontario Contracted	Power generated from the Ontario Contracted facilities is sold pursuant to long-term energy supply contracts which are included in energy revenues within the scope of IFRS 15.
U.S. Contracted	Power generated from the U.S. Contracted facilities that are managed under power purchase agreements or arrangements (PPAs) and emission credit revenues under fixed price contracts are included in energy revenues and emission credit revenues, respectively, within the scope of IFRS 15. Power generation revenues from U.S. Contracted facilities that are managed under tolling agreements are leases and accounted for under IFRS 16 and excluded from the scope of IFRS 15. Certain U.S. renewable facilities contain revenue swap arrangements that are accounted for under IFRS 9 which are also excluded from the scope of IFRS 15.

Contracts with customers

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

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

At December 31, 2024 and 2023, the Company has not recorded any conditional unbilled receivables (contract assets) and has recorded customer advances and deposits (contract liabilities) related to certain joint operation recoveries within deferred revenue and other liabilities (note 27).

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

2. Material accounting policies, continued:

(h) Revenue recognition, continued:

Derivative instruments

Revenues also include realized and unrealized gains and losses from derivatives used in the risk management of the Company's generation activities related to commodity prices, and from the Company's proprietary trading activities. Realized gains and losses are recognized when the settlement of trading positions occurs and unrealized gains and losses are recognized as revenues based on the related changes in the fair value of the financial instrument at the end of each reporting period (note 2(k)).

Deferred revenue

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

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

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

(i) Leases or arrangements containing a lease:

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

Lessee

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

Lessor

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

(j) Non-derivative financial instruments:

Classification

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

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

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

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

2. Material accounting policies, continued:

(j) Non-derivative financial instruments, continued:

Measurement

Financial assets and liabilities at fair value through profit or loss

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

Financial assets and liabilities at amortized cost

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

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

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

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

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

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

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

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

2. Material accounting policies, continued:

(k) Derivative instruments and hedging activities:

To reduce its exposure to movements in energy commodity prices, interest rates, and foreign currency exchange rates, the Company uses various risk management techniques including the use of derivative instruments. Derivative instruments may include forward contracts, fixed-for-floating swaps, option contracts and VPPAs. Such instruments may be used to establish a fixed price for an energy commodity, an interest-bearing obligation or an obligation denominated in a foreign currency. VPPAs are derivative instruments under which the Company receives the difference between fixed contracted prices per megawatt-hour (MWh) and settled market prices and provides the counterparty with a contracted amount of environmental attributes generated by the renewable facility.

Classification and measurement

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

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

Any contract to buy or sell a non-financial item is not treated as a non-financial derivative if that contract was entered into and continues to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. The Company accounts separately for any embedded derivatives in any hybrid instruments issued or acquired. The Company does not account for foreign currency derivatives embedded in non-financial instrument host contracts when the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment is that currency in which the transaction takes place.

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

Hedge accounting

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

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

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

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

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

2. Material accounting policies, continued:

(k) Derivative instruments and hedging activities, continued:

Hedge accounting, continued

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

(l) Property, plant and equipment

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

Capitalization

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

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

Depreciation

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

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

(m) Intangible assets:

Capitalization

Intangible assets with definite lives are recorded at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Intangible assets with definite lives are generally amortized over the related assets useful lives, as described below. Refer to note 21 for additional discussion on intangible assets.

Amortization

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

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

Contract rights	16 to 30 years
Software	5 to 35 years

2. Material accounting policies, continued:

(m) Intangible assets, continued

Amortization, continued:

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

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

(n) Impairment of assets:

Non-financial assets

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

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

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

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

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

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

Financial assets

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

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

For all other financial assets, expected allowances are recognized as 12-month ECLs unless the credit risk of a financial asset has increased significantly, in which case lifetime ECL measurement applies. The Company has identified no financial instruments for which credit risk has increased significantly since initial recognition nor financial assets that are impaired at December 31, 2024. Credit risk management procedures, including risk mitigation practices, are as described in note 34.

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

2. Material accounting policies, continued:

(o) Income taxes:

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

Current income taxes

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

Deferred income taxes

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

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

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

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

(p) Inventories:

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

(q) Cash and cash equivalents:

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

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

2. Material accounting policies, continued:

(r) Provisions:

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

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

(s) Share-based payments:

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

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

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

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

(t) Earnings per share:

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

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

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

3. Use of judgments and estimates:

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

Critical judgments in applying accounting policies

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

Non-financial assets

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

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

Determining whether an arrangement contains a lease

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

As noted in note 2(i), the Company has exercised judgment in determining whether the control of its generation assets which are subject to a PPA are transferred to the contracted purchaser under the PPA, in determining whether a lease exists. Details of those PPAs are provided in note 20.

Classification of joint arrangements structured through a separate vehicle

The Company has exercised judgment in determining the classification of joint arrangements structured through separate vehicles as described in note 36.

Assessment of Control

The assessment of control over the Company's interests in partially owned subsidiaries is based on a review of the facts and circumstances, including key terms of the relevant agreements, and requires significant management judgment. The equity method of accounting is being applied to Capital Power's 51% ownership interest in Capital Power's Port Dover and Nanticoke Wind and Quality Wind facilities resulting from the December 20, 2024 divestiture to Axium Infrastructure (Axium), described in note 4. The equity method has been applied based on Management's assessment of the contractual rights which indicate that the new partnerships are jointly controlled by the Company and Axium.

Operating segments

As noted in note 39, the Company operates in one reportable business segment. The Company has aggregated its operating segments into one reportable business segment as its operating segments have similar products, production processes, types of customers, product distribution methods, regulatory environments and economic characteristics. Each operating segment is involved with the generation and sale of electricity, which includes the process of turning various fuel sources into electricity and managing the revenues and costs of such electricity, including engaging in trading activities. The Company's customers tend to be large industrial and commercial customers, independent system operators and government owned or sponsored entities. Given the similar size and credit profiles of these counterparties, they are deemed to be similar types of customers. The method of distributing electricity is the same across all facilities, and none of the Company's entities are rate-regulated.

Key sources of estimation uncertainty

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

Measurement of fair values

Several of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value represents the Company's estimate of the price that could be agreed on between knowledgeable and willing parties in an orderly arm's length transaction under no compulsion to act. Fair value measurements recognized in the consolidated statements of financial position, as well as those included within note disclosures, are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs. Precedence is given to those fair value measurements calculated using observable inputs over those using unobservable inputs.

3. Use of judgments and estimates, continued:

Key sources of estimation uncertainty, continued

Measurement of fair values, continued

The determination of fair value requires judgment and is based on market information where available and appropriate. The following levels were established for each input:

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

The fair value measurement of an asset or liability is included in only one of the three levels, the determination of which is based upon the lowest level input that is significant to the derivation of the fair value. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment which will affect the placement within the fair value hierarchy levels.

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

- Note 5 – Business acquisitions;
- Notes 16 and 33 – Financial instruments;
- Note 22 – Property, plant and equipment; and
- Note 28 – Provisions

Depreciation and amortization

Depreciation and amortization allocate the cost of assets and their components over their estimated useful lives on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of the life characteristics of common assets. During 2024 and 2023, management assessed the major components of existing and acquired property, plant and equipment in the respective years (see note 5) and estimated the useful lives of the respective components consistent with the Company's estimated useful lives for existing major components of similar generation facilities and equipment.

Income taxes

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary tax differences. Deferred income tax assets are assessed to determine the likelihood that they will be realized from future taxable income. Details of tax losses expected to be utilized and the basis of utilization are provided in note 19.

4. Divestiture:

On December 20, 2024, Axium, through one of its managed funds, acquired a 49% interest in Capital Power's Port Dover and Nanticoke Wind and Quality Wind facilities. Total pre-tax cash proceeds to Capital Power from the transaction were $333 million, inclusive of working capital. At December 31, 2024, transaction fees of $7 million have been recorded within trade and other payables.

Axium and Capital Power formed two new partnerships which reflect their respective 49% and 51% ownership interests. While Capital Power continues to manage and operate the two wind facilities on behalf of the newly formed partnerships pursuant to long-term asset management agreements, Capital Power jointly controls the assets with Axium under the new partnership. Accordingly, the December 20, 2024 transaction resulted in a loss of control of the Port Dover and Nanticoke Wind and Quality Wind facilities subsidiary companies whereby Capital Power no longer fully consolidates the wind facilities and uses the equity method in its financial statements (see note 36).

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

4. Divestiture, continued:

For the year ended December 31, 2024, a total gain of $309 million was recorded on this transaction in the consolidated statement of income. This gain includes $151 million related to the 49% interest sold to Axium and $158 million upon remeasurement of Capital Power's remaining 51% interest to its fair value when control was lost. Total assets and liabilities with a carrying amount of $355 million were derecognized, and no amounts were recognized to other comprehensive income.

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 megawatt (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 which was recorded as part of the equity-accounted investment balance on the 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 include significant estimates associated with 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 includes estimates of replacement cost and reflects adjustments for physical deterioration as well as functional and economic obsolescence. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by power purchase arrangements acquired, by excluding any cash flows related to contributory assets.

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

The final 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	26
Inventories	6
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

(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 results of operations of La Paloma are included in the Company's consolidated statements of income and statements of changes in equity from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the consolidated statements of financial position. Since the acquisition date, the consolidated statements of income reflect $283 million of revenues and $113 million of net income related to La Paloma for the year ended December 31, 2024.

Had the acquisition occurred at January 1, 2024, the combined entity of the Company and the La Paloma facility would have had a total of $3,706 million of revenues and $412 million of net income for the year ended December 31, 2024. In conjunction with the acquisition of La Paloma, for the year ended December 31, 2024, the Company incurred $10 million (US$7 million) in acquisition costs which have been recorded on the Company's consolidated statements of income as other administrative expenses.

Acquisition of Frederickson 1 Generating Station

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

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

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

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

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

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

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

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

6. Losses on disposals and other transactions:

Year ended December 31	2024	2023
Net losses related to decommissioning of facilities	**$ (11)**	$ (1)
Termination fee[1]	**(18)**	–
Other	**(2)**	(2)
Total losses on disposals and other transactions	**$ (31)**	$ (3)

1 Termination fee of $18 million related to the discontinuation of the Genesee carbon capture and storage project related to termination of sequestration hub evaluation work.

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

7. Other income:

Year ended December 31		2024		2023
Contributions and grants	$	6	$	6
Government compensation (note 18)		–		126
Production tax credits		76		71
Other		17		11
Other income	$	99	$	214

8. Expenses:

Year ended December 31		2024		2023
Included in staff costs and employee benefits expense				
Share-based payments (note 32)	$	41	$	12
Post-employment defined contribution plan expense		8		8
Post-employment defined benefit plan expense		2		3
		51		23
Included in depreciation and amortization				
Depreciation of property, plant and equipment (note 22)		400		489
Amortization of intangible assets (note 21)		93		74
Depreciation of right-of-use assets (note 20)		10		10
Depreciation of other assets		–		1
	$	503	$	574

9. Impairment:

In the third quarter of 2024, management made the strategic decision to redirect resources from the Company's C2CNT equity-accounted investment (note 36) 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.

10. Net finance expense:

Year ended December 31		2024		2023
Interest expense				
Interest on loans and borrowings	$	270	$	195
Capitalized interest		(56)		(41)
Total interest expense		214		154
Other finance expense				
Accretion on decommissioning provisions (note 28)		12		11
Interest on lease liabilities		9		9
Accretion on deferred government grant revenue		–		9
Interest on long-term government grants receivable		(9)		(11)
Other		(5)		(6)
Net finance expense	$	221	$	166

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

11. Income tax expense:

Year ended December 31	2024	2023
Current income tax		
Current income tax expense	$ 36	$ 156
Adjustments for prior periods	(5)	(1)
Total current income tax expense	31	155
Deferred income tax		
Origination and reversal of temporary differences	176	57
Recognition of previously unrecognized tax benefits	(9)	(8)
Total deferred income tax recovery	167	49
Income tax expense	$ 198	$ 204

Reconciliation of effective income tax rate

Year ended December 31	2024	2023
Income before tax	$ 899	$ 941
Income tax at the statutory rate of 23%	207	216
Increase (decrease) resulting from:		
Amounts attributable to non controlling interests, equity-accounted investments and tax-equity interests	(12)	(9)
Change in unrecognized tax benefits	(9)	(8)
Non-taxable amounts	(5)	–
Statutory and other rate differences	20	5
Other	(3)	–
Income tax expense	$ 198	$ 204

Global minimum top-up tax

The Pillar Two legislation requires the ultimate parent entity of a group to pay top-up tax, on a jurisdiction-by-jurisdiction basis, on profits of its subsidiaries that are taxed below 15%. The Company has assessed its potential exposure based on the most recent available information and determined that the transitional safe harbour provided for in the new Pillar Two model rules applies in the jurisdictions where it operates. As a result, there is no Pillar Two current tax impact for the year ended December 31, 2024. While there may be risk that the impact of the global minimum tax could eventually result in an increase to the Company's overall effective tax rate, the global minimum top-up tax is not currently anticipated to have a significant impact on the financial position of the Company.

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

12. 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:

Year ended December 31	2024	2023
Income for the period attributable to shareholders	$ 699	$ 744
Preferred share dividends[1]	(34)	(34)
Earnings available to common shareholders	$ 665	$ 710
Weighted average number of common shares	128,902,973	117,057,180
Basic earnings per share	$ 5.16	$ 6.07
Weighted average number of common shares	128,902,973	117,057,180
Effect of dilutive share purchase options	322,450	399,814
Diluted weighted average number of common shares	129,225,423	117,456,994
Diluted earnings per share	$ 5.15	$ 6.04

1 Includes preferred share dividends declared and related taxes.

13. Cash and cash equivalents:

At December 31	2024	2023
Cash on deposit	$ 792	$ 1,415
Cash equivalents	73	8
	$ 865	$ 1,423

Included in the Company's cash and cash equivalents:

- The Company's proportionate share of its rights to cash and cash equivalents, which are restricted to use within its joint operations and tax-equity structures of $14 million (2023 – $17 million). At December 31, 2023, this includes $400 million in subscription receipts, net of issue costs of $8 million (note 24).
- As part of its collateral requirements, one of the Company's exchange counterparties updates its bank margin accounts daily, by recording fair value changes on unsettled derivative financial instruments outstanding with the Company. At December 31, 2024, cash and cash equivalents include $69 million (2023 – negative $10 million within trade and other payables) related to margin posted with exchange counterparties as a result of the Company's commodity trading activity.

14. Trade and other receivables:

At December 31	2024	2023
Accrued revenues	$ 292	$ 281
Trade receivables	109	281
Net trade receivables	401	562
Government grants receivable (note 18)	58	58
Income taxes recoverable	97	78
Prepayments	36	40
Finance lease receivable (note 17)	12	9
	$ 604	$ 747

Details of the aging of trade receivables and analysis of the movement on the allowance for doubtful accounts are provided in note 34.

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

15. Inventories:

At December 31		2024		2023
Parts and other consumables	$	117	$	106
Emission credits		114		180
Fuel		4		23
	$	235	$	309

Inventories expensed upon usage for the year ended December 31, 2024 of $35 million (2023 – $116 million) were charged to energy purchases and fuel, and other raw materials and operating charges. Emission credits held for trading are carried at fair value as estimated by quoted market prices available as of the valuation date. Details of the valuation techniques used in determining the fair values are described in note 16.

There were inventory write-downs of $1 million recognized in the year ended December 31, 2024 related to the end of Genesee's coal operations (2023 – $1 million). There were no reversals of previous write-downs recognized and no inventories pledged as security for liabilities in the year ended December 31, 2024 (2023 – nil).

16. Derivative financial instruments and hedge accounting:

Derivative instruments assets and liabilities are primarily used for risk management purposes as described in note 34 and consist of the following:

	December 31, 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	$ 28	$ 208	$ 2	$ –	$ 6	$ 244
Non-current	17	393	2	–	–	412
Derivative instruments liabilities:						
Current	(2)	(138)	(7)	–	–	(147)
Non-current	(2)	(483)	(9)	–	–	(494)
Net fair value	$ 41	$ (20)	$ (12)	$ –	$ 6	$ 15
Net notional buys (sells) (millions):						
Megawatt hours of electricity	(3)	(49)				
Gigajoules of natural gas purchased[1]		197				
Gigajoules of natural gas basis swaps[1]		63				
Metric tonnes of emission allowances		10				
Number of renewable energy credits		(11)				
Interest rate swaps			$ 800	$ 94		
Forward currency buys (U.S. dollars)					$ 84	
Range of remaining contract terms in years	0.1 to 4.0	0.1 to 22.0	0.1 to 2.1	0.2 to 1.0	0.1 to 0.6	

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.

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

16. 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, when possible, using exchange or over-the-counter price quotations by reference to quoted bid, ask or closing market prices dependent on which is most representative of fair value in the circumstances, in the principal market for that instrument. The extent to which fair values of derivative instruments are based on observable market data is determined by the extent to which the market for the underlying commodity is judged to be active. When traded markets are not considered to be sufficiently active or do not exist, the Company uses appropriate valuation and price modeling techniques commonly used by market participants to estimate fair value. The Company may also rely on price forecasts prepared by third party market experts to estimate fair value when there are limited observable prices available. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. Fair value amounts reflect management's best estimates and maximize, when available, the use of external readily observable market data including future prices, interest rate yield curves, foreign exchange rates, quoted Canadian dollar swap rates, counterparty credit risk, the Company's own credit risk and volatility. When a valuation technique utilizes unobservable market data, no inception gains or losses are recognized, until inputs become observable. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material. At December 31, 2024 and 2023, the Company classified financial instruments under Level 2 and Level 3 of the fair value hierarchy described in note 3.

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

16. Derivative financial instruments and hedge accounting, continued:

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

	2024		2023	
	Unrealized gains (losses)	Realized gains (losses)	Unrealized gain (losses)	Realized (losses) gains
Energy cash flow hedges	$ 38	$ 19	$ 464	$ (223)
Energy and emission allowances non-hedges	263	165	308	(78)
Interest rate cash flow hedges	(10)	14	(16)	14
Interest rate non-hedges	–	–	(14)	20
Foreign exchange cash flow hedges	35	–	(29)	–
Foreign exchange non-hedges	–	(5)	–	–

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

	2024	2023
Revenues	$ 826	$ 279
Energy purchases and fuel	(379)	(272)
Foreign exchange loss	(5)	–
Net finance expense	14	20

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices, interest rate risk relating to future borrowings and foreign exchange risk relating to future capital investment in U.S. dollars. For the year ended December 31, 2024, the amount realized within net finance expense pertaining to the ineffective portion of hedging derivatives was nil (2023 – nil).

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

At December 31	2024
Within one year	$ 42
Between one and five years	57
After five years	17
	$ 116

17. Finance lease receivable:

Finance income of $10 million was recognized in revenues for the year ended December 31, 2024 (2023 – $12 million).

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

	December 31, 2024	December 31, 2023
Amounts receivable under finance lease:		
Less than one year	$ 17	$ 18
Between one and five years	14	32
Total undiscounted lease receivable	31	50
Unearned finance income	(6)	(16)
Net investment in lease	25	34
Less: current portion[1]	(12)	(9)
	$ 13	$ 25

1 Included within trade and other receivables.

18. Government grants receivable:

Clean Technology investment tax credits

Bill C-59, which includes Clean Technology ITCs, 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 BESS and Goreway BESS projects. As a result, the Company accrued $151 million for the year ended December 31, 2024, to government grants receivable and non-current deferred revenue and other liabilities in the consolidated statements of financial position, based on eligible spending-to-date for these projects.

To be eligible for the enhanced ITC rate the legislation requires that a 10% ratio of apprentices be utilized on the project site for Red Seal trades and that a prevailing wage be paid to all covered workers, or in the case of contracted workers that reasonable efforts are taken to ensure those workers are paid a prevailing wage. The Company is working closely with all relevant project contractors and taking all reasonable efforts to ensure these requirements are met.

Off-coal compensation

In 2016, the Company reached an agreement with the Government of Alberta (GoA) related to the 2030 phase-out of coal-fired generation. As compensation for the capital that the Company invested in coal generating assets that would be stranded effective December 31, 2030, the Company was to receive cash payments from the Province of $52 million annually for 14 years, commencing July 31, 2017, for a total of $734 million. This future compensation stream was recognized as a government grant, recorded within deferred revenue and other liabilities and recognized into net income over the useful lives of the related coal-fired generation assets. This deferred revenue and other liabilities balance was fully amortized at December 31, 2023. Additionally, the compensation to be received has been recognized as a government grant receivable which is drawn down as cash payments are received.

The GoA conducted an audit on the calculation of net book values driving the compensation payments and has withheld approximately $2.7 million from each of the payments from 2017 through 2024. The Company is disputing the withholding but has reduced the amounts recorded related to the compensation stream to reflect the uncertainty around the withheld portion of the payments (reduction of $1.5 million to the government compensation amount recorded in other income for each of the corresponding years from 2017 through 2024). The respective deferred revenue and government grant receivable amounts were likewise adjusted to reflect total payments over the 14-year term of $712 million.

The main conditions on the government grant include the Company agreeing to cease coal-fired emissions on or before December 31, 2030 and the Company continuing to participate in and make a minimum annual investment of $1 million in the Alberta electricity market, with a minimum total investment in the Alberta electricity market of $70 million by the end of 2030. The Company well exceeded the total required investment in Alberta and continues to invest with the repowering of Genesee 1 and 2 and other renewable projects under construction (see note 37(a)). Additional conditions include the Company supporting the local communities surrounding the coal facilities through 2030, and fulfilling its pension and other commitments to employees.

The Company has achieved its off-coal milestone with the commercial operations of the Genesee Repowering project in 2024, ahead of the required 2030 phase-out.

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

19. Deferred tax:

Movement of deferred tax balances

	At January 1, 2024	Recognized in net income	Currency translation adjustment	Recognized directly in other comprehensive income	Amounts relating to acquisition	Recognized directly in equity	At December 31, 2024	Deferred tax assets	Deferred tax liabilities
Losses carried forward	$ 57	$ (48)	$ 2	$ –	$ –	$ –	$ 11	$ 11	$ –
Property, plant and equipment	(755)	(197)	(20)	–	(5)	–	(977)	–	(977)
Intangible assets	(43)	14	2	–	(8)	–	(35)	21	(56)
Deferred partnership (income) losses	(58)	108	–	–	–	–	50	50	–
Derivative financial instruments	52	(51)	4	(7)	–	–	(2)	176	(178)
Share issue costs and deferred financing charges	1	–	–	–	–	6	7	7	–
Equity-accounted investments	8	(58)	1	(2)	–	–	(51)	7	(58)
Deferred revenue and other liabilities	37	48	2	–	–	–	87	87	–
Right-of-use assets	(26)	1	(1)	–	2	–	(24)	–	(24)
Finance lease receivable	(8)	2	–	–	–	–	(6)	–	(6)
Government grants receivable	(77)	10	–	–	–	–	(67)	–	(67)
Decommissioning provisions	78	(4)	1	–	10	–	85	85	–
Goodwill	13	(1)	1	–	–	–	13	13	–
Prepaid reclamation amounts	(11)	3	–	–	–	–	(8)	–	(8)
Other provisions	18	4	–	–	–	–	22	22	–
Other assets[1]	13	(6)	–	–	–	–	7	10	(3)
Other liabilities[2]	3	9	–	–	–	–	12	15	(3)
Lease liabilities	37	(1)	2	–	1	–	39	39	–
Deferred tax (liabilities) assets	$ (661)	$ (167)	$ (6)	$ (9)	$ –	$ 6	$ (837)	$ 543	$ (1,380)
Set-off of tax							–	(517)	517
Net deferred tax (liabilities) assets							$ (837)	$ 26	$ (863)

1 Includes inventories, trade and other receivables, and other assets.
2 Includes trade and other payables and loans and borrowings.

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

19. Deferred tax, continued:

Movement of deferred tax balances, continued

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

3 Includes inventories, trade and other receivables, and other assets.
4 Includes trade and other payables and loans and borrowings.

Unrecognized deferred tax assets

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

At December 31	**2024**	2023
Non-capital losses	**$ –**	$ 17
Deductible temporary differences with no expiry	**–**	69
	$ –	$ 86

Tax losses carried forward

	2024		2023	
	Tax losses	**Expiry dates**	Tax losses	Expiry dates
Unrecognized tax losses carried forward	**$ –**	**not applicable**	$ 17	2032-2033

At December 31, 2024, the Company has non-capital losses carried forward of $48 million (2023 – $270 million), of which $41 million (US$28 million) (2023 – $264 million (US$200 million)) relates to U.S. subsidiaries. The Company determined that it is probable that there is sufficient future taxable income that would be available to utilize the recognized non-capital losses carried forward.

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

20. Leases:

Lessee – right-of-use assets

	Land	Offices	Equipment	Total
At January 1, 2023	$ 83	$ 18	$ 26	$ 127
Additions	2	3	–	5
Other adjustments	(1)	(1)	–	(2)
Depreciation	(4)	(3)	(3)	(10)
Foreign currency translation adjustments	(1)	–	(1)	(2)
At December 31, 2023	$ 79	$ 17	$ 22	$ 118
Additions	**5**	**6**	**–**	**11**
Depreciation	**(4)**	**(3)**	**(3)**	**(10)**
Divestiture (note 4)	**(6)**	**–**	**–**	**(6)**
Foreign currency translation adjustments	**4**	**1**	**–**	**5**
At December 31, 2024	**$ 78**	**$ 21**	**$ 19**	**$ 118**

Lessee – lease liabilities

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

At December 31,	**2024**	2023
Income from rental and sub-leasing	**$ 1**	$ 1
Interest on lease liabilities	**(9)**	(9)
Variable lease payments not included in the measurement of lease liabilities	**(6)**	(5)

At December 31, 2024, expenses related to short-term and low-value leases was nil (2023 – nil).

Lessor – Facilities under operating leases

The Decatur Energy and Arlington Valley power generation facilities are accounted for as assets under operating leases.

At December 31, 2024, the cost of such property, plant and equipment was $1,048 million (December 31, 2023 – $928 million), less accumulated depreciation of $322 million (December 31, 2023 – $244 million).

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

At December 31	**2024**
2025	**$ 119**
2026	**135**
2027	**141**
2028	**141**
2029	**141**
Thereafter	**344**
Total	**$ 1,021**

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

21. Intangible assets and goodwill:

	Intangible work in progress	PPAs	Contract rights	Other rights	Emission credits	Software	Goodwill	Total
Cost								
At January 1, 2023	$ 41	$ 605	$ 87	$ 170	$ 182	$ 55	$ 35	$ 1,175
Additions	73	–	–	–	36	–	–	109
Additions into service	(3)	–	2	(2)	–	3	–	–
Retirements and other disposals	–	(53)	–	1	(58)	–	–	(110)
Acquisition of Fredrickson 1 (note 5)	–	32	–	–	–	–	–	32
Transfers to held for sale emission credits inventories	–	–	–	–	(51)	–	–	(51)
Other	–	(1)	(1)	(2)	–	–	–	(4)
At December 31, 2023	$ 111	$ 583	$ 88	$ 167	$ 109	$ 58	$ 35	$ 1,151
Additions	**17**	**–**	**–**	**–**	**13**	**–**	**–**	**30**
Additions into service	**(118)**	**–**	**–**	**114**	**–**	**4**	**–**	**–**
Retirements and other disposals	**–**	**–**	**–**	**–**	**(176)**	**–**	**–**	**(176)**
Acquisition of La Paloma (note 5)	**–**	**91**	**–**	**–**	**97**	**–**	**–**	**188**
Transfers to held for sale emission credits inventories	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Other	**–**	**14**	**5**	**6**	**4**	**–**	**–**	**29**
At December 31, 2024	**$ 10**	**$ 688**	**$ 93**	**$ 287**	**$ 45**	**$ 62**	**$ 35**	**$ 1,220**
Accumulated amortization								
At January 1, 2023	$ –	$ (264)	$ (27)	$ (32)	$ –	$ (35)	$ –	$ (358)
Amortization (note 8)	–	(61)	(4)	(5)	–	(4)	–	(74)
Retirements and other disposals	–	53	–	–	–	–	–	53
Other	–	2	–	1	–	–	–	3
At December 31, 2023	$ –	$ (270)	$ (31)	$ (36)	$ –	$ (39)	$ –	$ (376)
Amortization (note 8)	**–**	**(76)**	**(4)**	**(8)**	**–**	**(5)**	**–**	**(93)**
Other	**–**	**(5)**	**(1)**	**(1)**	**–**	**–**	**–**	**(7)**
At December 31, 2024	**$ –**	**$ (351)**	**$ (36)**	**$ (45)**	**$ –**	**$ (44)**	**$ –**	**$ (476)**
Net book value								
At January 1, 2023	$ 41	$ 341	$ 60	$ 138	$ 182	$ 20	$ 35	$ 817
At December 31, 2023	$ 111	$ 313	$ 57	$ 131	$ 109	$ 19	$ 35	$ 775
At December 31, 2024	**$ 10**	**$ 337**	**$ 57**	**$ 242**	**$ 45**	**$ 18**	**$ 35**	**$ 744**

Contract rights include acquired management and operations agreements and an agreement whereby the Company sells RECs produced by Halkirk 1 Wind to a third party.

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

Goodwill impairment testing

As part of the Company's annual impairment testing, the East Windsor CGU, which contains all of the Company's goodwill, was tested for impairment and the carrying amount of the East Windsor CGU falls within range of the estimated recoverable amount for both the 2024 and 2023 annual impairment tests. As such, no impairments were required for the East Windsor CGU.

Capitalized borrowing costs

Borrowing costs were not capitalized on intangible assets during the years ended December 31, 2024 and 2023.

Restrictions on assets

There are no charges over the Company's intangible assets.

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

22. Property, plant and equipment:

	Construction work in progress	Land	Plant and equipment	Total
Cost				
At January 1, 2023	$ 719	$ 147	$ 8,007	$ 8,873
Additions	585	–	25	610
Additions into service	(93)	–	93	–
Retirements and other disposals	(2)	–	(17)	(19)
Acquisition of Fredrickson 1 (note 5)	–	–	104	104
Revisions to decommissioning costs (note 28)	–	–	13	13
Other	(1)	–	–	(1)
Foreign currency translation adjustments	(2)	–	(43)	(45)
At December 31, 2023	$ 1,206	$ 147	$ 8,182	$ 9,535
Additions	**1,226**	**2**	**37**	**1,265**
Additions into service	**(1,584)**	**1**	**1,583**	**–**
Retirements and other disposals	**(3)**	**(1)**	**(607)**	**(611)**
Acquisition of La Paloma (note 5)	**11**	**18**	**805**	**834**
Divestiture (note 4)	**(1)**	**(1)**	**(725)**	**(727)**
Revisions to decommissioning costs (note 28)	**–**	**–**	**(25)**	**(25)**
Foreign currency translation adjustments	**8**	**–**	**233**	**241**
At December 31, 2024	**$ 863**	**$ 166**	**$ 9,483**	**$ 10,512**
Accumulated depreciation				
At January 1, 2023	$ –	$ –	$ (2,513)	$ (2,513)
Depreciation (note 8)	–	–	(489)	(489)
Retirements and other disposals	–	–	15	15
Foreign currency translation adjustments	–	–	9	9
At December 31, 2023	$ –	$ –	$ (2,978)	$ (2,978)
Depreciation (note 8)	**–**	**–**	**(400)**	**(400)**
Retirements and other disposals	**–**	**–**	**602**	**602**
Divestiture (note 4)	**–**	**–**	**370**	**370**
Foreign currency translation adjustments	**–**	**–**	**(45)**	**(45)**
At December 31, 2024	**$ –**	**$ –**	**$ (2,451)**	**$ (2,451)**
Net book value				
At January 1, 2023	$ 719	$ 147	$ 5,494	$ 6,360
At December 31, 2023	$ 1,206	$ 147	$ 5,204	$ 6,557
At December 31, 2024	**$ 863**	**$ 166**	**$ 7,032**	**$ 8,061**

Capitalized borrowing costs

Details of borrowing costs capitalized as part of property, plant and equipment are provided in note 10. The average borrowing rate used to capitalize interest during the year was 5.4% (2023 – 5.1%) for projects financed using general borrowings. For the years ended December 31, 2024 and 2023, there were no projects financed using specific borrowings that were included as part of property, plant and equipment.

Restrictions on assets

Details of charges over land, plant and equipment are provided in note 25.

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

23. Trade and other payables:

At December 31	2024	2023
Operating accruals[1,2]	$ 427	$ 420
Trade payables	163	183
Dividends payable	91	72
Accrued interest	70	41
Taxes payable	–	1
	$ 751	$ 717

1 At December 31, 2024, the brokerage margin accounts are in a positive position of $69 million and included within cash and cash equivalents (note 13). At December 31, 2023, includes $10 million related to the liability position of brokerage margin accounts.

2 During the fourth quarter of 2024, the Company completed 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.

In connection with the restructuring, the Company incurred a total cost of $49 million of which $39 million is recorded within operating accruals and $10 million within provisions. The total restructuring costs are expected to be paid within the next six months as the impacted employees will depart the Company by June 2025.

24. Subscription receipt offering:

In relation to the La Paloma and Harquahala acquisitions (note 5), the Company completed a bought deal financing in 2023, of 8,231,000 subscription receipts (the Subscription Receipts), at an issue price of $36.45 per Subscription Receipt (Offering Price), for gross proceeds of $300 million less issue costs of $6 million.

Additionally, the Company issued, 2,745,000 Subscription Receipts at the Offering Price to Alberta Investment Management Corporation (AIMCo) on a private placement basis (Private Placement), for gross proceeds of approximately $100 million less issue costs of $2 million.

While the Subscription Receipts remained outstanding, holders were entitled to receive cash payments (Dividend Equivalent Payments) per Subscription Receipt equal to dividends declared by Capital Power on each Common Share. At December 31, 2023, Dividend Equivalent Payments of $7 million were recorded within net finance expense on the consolidated statements of income.

The La Paloma Acquisition closed on February 9, 2024 and each Subscription Receipt was automatically exchanged in accordance with their terms for one common share of Capital Power. The Harquahala Acquisition closed on February 16, 2024.

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

25. Loans and borrowings:

	Effective interest rate	December 31, 2024	December 31, 2023
Unsecured senior medium-term notes, payable semi-annually			
Issued by CPC, at 4.28% due in 2024	4.37%	$ –	$ 450
Issued by CPC, at 4.99% due in 2026	5.07%	300	300
Issued by CPC, at 5.38% due in 2027	5.49%	400	400
Issued by CPC, at 5.82% due in 2028	5.96%	350	350
Issued by CPC, at 4.42% due in 2030	4.49%	275	275
Issued by CPC, at 4.83% due in 2031	4.92%	600	–
Issued by CPC, at 3.15% due in 2032	3.21%	350	350
Issued by CPC, at 5.97% due in 2034	6.05%	450	450
		2,725	2,575
CPC private placement, payable semi-annually			
Issued by CPC, at 3.85% due in 2026	3.85%	160	160
Issued by CPC, at 4.56% due in 2029	4.64%	210	210
Issued by CPC, at 4.72% due in 2031	4.79%	65	65
Issued by CPC, US$150, at 3.24% due in 2033	3.29%	216	199
Issued by CPC, at 4.96% due in 2034	5.02%	50	50
		701	684
CPLP unsecured senior notes, payable semi-annually			
US$65, at 5.61% due in 2026	5.67%	93	86
		93	86
Subordinated notes, payable semi-annually			
Issued by CPC, at 8.13%, due in 2054	8.21%	450	–
Issued by CPC, at 7.95%, due in 2082	8.08%	350	350
		800	350
CPLP non-recourse financing, payable quarterly			
Goreway Power Station, $564 at floating rates, due in 2027	5.63%	330	372
East Windsor Cogeneration Project, at 6.28%, due in 2029	6.23%	71	82
Macho Springs, US$50 at 6.90%, due in 2031	7.00%	35	38
		436	492
Tax-equity financing, payable quarterly[1]			
Bloom Wind, US$37		53	71
New Frontier Wind, US$29		42	51
Cardinal Point Wind, US$74		107	112
Buckthorn Wind, US$38		55	61
Committed credit facilities			
CPLP US$201, at floating rates, repaid in 2024[2]	6.40%	–	266
		257	561
Total debt payable		5,012	4,748
Less: current portion		157	590
		4,855	4,158
Less: deferred debt issue costs		36	32
		$ 4,819	$ 4,126

1 Effective interest rates on tax-equity financing reflect the internal rates of return on the respective tax-equity investments ranging from 6.50% to 8.95%.

2 At December 31, 2023, CPLP US$201 million, at floating rates, due in 2028 with an effective interest rate of 9.20%.

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

25. Loans and borrowings, continued:

$850 million medium-term notes

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

$350 million medium-term note

On September 15, 2023, the Company closed a public offering of unsecured medium-term notes in the aggregate principal amount of $350 million. The notes have a coupon rate of 5.816% and mature on September 15, 2028.

$350 million 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.

$600 million medium-term notes

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

On June 5, 2024, the Company closed a public offering of fixed-to-fixed rate 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.

Non-recourse financing

East Windsor Cogeneration Project financing represents Series 1 Senior bonds issued by the Company. The debt is secured by a charge against project assets which have a carrying amount of $120 million.

Macho Springs financing represents loans for the project. The debt is secured by a charge against project assets which have a carrying amount of $50 million.

Goreway financing represents the asset level debt assumed on acquisition. The debt is secured by a charge against the assets of the facility which have a carrying amount of $564 million.

Tax-equity financing

Tax-equity financing represents the initial equity investments made by the project investors, on the respective projects, adjusted for earnings, tax benefits and cash distributions paid to date. The maturity dates of these obligations are subject to change and are driven by the dates on which the project investors reach the agreed upon target rates of return on the respective projects.

Committed credit facilities

The Company's sustainability-linked credit facilities (SLCs) are committed to July 2029 and include $1 billion of unsecured credit facilities, comprised of a $700 million syndicated credit facility and an unsecured club credit facility of $300 million. At December 31, 2024, the Company had Canadian loans of nil (2023 – nil), U.S. loans of nil (2023 – $266 million (US$201 million)) and letters of credit of nil (2023 – nil) outstanding under these facilities.

Bilateral unsecured demand credit facilities are available to Capital Power and include $1,421 million for the issuance of letters of credit and a further $25 million in general facilities. The general facilities are undrawn at December 31, 2024 and 2023 while letters of credit of $608 million (2023 – $559 million) have been issued as described in note 38.

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

25. Loans and borrowings, continued:

Committed credit facilities, continued

Under the terms of the unsecured credit facilities, the Company's subsidiaries may obtain advances by way of Canadian or U.S. prime loans, U.S. base rate loans, U.S. SOFR loans and CORRA loans. Amounts drawn by way of prime or base rate loans each bear interest at the prevailing Canadian Prime, U.S. Prime, or U.S. base rate respectively, plus a spread ranging from 0.2% to 1.5%, depending on the Company's credit rating. Amounts drawn by way of U.S. SOFR loans or CORRA loans bear interest at the prevailing SOFR rate or applicable bankers' acceptance rate plus a spread ranging from 1.2% to 2.5%, depending on the Company's credit rating.

Capital Power has surety capacity to accommodate, as part of normal course of operations, the issuance of bonds for certain capital projects and contracts. At December 31, 2024, $99 million of bonds were issued under these facilities (2023 – $77 million).

26. Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2024	2023
Loans and borrowings[1]		
At January 1	$ 4,716	$ 3,726
Changes from financing cash flows:		
Proceeds from issue of loans and borrowings (note 25)	1,050	1,200
Repayments	(781)	(145)
Deferred debt issue costs	(9)	(6)
Total changes from financing cash flows	260	1,049
Effect of changes in foreign exchange rates	51	(14)
Non-cash repayments on tax-equity financing	(76)	(71)
Implicit interest on tax-equity financing	19	23
Other non-cash items	6	3
Total other changes	–	(59)
At December 31	$ 4,976	$ 4,716

1 Includes deferred debt issue costs.

	2024	2023
Lease liabilities[2]		
At January 1	$ 147	$ 153
Changes from financing cash flows:		
Repayments	(7)	(6)
Total changes from financing cash flows	(7)	(6)
Additions	6	5
Additions through business acquisitions (note 5)	5	–
Divestiture (note 4)	(6)	–
Other adjustments	–	(3)
Effects of changes in foreign exchange rates	6	(2)
Total other changes	11	–
At December 31	$ 151	$ 147

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

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

27. Deferred revenue and other liabilities:

At December 31	2024	2023
Deferred payments on capital project costs	$ 290	$ 209
Contract liabilities[1]	33	37
Other deferred revenue and liabilities	213	56
	536	302
Less current portions:		
Contract liabilities[1]	4	5
Deferred payments on capital project costs	48	45
Deferred payments on capital project costs – supplier finance arrangement[2]	130	21
Other deferred revenue and liabilities	31	25
Total current deferred revenue and other liabilities	213	96
	$ 323	$ 206

1 During the year ended December 31, 2024 $3 million (2023 – $13 million) was recognized as revenues in relation to outstanding contract liabilities settled during the year.

2 Relates to the Company's supplier finance arrangement for expenditures on Halkirk 2 Wind under which the Company has agreed to a scheduled payment of their invoices from a finance provider. Under the agreement, the finance provider agrees to pay amounts due to the participating supplier in respect of invoices owed by the Company and the Company repays the finance provider at a later date.

The purpose of this agreement is to facilitate payment processing and provide the supplier with agreed upon payment terms, compared with the related invoice payment due dates. The deferred payments under the arrangement are classified as current at December 31, 2024 and 2023. The Company does not have any supplier finance agreements presented within trade and other payables.

28. Provisions:

	Decommissioning	Employee benefits[1]	Total
At January 1, 2024	$ 324	$ 95	$ 419
Additional liabilities incurred	41	53	94
Liabilities assumed in business acquisition (note 5)	32	–	32
Liabilities settled	(31)	(36)	(67)
Foreign currency translation adjustments	7	–	7
Divestiture (note 4)	(14)	–	(14)
Revisions to decommissioning costs (note 22)	(25)	–	(25)
Accretion (note 10)	12	–	12
At December 31, 2024	$ 346	$ 112	$ 458
Non-current	310	63	373
Current	36	49	85
	$ 346	$ 112	$ 458

1 Included in the employee benefits provision is $54 million pertaining to the share-based payment obligations described in note 32, of which $15 million is vested at December 31, 2024 (2023 – $31 million total share-based payment obligation, $11 million vested).

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

28. Provisions, continued:

Decommissioning provisions

The Company has recorded decommissioning provisions for its power generation facilities and the Genesee coal mine (the Genesee Mine) as it is obliged to remove the facilities at the end of their useful lives and restore the power facilities and mine sites to their original condition. In the fourth quarter of 2023, the Genesee Mine ceased mining. The decommissioning provision for the Genesee Mine was incurred over time as new areas were mined, and a portion of the liability was settled over time as areas were reclaimed prior to final pit reclamation.

At December 31, 2024, the Company's estimate of the undiscounted cash flow required to settle its decommissioning obligations is approximately $717 million (2023 – $616 million), calculated using an inflation rate of 2% (2023 – 2%). The expected timing for settlement of the obligations is between 2025 and 2060, which reflects reclamation of areas of the Genesee Mine and the anticipated useful lives of our power generation facilities.

The payments to settle the obligations are expected to occur between 2026 and 2060 for the power generation facilities. The payments to settle the obligations are expected to occur between 2025 and 2028 for unreclaimed sections of the Genesee Mine that were mined. Discount rates used to calculate the carrying amount of the obligations range from 2.94% to 4.86%. The actual timing and net costs to settle decommissioning obligations may vary from estimates as a result of changes to contractor rates required to perform the decommissioning.

No assets have been legally restricted for settlement of these liabilities.

29. Share capital:

Authorized shares

	Number of shares authorized[1]
Common shares	unlimited
Unlimited preference shares, issuable in series:	
Series 1 and 2	5 million
Series 3 and 4	6 million
Series 5 and 6	8 million
Special limited voting share	one

1 In August, 2024, when Series 1 Notes were exchanged for Series 3 Notes (note 25), the 350,000 Series 2022-A Class A Preferred Shares were cancelled. Capital Power previously issued these Series 2022-A Class A Preferred Shares to Computershare Trust Company of Canada, in connection with the Company's offering of the Series 1 Subordinated Notes in 2022. The Series 2022-A Class A Preferred Shares were held in trust as treasury shares to satisfy Capital Power's obligations under the indenture governing the Series 1 Subordinated Notes. Dividends were not payable on the 2022-A Class A Preferred Shares, nor did any dividends accumulate or accrue prior to cancellation of the Series 2022-A Class A Preferred Shares.

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

29. Share capital, continued:

Issued and fully paid shares

	Common shares			Preference shares		
	Number of shares		Amount	Number of shares		Amount
At January 1, 2023	116,886,649	$	2,895	25,000,000	$	603
Share purchase options exercised (note 32)	314,663		9	–		–
Dividend reinvestment plan[2]	481,309		17	–		–
At December 31, 2023	117,682,621	$	2,921	25,000,000	$	603
Shares issued[3]	**18,796,000**		**860**	**–**		**–**
Share issue costs[3]	**–**		**(35)**	**–**		**–**
Deferred taxes on share issue costs	**–**		**8**	**–**		**–**
Share purchase options exercised (note 32)	**827,930**		**27**	**–**		**–**
Dividend reinvestment plan[2]	**1,672,877**		**67**	**–**		**–**
Preferred share redemption[4]	**–**		**–**	**(6,000,000)**		**(150)**
At December 31, 2024	**138,979,428**	**$**	**3,848**	**19,000,000**	**$**	**453**

2 Effective for the September 30, 2023 dividend, the Company reinstated its dividend re-investment plan for its common shares.

3 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, and in February 2024, upon closing of the La Paloma acquisition, each subscription receipt was 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 AIMCo on a private placement basis, for gross proceeds of $100 million less issue costs of $4 million.

In December 2024, the Company completed a public offering of 7,820,000 common shares at an issue price of $58.80 per common share for total gross proceeds of $460 million less issue costs of $19 million.

4 On June 30, 2024, the Company redeemed all of its 6 million issued and outstanding 5.75% cumulative rate reset preference shares, Series 11.

The Company's shares are subject to a Shareholder Rights Plan (Rights Plan). The objective of the Rights Plan is to ensure, to the extent possible, the fair treatment of all shareholders in connection with any take-over bid for the securities of the Company, and to provide the Board with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize shareholder value. The Rights Plan will continue in force until the end of the annual meeting of shareholders in 2025, at which time the Company expects to extend the Rights Plan for an additional 3 years, subject to Board of Directors and shareholder approval and subject to any changes in applicable securities law requirements.

Cumulative rate reset preference shares

Preferred shares[5]	Dividend per share per annum[6]	Dividend rate reset[7]	Redemption and Conversion option date[8,9]	Right to convert into[9]
Series 1	$0.655	Reset to $0.655 from $0.765 per annum effective December 31, 2020 for the March 31, 2021 dividend payment.	December 31, 2025	Series 2
Series 3	$1.715	Reset to $1.715 from $1.363 per annum effective December 31, 2023 for the March 31, 2024 dividend payment.	December 31, 2028	Series 4
Series 5	$1.658	Reset to $1.658 from $1.125 per annum effective June 30, 2023 for the September 30, 2023 dividend payment.	June 30, 2028	Series 6
Series 11	$1.438	Dividend rate reset will not be applied as Series 11 Shares were redeemed in 2024.	Redeemed on June 30, 2024	No longer applicable

5 Redemption – Series 11 Shares were redeemed on June 30, 2024 and dividend rate reset and conversion options are no longer applicable.

6 Dividend rate per annum – Holders of Series 1, Series 3, Series 5, and Series 11 shares will be entitled to receive fixed cumulative quarterly dividends that yield 2.62%, 6.86%, 6.63%, and 5.75% (effective until Series 11 shares were redeemed on June 30, 2024) respectively, per annum payable on the last business day of March, June, September, and December of each year, as and when declared by the Board of Directors of Capital Power.

7 Dividend rate reset terms – Dividend rates on Series 1, Series 3, and Series 5 shares will be reset every five years following the issuance date or most recent rate reset date at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.17%, 3.23%, and 3.15% respectively, as and when declared by the Board of Directors of Capital Power.

8 Redemption option date and terms – Series 1, Series 3, and Series 5 shares are redeemable by Capital Power, at its option, on the redemption date and every five years thereafter.

9 Conversion option date – Holders of Series 1, Series 3, and Series 5 shares will have the right, at their option, on the conversion date and every five years thereafter, to convert all or any part of their shares into Cumulative Floating Rate Preference Shares Series 2, Series 4, and Series 6, respectively, subject to certain conditions.

Conversion terms – Holders of Series 2, Series 4, and Series 6 shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 2.17%, 3.23%, and 3.15% respectively, as and when declared by the Board of Directors of Capital Power.

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

29. Share capital, continued:

Common and preferred share dividends

The common and preferred share dividends declared and paid by the Company for the years ended December 31, 2024 and 2023 are summarized as follows:

	Dividends declared				Dividends paid			
	2024		2023		2024		2023	
	Per share	Total	Per share	Total	Per share	Total	Per share	Total
Common[10,11]	$ 2.5338	$ 335	$ 2.390	$ 279	$ 2.4969	$ 316	$ 2.355	$ 275
Preference:								
Series 1	0.6553	3	0.6553	3	0.6553	3	0.6553	3
Series 3	1.7151	11	1.3633	8	1.7151	11	1.3633	8
Series 5	1.6577	13	1.4836	13	1.6577	13	1.4836	13
Series 11[12]	0.7188	4	1.4375	8	0.7188	4	1.4375	8

10 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 to $0.6519 per common share effective for the third quarter of 2024.

11 For the year ended December 31, 2024, dividends paid on common shares consist of $249 million (2023 – $258 million) paid in cash and $67 million (2023 – $17 million) paid through the Company's dividend re-investment plan as common shares.

12 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.

In 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.

30. Change in non-cash operating working capital:

Year ended December 31	2024	2023
Trade and other receivables	$ 194	$ 275
Inventories	77	(4)
Trade and other payables	(58)	(470)
Deferred revenue and other liabilities	(5)	(4)
Provisions	(35)	(23)
	$ 173	$ (226)

31. Related party balances and transactions:

Nature of transactions

As described in note 36, the Company is party to a number of joint arrangements, primarily for the construction and operation of power generating facilities. The joint arrangements provide energy to the Company and the Company provides management and operation services to the joint arrangements. Transactions with joint arrangements are eliminated to the extent of the Company's interest in the joint arrangement.

Compensation of key management personnel

Year ended December 31	2024	2023
Short-term employee benefits	$ 8	$ 11
Share-based payments	11	13
	$ 19	$ 24

Key management personnel include certain executive officers of the Company in addition to the directors of the Company.

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

32. Share-based payments:

Share purchase options

Under the Company's long-term incentive plan, the Company provides share purchase options to certain employees to purchase common shares, provided that the number of shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing and that the aggregate number of shares issued by the Company under this plan will not exceed 11,194,506 common shares. Granted options may be exercised within 7 years of the grant date.

The following illustrates share purchase options activity during the years ended December 31, 2024 and 2023:

	2024			2023		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Options outstanding, at January 1	**1,736,821**	**$**	**33.78**	1,710,709	$	30.56
Granted	**384,021**		**37.81**	399,911		42.45
Exercised[1]	**(827,930)**		**29.40**	(314,663)		25.91
Forfeited	**(37,296)**		**39.79**	(55,079)		40.92
Expired	**(35,354)**		**40.36**	(4,057)		42.45
Options outstanding, at December 31	**1,220,262**	**$**	**37.65**	1,736,821	$	33.78
Vested options outstanding, at December 31	**550,958**	**$**	**35.21**	1,062,752	$	29.46

1 The weighted average share price at the date of exercise was $47.19 (2023 – $40.22).

The following assumptions were used in estimating the fair value of the granted share purchase options:

	Share purchase options issued in:			
		2024		2023
Share price at grant date	**$**	**37.81**	$	41.41
Weighted average fair values at grant date	**$**	**3.32**	$	4.38
Expected volatility		**17.40%**		18.40%
Expected option life		**4.5 years**		4.5 years
Expected dividend yield		**6.506%**		5.603%
Risk-free interest rate		**3.12%**		3.36%
Exercise price	**$**	**37.81**	$	41.41
Expiry date		**March 15, 2031**		March 11, 2030

During the year ended December 31, 2024, the Company recorded compensation expense of $1 million related to share purchase options in staff costs and employee benefits expense (year ended December 31, 2023 – $1 million).

The weighted average remaining contractual life of the Company's outstanding share purchase options at December 31, 2024 is 4.55 years (2023 – 3.76 years). The exercise prices of share purchase options outstanding at December 31, 2024 range from $24.47 to $42.45 (2023 – $17.33 to $42.45).

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

32. Share-based payments, continued:

Performance share units

Capital Power grants PSUs to certain employees, which make those employees eligible to receive cash payments based on an equivalent number of common shares at a specified release date for an amount based on the 30-day volume-weighted average price (VWAP) of such number of common shares on the release date. PSUs are fully vested three years from the grant date and vest as service is rendered over that three-year period. Payments are based on the number of units vested including dividend equivalents, with the total number of units adjusted for a factor ranging from 0% to 200% based on two objectives: the Company's share price performance relative to a group of peer organizations, as determined by comparing total shareholder return, weighted at 80%; and, certain Environmental, Social and Governance metrics, weighted at 20%.

	2024	2023
PSUs outstanding, at January 1	**328,926**	439,157
Granted[2]	**125,729**	140,990
Released[3]	**(201,519)**	(271,116)
Dividends reinvested	**21,383**	19,641
Added by Performance Factor	**96,432**	31,427
Forfeited	**(18,520)**	(31,173)
PSUs outstanding, at December 31	**352,431**	328,926

2 The fair value of the PSUs at the grant date was $37.47 (2023 – $42.26).
3 The weighted average share price at the date of release was $37.71 (2023 – $46.30).

During the year ended December 31, 2024, the Company recorded a compensation expense of $21 million (2023 – $6 million) related to the outstanding PSUs in staff costs and employee benefits expense.

Restricted share units

Capital Power grants RSUs to certain employees, which make those employees eligible to receive cash payments based on an equivalent number of common shares, including dividend equivalents, at a specified release date for an amount based on the 30-day VWAP of such number of common shares on the release date. RSUs are fully vested three years from the grant date and vest as service is rendered over that three-year period.

	2024	2023
RSUs outstanding, at January 1	**285,934**	282,928
Granted[4]	**108,484**	125,230
Released[5]	**(98,288)**	(124,289)
Dividends reinvested	**18,385**	14,099
Forfeited	**(21,419)**	(12,034)
RSUs outstanding, at December 31	**293,096**	285,934

4 The fair value of the RSUs at the grant date was $37.47 (2023 – $42.26).
5 The weighted average share price at the date of release was $38.18 (2023 – $46.58).

During the year ended December 31, 2024, the Company recorded a compensation expense of $9 million (2023 – $4 million) related to the outstanding RSUs in staff costs and employee benefits expense.

Deferred share units

The Company has approved a DSU Plan pursuant to which non-employee directors or executives of the Company may receive their annual equity retainer or their Short-Term Incentive award, respectively, in the form of DSUs. Directors are entitled to elect to receive their annual retainer, committee retainer, and/or committee chair retainer in full or partial DSUs. Executives who are not yet in compliance of their share ownership requirements may elect to defer all or a portion of their Short-Term Incentive award in the form of DSUs. Directors and executives will receive additional DSUs in respect of dividends payable on an equivalent number of common shares of the Company on the recognized record date. DSUs vest immediately and may be redeemed for cash no earlier than six months after a director's resignation from the Board of Directors or no earlier than the executive's resignation from the Company and no later than December 15th of the year following their resignation. The payout uses the volume-weighted average closing price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately before the redemption date. During the year ended December 31, 2024, the Company recorded a compensation expense of $10 million (2023 – $1 million) related to the outstanding DSUs in staff costs and employee benefits expense.

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

33. Financial instruments:

Fair values

The Company classifies and measures its cash and cash equivalents, trade and other receivables, subscription receipts and trade and other payables at amortized cost and their fair values are not materially different from their carrying amounts due to their short-term nature.

Details of the Company's derivative instruments are described in note 16.

The classification, carrying amount and fair value of the Company's other financial instruments are summarized as follows:

		December 31, 2024		December 31, 2023	
	Fair value hierarchy level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets[1]					
Government grants receivable (note 18)	Level 2	**$ 438**	**$ 400**	$ 327	$ 295
Financial liabilities[1]					
Loans and borrowings (note 25)	Level 2	**$ 4,976**	**$ 5,244**	$ 4,716	$ 4,690

1 Includes current portion.

Fair value hierarchy

The table below presents the Company's financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position, classified using the fair value hierarchy described in note 3.

	December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial instruments assets	**$ –**	**$ 520**	**$ 136**	**$ 656**
Derivative financial instruments liabilities	**–**	**(349)**	**(292)**	**(641)**

	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 contracts with terms that extend beyond a liquid trading period. As forward market prices are not available for the full period of these contracts, their fair values are derived using forecasts based on internal modelling and as a result, are classified within Level 3 of the hierarchy.

The Company has a fixed price contract to swap the market revenue of its Bloom Wind generation for a fixed annual payment for a 10-year term that expires in 2027. Anticipated generation continues to be forecasted based on internal modelling. Accordingly, this financial instrument is classified as Level 3.

The Company has a 20-year revenue offtake swap agreement for Buckthorn Wind expiring in 2038, where the market price is swapped for a fixed price per unit of actual generation. The notional quantities are not set forth in the contract. In the prior year, observable forward market pricing was only available for the next 12 years, leading the Company to develop a generation forecast for the remainder of the contract and a price forecast for the 2 years for which forward market prices were not available. These were both significant inputs to the determination of fair value, therefore this financial instrument was classified as Level 3. In the current year, forward market pricing is available for the entire duration of the contract, and as such, we no longer use a price forecast. The Level 3 determination is now solely based on the generation forecast.

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

33. Financial instruments, continued:

Fair value hierarchy, continued

Valuation techniques used in determination of fair values within Level 3, continued

The Company has a 10-year VPPA for Whitla Wind, two 15-year fixed-price contracts for Clydesdale Solar, a 15-year VPPA for Halkirk 2 Wind and a 25-year fixed-price contract for Strathmore Solar, expiring in 2032, 2037, 2039 and 2047, respectively, to generate renewable generation and deliver environmental attributes. Observable forward market prices are not available for the full terms of the contracts and notional quantities used to calculate fair value reflect anticipated generation, therefore pricing and generation forecasts have been developed based on internal modelling. Accordingly, these financial instruments are classified as Level 3.

In addition, at December 31, 2024 and December 31, 2023, the Company holds contracts for the sale of RECs for which pricing beyond two years is not readily observable and the contracts are therefore classified in Level 3 of the hierarchy.

The Company has a 2-year commodity swap agreement expiring in 2026, where the hourly market price is swapped for a fixed price per unit of actual electricity load consumed by the counterparty's customers. The notional quantities are not set forth in the contract, and as such the Company has developed a load forecast for the remainder of the contract, making it appropriate to classify the deal as Level 3.

The fair values of the Company's commodity derivatives included within Level 3 are determined by applying a mark-to-forecast model. The table below presents ranges for the Company's Level 3 inputs:

At December 31	**2024**	2023
REC pricing (per certificate) – Solar	**$3 to $201**	$3 to $204
REC pricing (per certificate) – Wind	**$3 to $8**	$3 to $7
Forward power pricing (per MWh) – Solar	**$15 to $113**	$34 to $194
Forward power pricing (per MWh) – Wind	**$15 to $142**	$22 to $136
Average monthly generation (MWh) – Strathmore Solar	**6,554**	6,671
Average monthly generation (MWh) – Clydesdale Solar	**26,088**	11,162
Average monthly generation (MWh) – Whitla Wind	**46,256**	39,123
Average monthly generation (MWh) – Bloom Wind	**60,060**	59,471
Average monthly generation (MWh) – Buckthorn Wind	**16,540**	17,620
Average monthly generation (MWh) – Halkirk 2 Wind	**37,760**	–

Valuation process applied to Level 3

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

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

At December 31	**2024**	2023
REC pricing – Solar	**$ 2**	$ 1
REC pricing – Wind	**4**	3
Forward power pricing – Solar	**4**	19
Forward power pricing – Wind	**59**	71
Generation – Solar	**4**	5
Generation – Wind	**13**	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.

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

33. Financial instruments, continued:

Fair value hierarchy, continued

Continuity of Level 3 balances, continued

The following table summarizes the changes in the fair value of financial instruments classified in Level 3:

		2024		2023
At January 1[2]	**$**	**(297)**	$	(456)
Additions		**27**		–
Unrealized and realized gains included in net income[3]		**137**		40
Settlements[4]		**(15)**		114
Transfers[5]		**1**		(2)
Foreign exchange gains		**(9)**		7
At December 31	**$**	**(156)**	$	(297)
Total unrealized and realized gains for the period included in net income [3]	**$**	**137**	$	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 became readily observable.

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

Financial assets

The fair value of the Company's government grants receivable held at amortized cost is estimated by discounting its expected future cash flows at current market interest rates for comparable instruments with similar terms, plus an estimated credit spread based on the counterparty credit risk at December 31, 2024 and 2023.

Financial liabilities

The fair values of the Company's loans and borrowings are based on determining a current yield for the Company's loans and borrowings at December 31, 2024 and 2023. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada and U.S. Government bonds that have similar maturities to the Company's loans and borrowings. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions.

Offsetting of financial assets and liabilities

The Company's commodity trading transactions are typically transacted on an exchange or under International Swap Dealers Association Master Agreements or similar master agreements. In general, under the Company's trading agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. Such amounts meet the criteria for offsetting and are presented as such on the Company's statements of financial position. In certain circumstances, including when a credit event such as a default occurs, generally all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable by one party to the other in settlement of all transactions. Amounts that may only be offset in these circumstances do not meet the criteria for offsetting on the Company's statements of financial position.

The Company also has an agreement in place with one of its energy trading counterparties that conveys to the counterparty the right to set-off amounts receivable and amounts payable between the Company and the counterparty in certain circumstances, including when a credit event such as a default occurs on the part of the Company. Such amounts do not meet the criteria for offsetting on the Company's statements of financial position. The Company issues and accepts collateral in the form of cash and letters of credit in respect of its commodity trading transactions. Such collateral is generally subject to standard industry terms. The terms generally also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

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

33. Financial instruments, continued:

Offsetting of financial assets and liabilities, continued

Financial assets subject to offsetting, enforceable master netting arrangements or similar arrangements

Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position[6]	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Collateral received[7]	Net amount
At December 31, 2024						
Commodity trading assets	**$ 1,006**	**$ (241)**	**$ 765**	**$ (216)**	**$ (49)**	**$ 500**
At December 31, 2023						
Commodity trading assets	$ 601	$ (109)	$ 492	$ (121)	$ (10)	$ 361

6 The net amounts of commodity trading assets presented in the statement of financial position include current derivative instruments assets of $236 million, non-current derivative instruments assets of $410 million and trade and other receivables of $119 million (December 31, 2023 – current derivative instruments assets of $113 million, non-current derivative instruments assets of $197 million and trade and other receivables of $182 million).

7 Collateral received relating to the net financial assets disclosed above is in the form of letters of credit received from the Company's counterparties.

Financial liabilities subject to offsetting, enforceable master netting arrangements or similar arrangements

Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position[8]	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Collateral pledged	Net amount
At December 31, 2024						
Commodity trading liabilities	**$ 909**	**$ (241)**	**$ 668**	**$ (217)**	**$ (83)**	**$ 368**
At December 31, 2023						
Commodity trading liabilities	$ 704	$ (109)	$ 595	$ (123)	$ (92)	$ 380

8 The net amounts of commodity trading liabilities presented in the statement of financial position include current derivative instruments liabilities of $140 million, non-current derivative instruments liabilities of $485 million and trade and other payables of $43 million (December 31, 2023 – current derivative instruments liabilities of $148 million, non-current derivative instruments liabilities of $410 million and trade and other payables of $37 million).

34. Risk management:

Risk management overview

The Company is exposed to a number of financial risks, arising from business activities and its use of financial instruments, including market risk, credit risk and liquidity risk. The Company's overall risk management process is designed to identify, manage and mitigate business risk which includes, among other risks, financial risk. Risk management is overseen by the Company's Executive Team according to objectives, targets, and policies approved by the Capital Power Board of Directors. The Executive Team is comprised of the most senior management group within the Company.

Risk management strategies, policies, and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and limit the volatility in income and cash flow.

Commodity price risk management and the associated credit risk management are carried out in accordance with the respective commodity, credit, and financial exposures risk management policies, as approved by the Executive Team and the Board of Directors. Financial risk management, including foreign exchange risk, interest rate risk, and liquidity risk, is carried out by a centralized Treasury function, also in accordance with a financial risk management policy approved by the Executive Team and the Board of Directors. Capital Power's Audit Committee of the Board of Directors, in its oversight role, monitors the assessment of financial risk management controls and procedures to ensure compliance with applicable policies.

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

34. Risk management, continued:

Market risk

Market risk is the risk of loss that results from changes in market factors such as commodity prices, foreign currency exchange rates, interest rates and equity prices. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and liabilities held, non-trading physical asset and contract portfolios, and trading portfolios.

To manage the exposure related to changes in market risk, the Company uses various risk management techniques including derivative instruments. Derivative instruments may include forward contracts, fixed-for-floating swaps (or contracts-for-differences), and option contracts. Such derivative instruments may be used to establish a fixed price for an energy commodity, an interest-bearing obligation or an obligation denominated in a foreign currency. Commodity risk exposures are monitored daily against approved risk limits, and control processes are in place to monitor that only authorized activities are undertaken.

The sensitivities provided in each of the following risk discussions disclose the effect of reasonably possible changes in relevant prices and rates on net income at the reporting date. The sensitivities are hypothetical and should not be considered to be predictive of future performance or indicative of income on these contracts. The Company's actual exposure to market risks is constantly changing as the Company's portfolio of debt, foreign currency and commodity contracts changes. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

Commodity price risk

The Company is exposed to commodity price risk as part of its normal business operations, including energy procurement activities in Canada and the U.S. The Company's energy procurement activities consist of power generation, non-market traded and market traded electricity, natural gas and emission credits purchase and sales contracts, and derivative contracts. The Company is primarily exposed to changes in the prices of electricity and natural gas. The Company actively manages commodity price risk by optimizing its asset and contract portfolios utilizing the following methods:

- reducing exposure to the volatility of commodity prices related to electricity sales and natural gas purchases by entering into offsetting contracts such as contracts-for-differences and firm price physical contracts for periods of varying duration,
- entering into fixed-price energy sales contracts and power purchase arrangements which limit the exposure to electricity prices, including entering into long-term tolling arrangements whereby variable changes linked to the price of natural gas are assumed by the counterparty, and
- entering into back-to-back electricity and natural gas physical and financial contracts to lock in a margin.

The Company also engages in taking market risk positions within authorized limits approved by Capital Power's Executive Team and Board of Directors. The trading portfolio includes electricity and natural gas physical and financial derivative contracts which are transacted with the intent of benefiting from short-term actual or expected differences between their buying and selling prices or to lock in arbitrage opportunities.

The fair value of the Company's energy related derivatives are presented below by operational groupings with further details disclosed in note 16.

	December 31, 2024		December 31, 2023	
Operational grouping[1]	**Cash flow hedges**	**Non-hedges**	Cash flow hedges	Non-hedges
Alberta commercial facilities	**$ 41**	**$ 91**	$ 4	$ 31
Western Canada facilities	**–**	**62**	–	(71)
U.S. facilities	**–**	**(179)**	–	(222)
Other	**–**	**6**	–	10
	$ 41	**$ (20)**	$ 4	$ (252)

1 Geographic facility categories are aligned with how management views the business and depict the concentrations of risk associated with derivative financial instruments.

The Company employs a Value-at-Risk (VaR) methodology to manage risk exposures to commodity prices on a consolidated basis. VaR measures the estimated potential loss in a portfolio of positions associated with the movement of commodity prices for a specified period and a given confidence level. Capital Power's VaR for positions expected to settle in 2025, at December 31, 2024, uses a statistical confidence level of 99% over a 10-business-day holding period. This measure reflects a 1% probability that, over the 10-day period commencing with the point in time that the VaR is measured, the fair value of the overall commodity portfolio could decrease by an amount in excess of the VaR amount. The VaR methodology is a statistically-defined, probability-based approach that takes into consideration market price volatilities and risk diversification by recognizing offsetting positions and correlations between products and markets. This technique makes use of historical data and assesses the market risk arising from possible future changes in commodity prices over the holding period.

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

34. Risk management, continued:

Market risk, continued

Commodity price risk, continued

VaR should be interpreted considering the limitations of the methodologies used, including:

- VaR calculated based on a holding period may not fully capture the market risk of positions that cannot be liquidated or hedged within the holding period,
- VaR is computed at the close of business and positions may change substantially during the day, and
- VaR, at a 99% confidence level, does not reflect the extent of potential losses beyond that percentile; losses on the other 1% of occasions could be substantially greater than the estimated VaR.

These limitations and the nature of VaR measurements mean that the Company can neither guarantee that losses will not exceed the VaR nor that losses in excess of the VaR will not occur more frequently than 1% of the time. As VaR is not a perfect predictor of risk, the Company undertakes back testing and periodically calibrates the VaR calculations to a 99% confidence level.

The estimation of VaR considers positions from all wholly-owned subsidiaries and subsidiaries in which the Company has a controlling interest and reflects the Company's aggregate commodity positions from its trading and asset portfolios. Capital Power's Board of Directors has approved the methodology for the ongoing determination of commodity risk limits, under their commodity risk management policy. The Executive Team has access to daily risk reports which provide key measures in relation to applicable limits and quarterly risk reports are reviewed by Capital Power's Audit Committee. The portfolios are stress tested regularly to observe the effects of plausible scenarios considering historical price movements and certain hypothetical extreme events. At December 31, 2024, the VaR of the Company's commodity trading and assets portfolios for 2025 as a result of unfavourable market price changes is $38 million based on a 99% confidence level and a holding period of 10 days.

Foreign exchange risk

The Company is exposed to foreign exchange risk on foreign currency denominated forecasted transactions, firm commitments, and monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign operations. The Company's operations expose it to foreign exchange risk arising from transactions denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the U.S. dollar but it is potentially exposed to changes in other currencies if and when it transacts in other currencies. The risk is that the functional currency value of cash flows will vary as a result of the movements in exchange rates.

The Company's foreign exchange management policy is to limit economic and material transactional exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's exposure to foreign exchange risk arises from future anticipated cash flows from its U.S. operations, debt service obligations on U.S. dollar borrowings, and from certain capital expenditure commitments denominated in U.S. dollars or other foreign currencies. The Company coordinates and manages foreign exchange risk centrally, by identifying opportunities for naturally-occurring opposite movements and then dealing with any material residual foreign exchange risks; these are hereinafter referred to as being economically hedged. The Company may also use derivative instruments to manage foreign exchange risk.

For the Company's facilities that have a U.S. functional currency, foreign exchange movements are largely matched within its U.S. operations and hence foreign exchange exposure is mitigated. The largest exposure the Company had to foreign exchange movements in 2024 was related to the acquisitions of New Harquahala 1 Generating Company and CXA La Paloma and capital costs associated with Halkirk 2 Wind and the BESS projects for York and Goreway. The Company has entered into cash flow hedges, which have settled and will settle during 2024 and 2025 respectively, to mitigate the foreign exchange exposure on those transactions. At December 31, 2024, the Company held foreign exchange derivatives as disclosed in note 16.

At December 31, 2024, holding all other variables constant, a $0.10 strengthening or weakening of the Canadian dollar against the U.S. dollar would have decreased or increased net income attributable to shareholders by $12 million (2023 – decreased or increased by $23 million) and would have decreased or increased other comprehensive income by $1 million (2023 – $1 million). This sensitivity analysis excludes translation risk associated with the translation of subsidiaries that have a different functional currency to the functional currency of the Company and financial instruments denominated in the functional currency in which they are transacted and measured. As a result, the impact to other comprehensive income reflects only the sensitivity relating to the foreign exchange cash flow hedges.

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

34. Risk management, continued:

Market risk, continued

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, and floating rate current and non-current loans and borrowings. The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. The Company uses floating rate funding for current borrowings and other liquidity requirements. At December 31, 2024, the proportion of fixed rate loans and borrowings was approximately 94% of total loans and borrowings outstanding (2023 – 87%). The Company uses derivative instruments to manage interest rate risk. At December 31, 2024, the Company held interest rate derivatives as disclosed in note 16 which effectively fixed the Company's interest rate spread and increased the proportion of fixed rate loans and borrowings to 100% (2023 – 94%) at December 31, 2024.

Assuming that the amount and mix of fixed and floating rate loans and borrowings and net loans and borrowings remains unchanged from that held at December 31, 2024, a 100 basis point decrease or increase to interest rates would increase or decrease full year net income attributable to common shareholders by nil (2023 – $2 million) and would have no direct impact on other comprehensive income.

The effect on net income does not consider the effect of an overall change in economic activity that would accompany such an increase or decrease in interest rates.

Credit risk

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Company. The Company's counterparty credit risk management policy is established by the Executive Team and approved by the Board of Directors. The associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into any agreements or transactions with the counterparty. Credit exposures and concentrations are subsequently monitored and are regularly reported to management on an ongoing basis. Counterparty creditworthiness also continues to be evaluated on an ongoing basis after transactions have been initiated.

Credit risk is managed and mitigated through a number of risk mitigation practices such as securing parent company guarantees to enhance counterparty credit quality, negotiating and obtaining security (such as cash deposits, letters of credit or property) to offset potential losses, and margining to limit credit risk where applicable.

Maximum credit risk exposure

The Company's maximum credit exposure was represented by the following financial assets:

At December 31	2024	2023
Cash and cash equivalents (note 13)	$ 865	$ 1,423
Trade and other receivables (note 14)[2]	604	747
Derivative financial instruments assets (note 16)[2]	656	352
Finance lease receivable (note 17)	13	25
Government grants receivable (note 18)	380	269
	$ 2,518	$ 2,816

2 The Company's maximum credit exposures related to trade and other receivables and derivative financial instruments assets by major credit concentration are comprised of maximum exposures of $859 million (2023 – $551 million) for wholesale counterparties and $401 million (2023 – $548 million) for generation and other counterparties at December 31, 2024.

The Company is not permitted to sell or re-pledge collateral in the absence of default of the collateral providers. At December 31, 2024, the Company also held other forms of credit enhancement in the forms of letters of credit of $168 million (2023 – $44 million) and parental guarantees of $3,693 million (2023 – $3,463 million) related to the financial assets noted above. At December 31, 2024 and 2023, the Company also held parental guarantees which do not have a defined amount or limit, but which provide full support on any outstanding positions related to counterparty performance for power purchase arrangements and certain other operating and construction contracts.

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

34. Risk management, continued:

Credit risk, continued

Credit quality and concentrations

The Company is exposed to credit risk on outstanding trade and other receivables associated with its generation and optimization activities including power purchase arrangements, agreements with independent system operators, power sales contracts, energy supply agreements with government sponsored entities, wholesale customers, and trading counterparties. The Company is also exposed to credit risk related to its cash and cash equivalents (which include short-term investments), financial and non financial derivative instruments assets and long-term financing arrangements.

The credit quality and concentrations of the Company's trade and other receivables and other financial assets, by major credit concentrations are the following:

Cash and cash equivalents

The Company has significant credit and performance exposures to financial institutions as they provide committed credit lines and cash deposit facilities, are the primary counterparty of the Company's interest rate and foreign exchange derivative instruments, and facilitate letters of credit to mitigate the Company's exposure to certain counterparties. The Company manages its credit risk on cash and cash equivalents, and short-term investments by dealing with investment grade rated banks and financial institutions and reviewing each investment vehicle to ensure the underlying credit risk is known.

Generation credit risk

Credit risk exposure from PPAs, agreements with independent system operators, power sales contracts, and certain energy supply agreements is predominantly restricted to trade and other receivables and contract default. In certain cases, the Company relies on a single or small number of customers to purchase all or a significant portion of a facility's output.

The failure of any one of these counterparties to fulfill its contractual obligations could negatively impact the Company's financial results. Financial loss resulting from events of default by counterparties in certain PPAs may not be recovered since the contracts may not be replaceable on similar terms under current market conditions. Consequently, the Company's financial performance depends on the continued performance by customers and suppliers of their obligations under these long-term agreements. Credit risk exposure is mitigated by dealing with creditworthy counterparties that are determined to be investment grade based on the Company's internally assigned ratings or employing mitigation strategies as noted above, netting amounts by legally enforceable set-off rights, and, when appropriate, taking security from the counterparty. Credit risk with counterparties in this asset class that are government-owned or sponsored entities and regulated public utility distributors is generally considered low.

Wholesale and merchant credit risk

Credit risk exposure for wholesale and merchant trading counterparties is measured by calculating the costs (or proceeds) of replacing the commodity position (physical and derivative contracts), adjusting for settlement amounts due to or due from the counterparty and, if permitted, netting amounts by legally enforceable set-off rights. Financial loss on wholesale contracts could include, but is not limited to, the cost of replacing the obligation, amounts owing from the counterparty or any loss incurred on liability settlements. Wholesale and merchant credit risk exposure is mitigated by trading with investment grade and creditworthy counterparties, portfolio diversification, monitoring of credit exposure limits, margining to reduce energy trading risks, obtaining parent company guarantees, and when appropriate, taking security from counterparties.

Trade and other receivables, financial derivative instruments and allowance for doubtful accounts

Trade and other receivables are substantially made up of receivables related to the generation and sale of electricity to customers including industrial and commercial customers, independent system operators from various regions and government-owned or sponsored entities and the settlement of financial derivative instruments related to merchant price risk mitigation and trading activities. Larger commercial and industrial customer contracts and contracts-for-differences provide for performance assurances including letters of credit if deemed appropriate. The Company also has credit exposures to large suppliers of electricity and natural gas.

The Company manages its credit risk on these financial assets through its credit adjudication process, dealing with creditworthy counterparties and utilizing the credit risk mitigation practices noted above including, when appropriate, taking appropriate security from the supplier.

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

34. Risk management, continued:

Credit risk, continued

Trade and other receivables, financial derivative instruments and allowance for doubtful accounts, continued

The aging of trade and other receivables at December 31, 2024 was:

	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
Current[3]	$ 601	$ 2	$ 599
Outstanding 31–90 days	4	–	4
Outstanding greater than 90 days	1	–	1
	$ 606	$ 2	$ 604

3 Current amounts represent trade and other receivables outstanding zero to 30 days. Amounts outstanding more than 30 days are considered past due.

At December 31, 2024, the Company held $5 million (2023 – $13 million) in customer deposits for the purpose of mitigating the credit risk associated with accounts receivable from customers. At December 31, 2024, the Company recorded an allowance of $2 million (2023 – $2 million) for expected credit losses on trade and other receivables associated with energy procurement counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by the Treasury function. The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and also by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements are addressed through a combination of committed and demand revolving credit facilities, financings in public and private debt markets and equity offerings by the Company or its CPLP subsidiary. The Company also ladders its debt maturities to avoid large repayments in a single year.

The Company's recent financings (see note 25) and renewable asset sell-down (see note 4) have reduced liquidity risk. Additionally, the Company also continues to have available committed credit facilities to draw upon as described below.

At December 31, 2024, the Company had undrawn bank credit facilities and operating lines of credit and demand facilities, totaling $1,836 million (2023 – $1,587 million), of which $1,000 million is committed to 2029 (2023 – $734 million committed to 2028).

The Company has a shelf prospectus under which it may raise funds in the form of debt or equity, subject to market conditions. At December 31, 2024, Capital Power has a Canadian short-form base shelf prospectus, which expires in July 2026. Under the short-form base shelf prospectus, Capital Power may issue an unlimited number of common shares, preferred shares, and subscription receipts exchangeable for common shares and/or other securities of the Company and/or debt securities, including up to $3 billion of medium-term notes by way of a prospectus supplement.

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

34. Risk management, continued:

Liquidity risk, continued

The following are the undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments, and where applicable, net of financial assets that generate cash inflows to meet cash outflows on financial liabilities at December 31, 2024:

		Due between					
	Due within 1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	Due after more than 5 years	Total contractual cash flows
Non-derivative financial liabilities:							
Loans and borrowings[4] (note 25)	$ 84	$ 640	$ 495	$ 445	$ 266	$ 2,836	$ 4,766
Interest payments on loans and borrowings	257	242	209	191	162	510	1,571
Trade and other payables[5] (note 23)	681	–	–	–	–	–	681
Lease liabilities (note 20)	27	16	15	15	15	185	273
Derivative financial liabilities (net of financial assets):							
Commodity and other derivatives	41	49	49	40	40	100	319
Total	$ 1,090	$ 947	$ 768	$ 691	$ 483	$ 3,631	$ 7,610

4 Repayments of loans and borrowings exclude fair value differentials of $9 million related to debt assumed on previous asset acquisitions and $237 million related to repayments of tax-equity financing through non-cash tax-equity attributes.

5 Excluding accrued interest on loans and borrowings of $70 million.

35. Capital management:

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, pay regular dividends to its shareholders, maintain a suitable credit rating, and to facilitate the acquisition or development of projects in Canada and the U.S. consistent with the growth strategy of the Company. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of loans and borrowings net of cash and cash equivalents and equity (which includes non-controlling interests).

The following table represents the total capital of the Company:

At December 31	2024	2023
Loans and borrowings (note 25)	$ 4,976	$ 4,716
Subscription receipts[1] (note 24)	–	399
Lease liabilities[2] (note 20)	151	147
Cash and cash equivalents (note 13)	(865)	(1,423)
Net debt	4,262	3,839
Share capital (note 29)	4,301	3,524
Deficit and other reserves	275	(334)
Non-controlling interests	(5)	(4)
Total equity	4,571	3,186
Total capital	$ 8,833	$ 7,025

1 The Company's obligation for converting subscription receipts to common shares of Capital Power that were converted upon the closing of the La Paloma acquisition (note 5) in February 2024.

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

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

35. Capital management, continued:

Capital Power has senior unsecured long-term debt ratings of BBB- (stable outlook) and BBB (low) assigned by Standard & Poor's (S&P) and DBRS Limited (DBRS), respectively. Capital Power has preferred share ratings of P-3 (High) and Pfd-3 (low) assigned by S&P and DBRS, respectively.

Capital Power has the following externally imposed requirements on its capital as a result of its credit facilities and certain debt covenants, as defined in the respective agreements:

- Maintenance of modified consolidated net tangible assets to consolidated net tangible assets ratio, as defined in the debt agreements, of not less than 0.75 to 1.0;
- Maintenance of consolidated senior debt to consolidated capitalization ratio, as defined in the debt agreements, of not more than 0.65 to 1.0;
- Limitation on debt issued by subsidiaries; and
- In the event that Capital Power is assigned a rating of less than BBB- from S&P and BBB (Low) from DBRS (in each case with a stable outlook), Capital Power would also be required to maintain a ratio of consolidated earnings before interest, income taxes, depreciation and amortization to consolidated interest expense, as defined in the debt agreements, of not less than 2.5 to 1.0.

For the years ended December 31, 2024 and 2023, Capital Power complied with all externally imposed capital restrictions.

To manage or adjust its capital structure, the Company can issue new loans and borrowings, issue common or preferred shares, buy back common shares, redeem preferred shares, repay existing loans and borrowings or adjust dividends paid to its shareholders.

36. Interests in joint arrangements and associates:

Joint operations

The Company holds interests in the following joint operations at December 31, 2024:

	Place of business	% of ownership interest
Joffre Cogeneration Project (Joffre)[1]	Canada	40%
Shepard Energy Centre (Shepard)[2]	Canada	50%
Frederickson 1 Generating Station[3]	United States	50.15%

1 Joffre is a 480 MW gas-fired combined cycle cogeneration facility in which Capital Power holds a 40% interest with external parties holding 40% and 20% interests, respectively.
2 Shepard is an 860 MW gas-fired generating facility in which Capital Power holds a 50% interest while the other 50% is held by an external party.
3 Frederickson 1 is a 265 MW natural gas-fired combined-cycle generating facility in which Capital Power holds a 50.15% interest while the other 49.85% is held by an external party.

There are no significant restrictions pertaining to the joint operations described above.

Equity-accounted investments

Joint ventures

The Company holds interests in the following joint ventures at December 31, 2024:

	Place of business	% of ownership interest
York Energy Centre L.P. (York Energy)[4]	Canada	50%
MCV Partners LLC[5]	United States	50%
New Harquahala Generating Company LLC[6]	United States	50%
CP (Quality Wind) Limited Partnership[7]	Canada	51%
Capital Power (PDN) L.P.[7]	Canada	51%

4 York Energy is a 400 MW natural gas-fired power generating facility, located in Ontario, Canada, in which Capital Power holds a 50% interest while the other 50% is held by an external party.
5 Midland Cogeneration Venture LP (Midland Cogen) is a 1,633 MW natural gas combined cycle cogeneration facility located in Michigan, USA. Capital Power holds a 50% interest in MCV Partners LLC and the other 50% is held by an external party. MCV Partners LLC owns 100% of MCV Holding Company LLC which owns 100% of Midland Cogen.
6 Harquahala is a 1,092 MW natural gas-fired combined cycle generation facility, located in Maricopa County, Arizona (note 5). Capital Power holds a 50% ownership interest in the facility, with the other 50% owned by BlackRock. Capital Power operates, maintains, and manages the facility for an annual management fee.
7 Quality Wind Limited Partnership (Quality Wind) is a 142 MW wind generation facility, located in British Columbia and PDN Limited Partnership (PDN Wind) is a 105 MW wind generation facility, located in Ontario. As of December 20, 2024, Capital Power holds 51% interests in these facilities while the other 49% interests are held by Axium (note 4). Practically, Capital Power will manage and operate the wind facilities pursuant to Asset Management Agreements with Quality Wind and PDN Wind. However, based on the terms of the partnership agreements, Capital Power jointly controls Quality Wind and PDN Wind with Axium.

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

36. Interests in joint arrangements and associates, continued:

Equity-accounted investments, continued

Joint ventures, continued

Summarized financial information of the Company's joint ventures:

	York Energy		MCV Partners LLC		Harquahala	PDN Wind	Quality Wind	Total	Total
Statements of Financial Position	**2024**	2023	**2024**	2023	**2024**	**2024**	**2024**	**2024**	2023
Cash and cash equivalents	**$ 41**	$ 10	**$ 86**	$ 74	**$ 24**	**$ 4**	**$ –**	**$ 155**	$ 84
Other current assets	**8**	18	**91**	73	**28**	**4**	**12**	**143**	91
Non-current assets	**217**	212	**1,123**	1,082	**1,002**	**137**	**226**	**2,705**	1,294
Other financial current liabilities	**–**	(14)	**(104)**	(98)	**(9)**	**(1)**	**–**	**(114)**	(112)
Trade and other payables	**(7)**	(3)	**(48)**	(39)	**(21)**	**(2)**	**(5)**	**(83)**	(42)
Financial non-current liabilities	**(312)**	(154)	**(424)**	(480)	**(435)**	**(6)**	**–**	**(1,177)**	(634)
Other non-current liabilities	**(2)**	(2)	**(4)**	(4)	**(25)**	**(5)**	**(9)**	**(45)**	(6)
Net assets	**$ (55)**	$ 67	**$ 720**	$ 608	**$ 564**	**$ 131**	**$ 224**	**$ 1,584**	$ 675

	York Energy		MCV Partners LLC		Harquahala	PDN Wind	Quality Wind	Total	Total
Statements of Income and Comprehensive Income	**2024**	2023	**2024**	2023	**2024**	**2024**	**2024**	**2024**	2023
Revenues	**$ 73**	$ 63	**$ 624**	$ 641	**$ 181**	**$ –**	**$ –**	**$ 878**	$ 704
Energy purchases and fuel	**(11)**	(9)	**(301)**	(315)	**(1)**	**–**	**–**	**(313)**	(324)
Other raw materials and operating charges	**(5)**	(5)	**(35)**	(30)	**(39)**	**–**	**–**	**(79)**	(35)
Staff costs and employee benefits expense	**–**	–	**(15)**	(18)	**–**	**–**	**–**	**(15)**	(18)
Other administrative expense	**(4)**	(3)	**(43)**	(30)	**(25)**	**–**	**–**	**(72)**	(33)
Depreciation and amortization	**(7)**	(7)	**(100)**	(96)	**(46)**	**–**	**–**	**(153)**	(103)
Gains (losses) on disposals and other transactions	**1**	–	**–**	–	**–**	**–**	**–**	**1**	–
Finance expense	**(14)**	(6)	**(29)**	(34)	**(30)**	**–**	**–**	**(73)**	(40)
Net income	**33**	33	**101**	118	**40**	**–**	**–**	**174**	151
Other comprehensive income that will not be reclassified to net income	**–**	–	**(2)**	–	**–**	**–**	**–**	**(2)**	–
Other comprehensive (loss) income that are or may be reclassified to net income	**–**	–	**(1)**	(9)	**6**	**–**	**–**	**5**	(9)
Net income and comprehensive income	**$ 33**	$ 33	**$ 98**	$ 109	**$ 46**	**$ –**	**$ –**	**$ 177**	$ 142

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

36. Interests in joint arrangements and associates, continued:

Equity-accounted investments, continued

Joint ventures, continued

A reconciliation of the Company's recorded equity investment in each joint venture is as follows:

	York Energy		MCV Partners LLC		Harquahala	PDN Wind	Quality Wind	Total	Total
	2024	2023	**2024**	2023	**2024**	**2024**	**2024**	**2024**	2023
At January 1	**$ 129**	$ 126	**$ 296**	$ 281	**$ –**	**$ –**	**$ –**	**$ 425**	$ 407
Acquisition (note 5)	**–**	–	**–**	–	**316**	**149**	**190**	**655**	–
Proportionate share of net income	**16**	16	**51**	59	**20**	**–**	**–**	**87**	75
Distributions received – operating	**(76)**	(3)	**(20)**	(33)	**(24)**	**–**	**–**	**(120)**	(36)
Other Comprehensive Income (loss)	**–**	–	**3**	(4)	**3**	**–**	**–**	**6**	(4)
Amortization of the Company's fair value of net assets acquired	**(11)**	(10)	**–**	–	**–**	**–**	**–**	**(11)**	(10)
Foreign exchange gain (loss)	**–**	–	**28**	(7)	**22**	**–**	**–**	**50**	(7)
At December 31	**$ 58**	$ 129	**$ 358**	$ 296	**$ 337**	**$ 149**	**$ 190**	**$ 1,092**	$ 425

Each of the Company's joint ventures is party to long-term transportation contracts and operating and maintenance contracts. The Company's share of each joint venture's approximate future payments on the contracts are as follows:

	York Energy	MCV Partners LLC	Harquahala	PDN Wind	Quality Wind	Total
Within one year	**$ 16**	**$ 50**	**$ 22**	**$ 5**	**$ 5**	**$ 98**
Between one and five years	**16**	**78**	**96**	**21**	**22**	**233**
After five years	**21**	**13**	**196**	**22**	**17**	**269**
	$ 53	**$ 141**	**$ 314**	**$ 48**	**$ 44**	**$ 600**

Associate

At December 31, 2024, the Company's equity-investment in its associate C2CNT is $4 million (US$3 million) (2023 – $30 million (US$23 million)). An impairment of $27 million (US$20 million) was recorded in 2024 on the equity-investment (note 9). No income or operating cash flow has been earned in the year.

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

37. Commitments and contingencies:

(a) The Company is committed to the following growth projects at December 31, 2024:

Projects	Contracted Capacity	Expected capital cost (post commercial operation date)	Completion date	Location
Completed Growth Projects:				
Repowering of Genesee 1 and 2	512 MW	$63 – $163	Achieved commercial operations Q4 2024	Alberta

Projects	Contracted Capacity	Expected capital cost	Expected completion date[1]	Location
Growth Projects:				
Maple Leaf Solar[1]	73 MWac	$219	Q1 2027	North Carolina
Ontario growth projects[2]	276 MW	$600	2025 – 2026	Ontario
Halkirk 2 Wind[3]	126 MW	$311	Q2 2025	Alberta
Bear Branch Solar[4]	35 MW	$103	Second half of 2026	North Carolina
Hornet Solar[4]	73 MW	$187	Second half of 2026	North Carolina
Commercial Initiatives:				
Goreway and York Energy Upgrades[5]	78 MW	$86	2025	Ontario

1 On June 29, 2023, the Company announced it executed a 25-year, fixed price renewable power purchase agreement (PPA) for 100% of the output from its Maple Leaf Solar project (Maple Leaf or the Project) with Duke Energy Progress (DEP). Maple Leaf is a 73 MWac (92 MWdc) solar development project in Selma, North Carolina. The construction of the Project is planned to begin in 2025 at a total cost of approximately $219 million (US$165 million) with an expected commercial operations date in the first quarter of 2027, pending completion of the Duke interconnection upgrades.

2 On June 29, 2023, the Company announced that it has:

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

3 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.

4 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 half of 2025. Targeted commercial operations for both projects is expected in the second half of 2026.

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

On June 29, 2023, the Company announced that it executed a 3-year contract extension for York Energy for approximately 38 MW that will increase York Energy's contracted capacity from 393 MW to 431 MW. The contract extension applies to the new contracted capacity of 431 MW (date of the upgrades expected in 2025) and extends the current contract from 2032 to 2035. Expected capital cost represents Capital Power's 50% ownership interest in the York Energy joint venture.

(b) The Company is party to a number of long-term energy purchase and transportation contracts, operating and maintenance contracts and contracts to purchase environmental credits. Some of the energy purchase and transportation contracts are measured at their fair value and recorded on the consolidated statement of financial position as derivative financial instruments assets and liabilities as appropriate.

Approximate future payments under each group of contracts are as follows:

	Energy purchase and transportation contracts[6]	Operating and maintenance contracts	Environmental credits[7]
Within one year	$ 286	$ 103	$ 189
Between one and five years	721	313	430
After five years	219	507	20
	$ 1,226	$ 923	$ 639

6 Based on gross settlement amounts.

7 Future environmental credit purchases are presented net of future environmental credit sales.

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

37. Commitments and contingencies, continued:

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

As a result of the LLR Proceeding, Capital Power incurred additional charges related to historical periods. Net expenses of $19 million were recorded in prior years to reflect the Company's net obligation. The invoicing process resulted in gross billings to Capital Power of which those amounts not attributable to Capital Power were largely recovered from the appropriate parties, with the exception of those related to the Sundance C PPA from the Balancing Pool.

The Balancing Pool is disputing its liability to make payment for the LLR adjustment invoices related to the Sundance C PPA, which amounts to a net potential exposure to Capital Power of approximately $25 million recorded within other assets at December 31, 2024. The Company believes the various agreements governing the termination and transfer of the Sundance C PPA and related transmission agreements with the AESO had the effect of transferring all past liabilities for the Sundance C PPA to the Balancing Pool. Capital Power has therefore filed a statement of claim at the Alberta Court of Queen's Bench on January 11, 2021 against the Balancing Pool, the Province of Alberta and the AESO in which it is seeking, among other relief, recovery from the Balancing Pool and the Province of Alberta of all amounts Capital Power was compelled to pay to the AESO on account of the LLR adjustment invoices relating to the Sundance C PPA as well as interest and legal costs, including the portion invoiced to the Balancing Pool but not received by the Company pertaining to all tranches of invoices. This process remains ongoing. Capital Power expects to ultimately realize the full amount of the gross receivables related to the line losses upon resolution of the dispute before the Court.

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

A dispute has arisen between the Company and the contractor regarding construction work on the Genesee Repowering Project. The parties are actively participating in an agreed-upon mediation process to resolve the claims by both parties. The Company has withheld payments pending the resolution of the dispute which is at a preliminary stage. The Company is still reviewing the claims and at this time the outcome of the mediation process is uncertain.

38. Guarantees:

The Company, through its subsidiary CPLP, has issued letters of credit of $608 million (2023 – $559 million) to meet the credit requirements of energy market participants, to meet conditions of certain service agreements, and to satisfy legislated reclamation requirements.

39. 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:

	Year ended December 31, 2024				Year ended December 31, 2023			
	Canada	**U.S.**	**Inter–area eliminations**	**Total**	Canada	U.S.	Inter–area eliminations	Total
Revenues – external[1]	**$ 2,694**	**$ 983**	**$ –**	**$ 3,677**	$ 3,590	$ 478	$ –	$ 4,068
Revenues – inter-area	**51**	**–**	**(51)**	**–**	31	–	(31)	–
Other income	**23**	**76**	**–**	**99**	143	71	–	214
Total revenues and other income	**$ 2,768**	**$ 1,059**	**$ (51)**	**$ 3,776**	$ 3,764	$ 549	$ (31)	$ 4,282

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

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

39. Segment information, continued:

	At December 31, 2024			At December 31, 2023		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Property, plant and equipment	**$ 5,457**	**$ 2,604**	**$ 8,061**	$ 4,898	$ 1,659	$ 6,557
Right-of-use assets	**54**	**64**	**118**	59	59	118
Intangible assets and goodwill	**519**	**225**	**744**	631	144	775
Equity-accounted investments (note 36)	**397**	**699**	**1,096**	129	326	455
Finance lease receivable[2] (note 17)	**25**	**–**	**25**	34	–	34
Other assets	**48**	**84**	**132**	47	63	110
	$ 6,500	**$ 3,676**	**$ 10,176**	$ 5,798	$ 2,251	$ 8,049

2 Includes current portion.

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

	Year ended December 31, 2024						
	Alberta Commercial facilities	**Western Canada facilities**	**Ontario facilities**	**U.S. facilities**	**Total from contracts with customers**	**Other sources**	**Total**
Energy revenues	**$ 1,545**	**$ 97**	**$ 360**	**$ 489**	**$ 2,491**	**$ 1,044**	**$ 3,535**
Emission credit revenues	**22**	**22**	**–**	**3**	**47**	**95**	**142**
Total revenues[3]	**$ 1,567**	**$ 119**	**$ 360**	**$ 492**	**$ 2,538**	**$ 1,139**	**$ 3,677**

	Year ended December 31, 2023						
	Alberta Commercial facilities	Western Canada facilities	Ontario facilities	U.S. facilities	Total from contracts with customers	Other sources	Total
Energy revenues	$ 2,620	$ 147	$ 358	$ 224	$ 3,349	$ 632	$ 3,981
Emission credit revenues	23	12	–	4	39	48	87
Total revenues[3]	$ 2,643	$ 159	$ 358	$ 228	$ 3,388	$ 680	$ 4,068

3 Included within trade and other receivables, at December 31, 2024, were amounts related to contracts with customers of $255 million (2023 – $442 million).

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