Capital Power
Aquisition of Hummel and Rolling Hills Generating Stations
April 14, 2025

Corporate Participants:

Roy Arthur
Vice President Strategic Planning and Investor Relations

Avik Dey
President and Chief Executive Officer

Sandra Haskins
Senior Vice President, Finance and Chief Financial Officer

Operator
Hello and welcome to Capital Power's announcement today.

We will now start the call.

Roy Arthur
Hello and thank you for joining us to review Capital Power's acquisition, which we announced earlier today. Our presentation for this conference call and our media release regarding the announcement are posted on our website at capitalpower.com.

Before I start, I would like to remind everyone that certain statements about future events made on the call are forward-looking in nature and are based on certain assumptions and analysis made by the company. Actual results could differ materially from the company's expectations due to various risks and uncertainties associated with our business. Please refer to the cautionary statement on forward-looking information or our regulatory filings available on SEDAR+.
In today's discussion, we will be referring to various non-GAAP financial measures and ratios. These measures are not defined financial measures according to GAAP and do not have standardized meetings prescribed by GAAP and therefore are unlikely to be comparable to similar measures used by other enterprises. These measures are provided to complement the GAAP measures provided in the analysis of the company's results from management's perspective. Reconciliations of these non-GAAP financial measures to their nearest GAAP measures can be found in the disclaimer section of the presentation.

I would like to acknowledge that Capital Power's Head Office in Edmonton is located within the traditional and contemporary home of many Indigenous Peoples of the Treaty 6 Region and the Metis Nation of Alberta Region 4.
We acknowledge the diverse Indigenous communities that are in these areas. Their presence continues to enrich the community as we learn more about the Indigenous history of the lands on which we live and work.

Presenting today are Avik Dey, President and CEO, and Sandra Haskins, Senior Vice President Finance and CFO.

We will start with opening comments from Avik on the transaction, as well as an overview of the assets. Then Sandra will provide a financial overview. Avik will then provide the closing remarks before we conclude the call.

Over to you, Avik.

Avik Dey
Thank you, Roy, and hello everyone. Today we announced the acquisition of two natural gas facilities, expanding our U.S. fleet by 2.2 gigawatts, resulting in

approximately 50% increase of our U.S. generation capacity. This transaction advances the shareholder value creation priorities that we articulated to investors at our 2024 Investor Day and reaffirmed on our guidance call for 2025.

This transaction delivers on our commitment to deliver reliable, affordable, and lower carbon electricity for North America. We are particularly excited as this deal represents our entry into PJM, the largest and most liquid North American power market.

As Sandra will talk about, the transaction generates significant cash flow per share accretion and exceeds our targeted equity return hurdle rates. The acquired assets include one combined cycle facility, Hummel Generating Station, and one peaking gas facility, Rolling Hills Generating Station. These strategically located assets position capital power to capture multifaceted growth in North America's largest power market.

For reference, installed capacity in PJM is approximately 200 gigawatts, which is larger than total installed capacity in all of Canada. The total consideration of the transaction is approximately $2.2 billion U.S. dollars, or approximately CAD 3 billion.

Now to briefly highlight the assets. Hummel is a large scale combined cycle unit with approximately 1,100 megawatts of capacity located in Pennsylvania. The unit was commissioned in 2018 and is one of the newer thermal facilities in the region, offering a highly competitive heat rate of about 6.8 mmBtu per megawatt hour, with access to low-cost fuel supply from the prolific Marcellus Basin.

Rolling Hills is a peaking facility with approximately 1,000 megawatts of capacity located in Ohio. Commissioned in 2003, this midlife asset is fast ramping, with the ability to capture high prices in a market with strong demand. Its strategic positioning is enhanced by access to fuel supply from the Utica Shale.

The acquisition is expected to result in double-digit AFFO per share accretion, with a financing structure designed to maintain Capital Power's investment grade credit rating. We anticipate the transaction will close in Q3 2025, subject to receipt of regulatory approvals and satisfaction of other closing conditions.

This transaction builds on our track record of acquiring strategically positioned gas fired power generation assets. We are growing our fleet and delivering on our priorities with momentum. We are dedicated to delivering value to our shareholders by growing our capacity for various market conditions.

During our 2025 guidance call, we highlighted the considerable opportunity in front of our organization, along with four key priorities for continued shareholder value creation, including M&A. M&A represents compelling value for our company because you can acquire existing capacity cheaper and faster than you can build it. This transaction provides concrete data to support this point. At approximately US $1,000 per kW, relative to the approximately US $2,000 per kW, we would expect to spend for new gas fired generation capacity.

We would note that the industry expectations of US $2,000 per kW for new build costs is before the impact of tariffs. Overall, this transaction is the perfect example of the value derived from M&A, as it provides upfront cash flow per share accretion, additional opportunities for recontracting, asset optimization and expansion, and continues to support our total shareholder returns target of 12% to 14%.

The addition of these assets to the Capital Power portfolio provides both financial and strategic benefits. Over the next few slides, I'll provide insight into five of the main value drivers realized from this transaction. First, it increases our overall scale. This is a material step towards establishing capital power as a key power producer across North America, with exposure to multifaceted and diverse demand growth. With a 2.2 gigawatt increase in our flexible generation asset base, pro forma, we will have greater than 10 gigawatts of natural gas and approximately 12 gigawatts of total generation, including our renewables portfolio. This positions us as one of five North American gas-focused IPPs of this scale.

Next, this transaction is a major expansion for capital power into the biggest U.S. electricity market. PJM is a market with strong multifaceted demand growth. It provides further diversification and adds a new core market to our portfolio. This is a market seeing demand growth for electricity at the fastest pace in years, primarily from the proliferation of data centers, electrification of buildings and vehicles, and manufacturing.

Third, we are adding high-quality assets to our portfolio. Hummel and Rolling Hills are complementary to our existing asset base and add significant low-cost capacity in strong demand markets with established gas supply.

Fourth, the transaction has strong financial merit. Pro forma, we will maintain our investment grade credit rating and balance sheet flexibility. The transaction provides compelling value with approximately 7x 5-year average EV to adjusted EBITDA and approximately 17% to 19% 5-year average AFFO per share accretion.

Finally, institutional validation. Today, we are proud to have expanded on our track record of working with large-scale institutional investors to fund our highly accretive growth. This includes a private placement to Alberta Investment Management Corporation, or AIMCO.

Before we dive into the details of the value drivers for this transaction, I would like to address the current market condition, as I expect many will want to know why we have chosen to execute this transaction now. The U.S. is in the midst of implementing policy driven changes to incentive growth in U.S. productivity.

Although the timing and full extent of what tariffs will be implemented and when remains to be determined, we expect the key thematics underpinning U.S. electricity demand growth to remain strong. Specifically, we expect reshoring of industrial capacity and data center investment to significantly contribute to ongoing demand growth for dispatchable power across the U.S.

Lastly, tariffs have a strong potential to increase the cost of building new gas fired generation, making existing generation more valuable. Gas will continue to be critical to ensuring grid reliability and affordability. As a result, expanding our fleet with high quality gas plants, serving key markets with existing interconnects, and established gas supply remains very attractive.

The acquisition solidifies Capital Power as one of a handful of premier independent power producers with over 10 gigawatts of flexible generation capacity. Our portfolio of gas assets will grow from 8.2 gigawatts to 10.4 gigawatts of capacity with the addition of

Hummel and Rolling Hills. As we grow and continue to focus on owning and operating natural gas assets, it highlights that we hold a strategically positioned and differentiated portfolio. We are well positioned in that we own a large, efficient portfolio of dispatchable generation that meets the needs of the grid, providing reliability and affordability. We are differentiated in that we have no coal generation in our portfolio, and approximately 90% of our capacity is natural gas-fired, making us the purest play, publicly traded natural gas operator.
As I've said before, PJM is the largest and most liquid electricity market in North America, and these assets are a strategic fit for Capital Power, given our strong operating and commercial capability and established trading and origination platforms.

So what makes PJM a strategic fit for Capital Power? First, it aligns with our core competencies across our three key businesses: flexible generation, renewables, and trading and origination. The size and liquidity of this market allows us to optimize our assets through trading and origination to manage risk. Additionally, the large C&I customer base provides ample opportunity for commercial optimization.

Second, we believe in the market from both a supply and demand side. With respect to demand, multifaceted growth with industrial reshoring, data center, and EV charging driving rapid acceleration of the PGM load growth forecast. This is evidenced by the marked shift in load forecast since 2022. The latest projections indicate over a 44% increase in load growth to 2040, with a compound annual growth of 2.6%.

From a supply perspective, power supply constraints are expected to continue, given planned retirement, the increasing cost of new builds, and prolonged interconnect delays leading to decreasing reserve margins and higher power prices. This means reliability will be critical to the grid.

The 2025-2026 capacity option, which cleared at approximately US $270 per megawatt day, was 9x the prior delivery year and highlighted the strong fundamentals that we believe make PGM a compelling market in which to own generation capacity. We expect these fundamentals to continue driving strong demand for reliable and dispatchable generation for the foreseeable future.

Acquiring natural gas assets in PJM has been a focus for Capital Power, given its scale and diverse customer base. To continue our growth trajectory and leadership role in the North American energy expansion, a position in this market is valuable.

While we are a new entrant in the PJM market, we are accustomed to managing and maximizing the value of natural gas assets like the ones we are acquiring, both operationally and commercially. Additionally, our trading and origination teams have deep expertise in North American power markets, and will allow us to drive value and manage risk in PGM.

This transaction increases diversification of cash flows and lowers market-specific risks, with no single market representing more than 30% of our total pro forma capacity of 11.8 gigawatts. This transaction diversifies our merchant generation capacity outside of Alberta and creates additional opportunities to contract with commercial counterparties and access new demand centers.
I'll now highlight the strategic benefits that these assets offer as part of our overall growth and value creation strategy. First, Hummel contributes to

market in customer reliability provide by providing base load power. The plant has high capacity factors and high plant and startup availability. The facility also provides low-cost, lower carbon, flexible generation, with a heat rate of 6.8 mmBtu per megawatt hour, which is comparable to the repowered Genesee unit.

Second, Hummel's location is advantageous from a fuel supply perspective, with firm gas transport and access to ample supply. The plant sources gas at a point which trades at a discount to most other gas hubs in the region. That gives Hummel a structural cost advantage relative to other facilities.

Data centers and other large loads may provide incremental opportunity for this facility, enhancing returns by entering long-term off-date contracts. This value would be incremental to our current base case. We understand there are over 660 data centers within 200 miles of this location.

Finally, expansion and optimization opportunities are already being prioritized at this facility, with a planned upgrade of 30 megawatts utilizing Siemens technology that will result in incremental megawatts and lower maintenance costs going forward. Capital Power has experience with the operation and maintenance of Siemens technology, both in combined cycle and simple cycle configurations.

The scheduled Hummel upgrade using Siemens technology is similar to what we are implementing at our York Energy Center in Ontario.

We are excited to integrate Rolling Hills into our portfolio, a combustion turbine peaking facility in PJM. This site consists of a 5x0 simple cycle configuration, which is capable of starting in 15 minutes. This fast start feature allows Rolling Hills to capture capacity events and energy market upside. The capacity factor of the asset is expected to remain strong, given the need for flexible generation resources, and PJM continues to increase.

Similar to Hummel, Rolling Hills is well-positioned relative to gas supply and with superior pricing. The facility sources its gas from a gas hub, which typically trades at a discount to most points in PJM. Rolling Hills is also compelling as the 5-unit configuration provides redundancy, allowing for a high level of reliability. The site also includes 180 acres of owned land, which may allow for future expansion and potential co-location.

Finally, there is potential to create additional value at the site through the addition of 25 megawatts of incremental capacity.Having articulated the merits of the transaction and the compelling strategic underpinning of the assets.

I will now pass it over to Sandra to discuss the financial aspects of the transaction.

Sandra Haskins
Thank you, Avik. I will now highlight the financial metrics of the transaction.

The compelling purchase price and a prudent funding strategy are expected to drive strong risk-adjusted returns for this highly accretive acquisition.

On an EV/EBITDA basis, the 5-year average from 2026 to 2030 is approximately 7x. This is lower than most of our past acquisitions and other recent thermal acquisitions. The transaction provides material AFFO per share accretion of approximately 17% to 19% over the same period. This extends our track record of accretive M&A and exceeds the mid to high single-digit

AFFO per share accretion of our previous acquisitions.

In terms of dollars per capacity, we are acquiring these assets on a combined basis of approximately US $1,000 per KW, which is roughly half the expected cost of greenfield construction of approximately US $2,000 per KW or more, with the potential to escalate further given the changing U.S. policy landscape.

As mentioned earlier in the presentation, the purchase price for Hummel and Rolling Hills is approximately US $2.2 billion, or approximately CAD 3 billion. The consideration is a mix of cash on hand, new corporate debt, and a discrete common equity offering. The discrete common offering will consist of a bought deal, common equity, and a concurrent private placement. This private placement is being allocated to AIMCO, who partnered with us on our last acquisition.

We have reviewed the transaction and our funding plan with S&P and DBRS. Our investment-grade credit rating remains a top priority and is maintained. We are proud to not only be solidifying our pro forma capital structure with this financing, but enhancing the institutional support for our business with this high-quality investor.

Overall, our pro forma business continues to be highly contracted, low-risk, and is increasingly diversified. As such, we are positioned to create shareholder value through various market conditions.

The acquisitions of Hummel and Rolling Hills builds on our long-term track record of growth in absolute terms and on a per-share basis. Since 2015, we have grown our net operating capacity at a compound annual growth rate of approximately 13%. During the same period, our AFFO per-share growth has a compound annual growth rate of approximately 7%.

Pro forma, the net operating capacity compound annual growth rate will be approximately 14%. This acquisition adds capacity in critical markets with strong fundamentals and positions us for further growth.

I will now pass it back to Avik for closing remarks.

Avik Dey
Thanks, Sandra. Our PJM acquisition enhances capital powers positioning as a leading North American independent power producer. The transaction is financially attractive, aligned strategically and operationally, and expands our portfolio into a key electricity market in the U.S.
The importance of natural gas to meet growing electricity demand across North America could not be more pronounced than it is today. The strong medium to long-term fundamentals of demand growth and supply constraints will continue to increase the importance of critical generation assets.

As we have done with all our other assets, we will seek to optimize Hummel and Rolling Hills through our in-house operational and commercial expertise. This transaction represents yet another example of our ability to impactfully grow through acquisition and build on our established track record of delivering cash flow per share growth.

Finally, the energy expansion continues to be one of the most compelling North American investment themes. Our PJM acquisition clearly demonstrates our ability to execute our strategy and enhances our ability to deliver reliable and affordable generation. Thank you all for joining us today.

Operator
Ladies and gentlemen, that concludes today's conference call. You may now disconnect.