Capital Power Reports First Quarter 2016 Results

Capital Power Secures Contract for the 178 Megawatt Bloom Wind Project and Shifts the Construction Decision for Genesee 4 and 5 to Late 2016

EDMONTON, AB--(Marketwired - April 25, 2016) - Capital Power Corporation (Capital Power, or the Company) (TSX: CPX) today released financial results for quarter ended March 31, 2016.
"Capital Power's financial results for the first quarter of 2016 were generally in line with management's expectations, and on-track to achieve full-year targets," said Brian Vaasjo, President and CEO of Capital Power. "First quarter results benefitted from strong operating performance, including average plant availability of 97 per cent and a solid contribution from our portfolio optimization activities."

"Capital Power continued to advance priority growth initiatives in the quarter," said Mr. Vaasjo. "We have now secured a contract for our Bloom Wind project in Kansas, and expect to begin construction in the third quarter of 2016. We have also worked with our partner and suppliers to restructure the construction execution of the Genesee 4 and 5 project, moving the decision point for proceeding to the fourth quarter of 2016, resulting in modestly higher cost and risk. The decision to proceed with construction will be based on our view of market conditions, and the impact of government policy on our existing assets and the proposed units. The revised construction plan would achieve substantial completion of the first unit in early 2020."

Net (loss) income attributable to shareholders in the first quarter of 2016 was $(8) million and basic (loss) earnings per share attributable to common shareholders was $(0.11) per share, compared with $40 million, or $0.41 per share, in the comparable period of 2015. Normalized earnings attributable to common shareholders in the first quarter of 2016, after adjusting for one-time items and fair value adjustments, were $32 million or $0.33 per share compared with $27 million or $0.32 per share in the first quarter of 2015. Net cash flows from operating activities were $131 million in the first quarter of 2016 compared with $107 million in the first quarter of 2015. Funds from operations were $109 million in the first quarter of 2016, up 1%, on a comparable basis, from $108 million in the first quarter of 2015.

"First quarter earnings include a non-cash charge related to the termination of Capital Power's role as a buyer of the Sundance PPA," said Mr. Vaasjo. "Excluding that charge, our normalized earnings reflect strong operating performance and portfolio management. While Alberta power prices averaged $18 per megawatt-hour (MWh) in the first quarter, our trading desk captured a realized average price of $52 per MWh for the Alberta portfolio through our hedging program. Normalized earnings per share of $0.33 in the first quarter were slightly ahead of the $0.32 in the first quarter a year ago when Alberta power prices averaged $29 per MWh. We generated $109 million in funds from operations in the first quarter and remain on track to meet our $380 to $430 million annual financial target range."

"We continue to be engaged with the Alberta government to ensure fair compensation is received for the proposed accelerated closure of coal-fired generating units by 2030 under the Alberta government's Climate Leadership Plan," added Mr. Vaasjo. "Initial discussions with the government-appointed facilitator took place earlier this month. We continue to work collaboratively with the government and remain optimistic that a fair and appropriate outcome will be reached for our shareholders."

Operational and Financial Highlights [1] (unaudited)	**Three months ended March 31**	
(millions of dollars except per share and operational amounts)	**2016**	**2015**
Electricity generation (excluding acquired Sundance power purchase agreement (PPA)) (GWh)	3,898	3,398

Generation plant availability (excluding acquired Sundance PPA) (%)		97		98
Revenues	$	341	$	358
Adjusted EBITDA [2]	$	120	$	147
Net (loss) income	$	(8)	$	50
Net (loss) income attributable to shareholders of the Company	$	(6)	$	40
Normalized earnings attributable to common shareholders [2]	$	32	$	27
Basic and diluted (loss) earnings per share	$	(0.11)	$	0.41
Normalized earnings per share [2]	$	0.33	$	0.32
Net cash flows from operating activities	$	131	$	107
Funds from operations [2]	$	109	$	108
Purchase of property, plant and equipment and other assets	$	31	$	52
Dividends per common share, declared	$	0.3650	$	0.3400

1. The operational and financial highlights in this press release should be read in conjunction with Management's Discussion and Analysis and the unaudited Condensed Interim Financial Statements for the three months ended March 31, 2016.
2. Earnings before finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense from joint venture, and gains or losses on disposals (adjusted EBITDA), normalized earnings attributable to common shareholders, normalized earnings per share and funds from operations are non-GAAP financial measures and do not have standardized meanings under GAAP and are, therefore, unlikely to be comparable to similar measures used by other enterprises. See Non-GAAP Financial Measures.

Significant Events

Termination of the Acquired Sundance PPA

On March 24, 2016, Capital Power gave notice to terminate its role as Buyer of the acquired Sundance PPA effective March 24, 2016. Capital Power exercised its right to terminate the acquired Sundance PPA under the Change in Law provisions of the arrangement, following changes to the Specified Gas Emitters Regulation that took effect at the start of 2016. As a result of this termination, no further economic benefits are expected from the acquired Sundance PPA and the related intangible asset was derecognized. The Company has recorded a non-cash pre-tax loss of $53 million ($46 million post-tax) with respect to the derecognition of the acquired Sundance PPA.

Climate Leadership Plan (CLP) Update

On March 16, 2016, the Alberta government appointed a coal phase-out facilitator (Facilitator) to oversee the transition away from coal-fired generation in Alberta by 2030. The Facilitator's background is with large public power providers and centrally dispatched power systems and advising energy leaders in numerous countries around the world. The Facilitator's mandate is to provide options and preferred approaches to the Alberta government to phase out emissions from coal-fired generation by 2030 that will maintain the reliability of Alberta's electricity grid and price stability for consumers while preventing unnecessarily stranding capital assets. Throughout this process, the Alberta government has indicated that it intends to ensure that affected workers, communities and companies are treated fairly. It is expected that the Facilitator will report to the Alberta government on this mandate in the latter half of 2016. Capital Power looks forward to working with the Facilitator through this process to ensure that fair compensation is received for the proposed accelerated closure of the Company's coal facilities.

On January 26, 2016, the Alberta government tasked the Alberta Electric System Operator (AESO) to develop and implement a plan to bring on new renewable electricity generation capacity to the grid by 2030 in connection with the CLP. The Alberta government mandated that the process must be carefully managed and operate in concert with the retirement of the current coal generating units. The Alberta government also confirmed that it has not chosen to fundamentally alter the current wholesale electricity market structure. A plan is due to the Alberta government by May 2016. Capital Power looks forward to further clarifications of the renewable electricity program and the growth opportunities that this may bring to the Company.

Preferred Shares (Series 1) dividend rate reset

On February 18, 2016 the Board of Directors of Capital Power declared a quarterly dividend of $0.19125 per share on the Company's Cumulative 5-Year Rate Reset Preference Shares, Series 1 (Series 1 Shares). This quarterly dividend was paid on March 31, 2016. The Annual Fixed Dividend Rate for the Series 1 Shares for the next five year period was reset from 4.60% to 3.06% on December 31, 2015 at a rate equal to the sum of the then Government of Canada bond yield and 2.17%. The Annual Fixed Dividend Rate will be next reset on December 31, 2020 and every five years thereafter.

Subsequent Events

Approval of normal course issuer bid

On April 25, 2016, Capital Power announced that the Toronto Stock Exchange (TSX) approved the Company's normal course issuer bid (NCIB) to purchase and cancel up to 8.6 million of its outstanding common shares during the one year period from April 28, 2016 to April 27, 2017. Capital Power purchased and cancelled 7.1 million common shares under its prior NCIB approved by the TSX on March 25, 2015 for the period from April 7, 2015 to April 6, 2016.

Completion of contract for output for Bloom Wind

On April 25, 2016, Capital Power announced that construction of its Bloom Wind project (Bloom Wind) is expected to commence in the third quarter of 2016. Bloom Wind is a 178 megawatt (MW) facility in southwestern Kansas consisting of 54 3.3 MW turbines and is anticipated to cost $358 million (US$272 million). Commercial operation of the facility is expected in the third quarter of 2017. Capital Power will operate Bloom Wind under a 10-year fixed price contract with Allianz Risk Transfer (rated AA- stable by Standard & Poor's), a subsidiary of Allianz SE, the worldwide insurance and asset management group, covering 100% of the project's output. Under the contract, which was executed on April 21, 2016, Capital Power will swap the market revenue of the project's generation for a fixed annual payment for a 10-year term. The agreement will secure long-term predictable revenues and mitigate generation volume uncertainty related to wind resources, allowing Bloom Wind to secure renewable energy tax equity financing and provide Capital Power the opportunity to complete its first wind development project in the growing U.S. renewables market.

Analyst Conference Call and Webcast

Capital Power will be hosting a conference call and live webcast with analysts on April 25, 2016 at 9:00 am (MDT) to discuss the first quarter financial results. The conference call dial-in numbers are:

(604) 681-8564 (Vancouver)
(403) 532-5601 (Calgary)
(416) 623-0333 (Toronto)
(514) 687-4017 (Montreal)
(855) 353-9183 (toll-free from Canada and USA)

Participant access code for the call: 21543#

A replay of the conference call will be available following the call at: (855) 201-2300 (toll-free) and entering conference reference number 1196023# followed by participant code 21543#. The replay will be available until July 24, 2016.

Interested parties may also access the live webcast on the Company's website atwww.capitalpower.com with an archive of the webcast available following the conclusion of the analyst conference call.

Non-GAAP Financial Measures

The Company uses (i) adjusted EBITDA, (ii) funds from operations, (iii) normalized earnings attributable to common shareholders, and (iv) normalized earnings per share as financial

performance measures. These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP, and, therefore, are unlikely to be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to net income, net income attributable to shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective.
Reconciliations of adjusted EBITDA to net (loss) income, funds from operations to net cash flows from operating activities and normalized earnings attributable to common shareholders to net (loss) income attributable to shareholders of the Company are contained in the Company's Management's Discussion and Analysis, prepared as of April 22, 2016, for the three months ended March 31, 2016 which is available under the Company's profile on SEDAR at www.SEDAR.com.

Forward-looking Information

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

Material forward-looking information in this press release includes expectations regarding: (i) compensation to be received by the Company from the Government of Alberta in respect of the proposed early retirement of coal facilities (ii) the structure and stability of Alberta's merchant power market and (iii) growth opportunities that may come to the Company as a result of new renewable electricity generation capacity.

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

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties are: (i) changes in electricity prices in markets in which the Company operates, (ii) changes in energy commodity market prices and use of derivatives, (iii) regulatory and political environments including changes to environmental, financial reporting and tax legislation, (iv) power plant availability and performance including maintenance of equipment, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, and (viii) changes in general economic and competitive conditions. See Risks and Risk Management in the Company's Management's Discussion and Analysis, prepared as of February 18, 2016, for further discussion of these and other risks.

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