CAPITAL POWER CORPORATION

Management's Discussion and Analysis

This management's discussion and analysis (MD&A), prepared as of April 22, 2016, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Capital Power Corporation and its subsidiaries for the three months ended March 31, 2016, the audited consolidated financial statements and MD&A of Capital Power Corporation for the year ended December 31, 2015, the annual information form of Capital Power Corporation dated March 2, 2016, and the cautionary statements regarding forward-looking information which begin on page 2. In this MD&A, any reference to the Company or Capital Power, except where otherwise noted or the context otherwise indicates, means Capital Power Corporation together with its subsidiaries.

In this MD&A, financial information for the three months ended March 31, 2016 and the three months ended March 31, 2015 is based on the unaudited condensed interim consolidated financial statements of the Company for such periods which were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors approved this MD&A as of April 22, 2016.

Contents

Forward-looking Information 2
Overview of Business and Corporate Structure 3
Corporate Strategy 3
Performance Overview 4
Outlook 5
Non-GAAP Financial Measures 6
Financial Highlights 9
Significant Events 9
Subsequent Events 10
Consolidated Net (Loss) Income and Results of Operations 11
Comprehensive (Loss) Income 16
Financial Position 16
Liquidity and Capital Resources 17
Contractual Obligations and Contingent Liabilities 19
Transactions with Related Parties 20
Risks and Risk Management 20
Environmental Matters 20
Use of Judgments and Estimates 21
Accounting Changes 21
Financial Instruments 22
Disclosure Controls and Procedures and Internal Control over Financial Reporting 23
Summary of Quarterly Results 24
Share and Partnership Unit Information 29
Additional Information 29

FORWARD-LOOKING INFORMATION

Forward-looking information or statements included in this MD&A 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 MD&A is generally identified by words such as will, anticipate, believe, plan, intend, target, and expect or similar words that suggest future outcomes.

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

- future revenues, expenses, earnings and funds from operations,
- the future pricing of electricity and market fundamentals in existing and target markets,
- future dividend growth,
- the Company's future cash requirements including interest and principal repayments, capital expenditures, dividends and distributions,
- the Company's sources of funding, adequacy and availability of committed bank credit facilities and future borrowings,
- future growth and emerging opportunities in the Company's target markets including the focus on certain technologies,
- the timing of, funding of, and costs for existing, planned and potential development projects and acquisitions,
- plant availability and planned outages,
- capital expenditures for plant maintenance and other,
- the impact of environmental regulations on the Company, its businesses, accounting policies, and emissions compliance costs,
- the impact of the Alberta Climate Leadership Plan (CLP) on the Company's future growth projects, including the Genesee 4 and 5 project, and
- compensation to be received by the Company from the Government of Alberta in respect of the proposed early retirement of coal facilities.

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:

- electricity and other energy prices,
- performance,
- business prospects and opportunities including expected growth and capital projects,
- status of and impact of policy, legislation and regulations,
- effective tax rates, and
- other matters discussed under the Performance Overview and Outlook sections.

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:

- changes in electricity prices in markets in which the Company operates,
- changes in energy commodity market prices and use of derivatives,
- regulatory and political environments including changes to environmental, financial reporting and tax legislation,
- power plant availability and performance including maintenance of equipment,
- ability to fund current and future capital and working capital needs,
- acquisitions and developments including timing and costs of regulatory approvals and construction,
- changes in market prices and availability of fuel, and
- changes in general economic and competitive conditions.

See Risks and Risk Management in the Company's December 31, 2015 annual MD&A for further discussion of these and other risks.

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

OVERVIEW OF BUSINESS AND CORPORATE STRUCTURE

Capital Power is a growth-oriented North American power producer headquartered in Edmonton, Alberta. The Company develops, acquires, operates and optimizes power generation from a variety of energy sources. Capital Power owns more than 3,200 megawatts (MW) of power generation capacity across North America and owned 371 MW of capacity through its interest in the acquired Sundance C power purchase arrangement (acquired Sundance PPA) until the Company terminated its role as Buyer of the acquired Sundance PPA, effective March 24, 2016. See Significant Events. An additional 530 MW of owned generation capacity is in advanced stages of development in Alberta.

The Company's power generation operations and assets are owned by Capital Power L.P. (CPLP), a wholly owned subsidiary of the Company.

CORPORATE STRATEGY

The Company's corporate strategy remains unchanged from that disclosed in its 2015 annual MD&A.

PERFORMANCE OVERVIEW

The Company measures its performance in relation to its corporate strategy through financial and non-financial targets that are approved by the Board of Directors. The measurement categories include corporate measures and measures specific to certain groups within the Company. The corporate measures are company-wide and include funds from operations, safety and compensation for the proposed accelerated closure of the Company's coal facilities. The group-specific measures include plant operating margin and other operations measures, committed capital, construction and maintenance capital on budget and on schedule, and plant site safety.

Alberta Climate Leadership Plan

	2016 target	Actual results for the three months ended March 31, 2016
Compensation	Ensure fair compensation will be received for the proposed accelerated closure of the Company's coal facilities.	The Alberta government appointed the coal phase-out facilitator (Facilitator) and outlined his scope of work. A report from the Facilitator is expected in the latter half of 2016 (see Significant Events).

The Facilitator will engage with those coal-fired electricity generators operating units beyond 2030 to develop options for the Alberta government to phase out coal-fired electricity emissions by 2030 that will maintain the reliability of Alberta's electricity grid and price stability for consumers while preventing unnecessarily stranding capital assets. The Company continues to be engaged with the Alberta government on this topic and will work with the Facilitator throughout the process to ensure fair compensation will be received.

Operational excellence

Performance measure	2016 target	Actual results for the three months ended March 31, 2016
Plant availability average [1]	94% or greater	97%
Capital expenditures for plant maintenance, Genesee mine extension and other (sustaining capital expenditures)	$65 million	$8 million
Plant operating and maintenance expenses	$200 million to $220 million	$52 million

[1] All plants excluding acquired Sundance PPA.

The Company's plant availability averaged 97% which reflected planned outages at Southport, Roxboro and Joffre and the deferral of a portion of the planned outage at Joffre to the second quarter of 2016. Unplanned outages also occurred at Keephills 3, Southport and Joffre.

Sustaining capital expenditures for the three months ended March 31, 2016 were lower than target for the first quarter but the full year expenditures are expected to be consistent with the target range.

The plant operating and maintenance expenses target includes other raw materials and operating charges, staff costs and employee benefits expense and other administrative expenses for the Company's plants. The actual results for the three months ended March 31, 2016 were consistent with the target range.

Disciplined growth

Performance measure	2016 target	Status as at March 31, 2016
Genesee 4 and 5	Update construction timing based on clarification regarding the CLP and price signals from the energy only market.	Awaiting clarification regarding the CLP and the assessment of potential impacts on current Alberta assets.
New development	Execute a contract for the output of a new development.	On track with target and progressing towards executing a contract for the output of a new development (see Subsequent Events).

See Outlook for further discussion of updated timing of completion of the Genesee 4 and 5 project.

Financial stability and strength

Performance measure	2016 target	Actual results for the three months ended March 31, 2016
Funds from operations [1]	$380 million to $430 million	$109 million

1 Funds from operations is a non-GAAP measure. See Non-GAAP Financial Measures.

Actual funds from operations for the three months ended March 31, 2016 were in line with expected funds from operations for the full year.

OUTLOOK

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

At its Investor Day held in December 2015, the Company provided financial guidance for 2016 funds from operations in the range of $380 million to $430 million. This was based on baseload generation from the Company's Alberta commercial portfolio hedged at 100% with average contracted prices of high-$40 per MWh. Since then, the termination of the acquired Sundance PPA (see Significant Events) increased the hedged portion of Capital Power's Alberta commercial portfolio and reduced the Company's contractual obligations in 2016. Based on actual results for the first quarter of 2016 and the Company's forecast for the future three quarters, it is still expected that funds from operations for the full year will be in the target range.

In 2016, the Company will continue to work with the Alberta government and the recently appointed Facilitator to ensure that fair compensation is received for the proposed accelerated closure of its coal facilities in connection with the CLP. The Company will also continue to work diligently with regulators and other generators in the province to implement the Carbon Competiveness Regulation (CCR) and develop a planned transition away from coal-fired generation that does not compromise the electricity market design in Alberta. Further investment in the Alberta market, including continuation of construction of the Genesee 4 and 5 project, will be considered once sufficient detail about the CLP is released and the Company has assessed the impact on its existing Alberta assets.

In conjunction with Capital Power's partner, ENMAX, on the Genesee 4 and 5 project, the construction execution of the project has been restructured by the Company at modestly higher costs and risk, to move the decision point to the fourth quarter of 2016. Accordingly, assuming that favourable conditions exist by the end of 2016, the Company expects to proceed with the project targeting substantial completion of the first unit in early 2020.

In 2016, Capital Power's availability target of 94% reflects major scheduled maintenance outages for Genesee 2, Genesee 3, Clover Bar Energy Centre, Joffre, Roxboro, and Shepard compared with the 2015 major scheduled maintenance outages for Genesee 1 and Keephills 3. With all of its baseload power position hedged in 2016, the Company will continue to focus on the operational excellence at its operated facilities and work with its partners in other facilities to ensure that the past excellent availability continues throughout 2016.

Portfolio position, contracted prices and forward Alberta pool prices for 2017, 2018 and 2019, as at March 31, 2016, were:

Alberta commercial portfolio positions and power prices	Full year 2017	Full year 2018	Full year 2019
Percentage of baseload generation sold forward [1]	100%	50%	34%
Contracted price [2]	Mid-$40 per MWh	Low-$50 per MWh	Low-$50 per MWh
Forward Alberta pool prices	$35.50	$45.75	$51.25

1 Based on the Alberta baseload plants plus a portion of Joffre and the uncontracted portion of Shepard baseload. The acquired Sundance PPA is no longer a part of Capital Power's baseload generation effective March 24, 2016 (see Significant Events).

2 The forecast average contracted prices may differ significantly from the future average realized prices as the hedged and unhedged positions have a varying mix of differently priced blocks of power.

The 2016 targets and forecasts are based on numerous assumptions including power and natural gas price forecasts. However, they do not include the effects of potential future acquisitions or development activities, or potential market and operational impacts relating to unplanned plant outages including outages at facilities of other market participants, and the related impacts on market power prices.

At its Investor Day held in December 2015, the Company provided 7% annual dividend growth guidance from 2016 through to 2018. Each annual increase is subject to approval by the Board of Directors of Capital Power at the time of the increase.

See Liquidity and Capital Resources for discussion of future cash requirements and expected sources of funding.

NON-GAAP FINANCIAL MEASURES

The Company uses (i) 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), (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.

Adjusted EBITDA

Capital Power uses adjusted EBITDA to measure the operating performance of plants and categories of plants from period to period. Management believes that a measure of plant operating performance is more meaningful if results not related to plant operations such as impairments, foreign exchange gains or losses, and gains or losses on disposals are excluded from the adjusted EBITDA measure.

Commencing with the Company's March 31, 2016 quarter-end, the reported adjusted EBITDA measure was changed to include Capital Power's share of adjusted EBITDA from joint venture. All comparative adjusted EBITDA amounts for quarters prior to those ended on March 31, 2016 were revised to conform with this change.

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

(unaudited, $ millions)	Three months ended							
	Mar 31 2016	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**
Revenues	341	341	469	83	358	432	248	240
Adjusted EBITDA from joint venture [1]	11	13	6	2	-	-	-	-
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expenses	(232)	(220)	(321)	(38)	(211)	(291)	(157)	(162)
Adjusted EBITDA	**120**	**134**	**154**	**47**	**147**	**141**	**91**	**78**
Depreciation and amortization	(56)	(56)	(53)	(55)	(51)	(49)	(47)	(47)
Foreign exchange gain (loss)	8	-	(8)	1	(8)	(4)	(5)	3
Loss on termination of power purchase arrangement	(53)	-	-	-	-	-	-	-
Finance expense	(22)	(27)	(25)	(24)	(18)	(16)	(15)	(11)
Finance expense from joint venture [1]	(3)	(3)	(2)	(1)	-	-	-	-
Income tax expense	(2)	(14)	(16)	(16)	(20)	(24)	(81)	(2)
Net (loss) income	**(8)**	**34**	**50**	**(48)**	**50**	**48**	**(57)**	**21**
Net (loss) income attributable to:								
Non-controlling interests	(2)	(1)	1	(14)	10	9	(12)	1
Shareholders of the Company	(6)	35	49	(34)	40	39	(45)	20
Net (loss) income	**(8)**	**34**	**50**	**(48)**	**50**	**48**	**(57)**	**21**

[1] Total income from joint venture.

Funds from operations

Capital Power uses funds from operations as a measure of the Company's ability to generate cash from its current operating activities to fund capital expenditures, debt repayments, dividends to the Company's shareholders and distributions to non-controlling interests. Funds from operations are net cash flows from operating activities, adjusted to include finance and current income tax expenses and exclude changes in operating working capital as well as the impact of fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty. The Company includes interest and current income tax expenses excluding Part VI.1 tax recorded during the period rather than interest and income taxes paid. The timing of cash receipts and payments of interest and income taxes and the resulting cash basis amounts are not comparable from period to period. The timing of cash receipts and payments also affects the period-to-period comparability of changes in operating working capital which are also excluded from funds from operations.

Commencing with the Company's December 31, 2014 quarter-end, the reported funds from operations measure was changed to remove the impact of fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty. The impact of the fair value changes in derivatives reflected as cash settlement was immaterial for quarters prior to the fourth quarter of 2014.

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

(unaudited, $ millions)	Three months ended March 31	
	2016	**2015**
Net cash flows from operating activities per Condensed Interim Consolidated Statements of Cash Flows	**131**	**107**
Add (deduct) items included in calculation of net cash flows from operating activities per Condensed Interim Consolidated Statements of Cash Flows:		
Interest paid	18	8
Miscellaneous financing charges paid [1]	1	1
Change in non-cash operating working capital	(19)	6
	-	15
Finance expense [2]	(22)	(14)
Current income tax expense	(5)	(2)
Decrease in current income tax payable due to Part VI.1 tax	5	2
Funds from operations	**109**	**108**

[1] Included in other items of non-cash adjustments to reconcile net (loss) income to net cash flows from operating activities.

[2] Excludes unrealized changes on interest rate derivative contracts and amortization and accretion charges.

Normalized earnings attributable to common shareholders and normalized earnings per share

The Company uses normalized earnings attributable to common shareholders and normalized earnings per share to measure performance by period on a comparable basis. Normalized earnings per share is based on earnings used in the calculation of earnings per share according to GAAP adjusted for items that are not reflective of performance in the period such as unrealized fair value changes, impairment charges, unusual tax adjustments, gains and losses on disposal of assets or unusual contracts, and foreign exchange gain or loss on the revaluation of U.S. dollar denominated debt. The adjustments, shown net of tax, consist of unrealized fair value changes on financial instruments that are not necessarily indicative of future actual realized gains or losses, non-recurring gains or losses, or gains or losses reflecting corporate structure decisions.

(unaudited, $ millions except per share amounts and number of common shares)	Three months ended							
	Mar 31 2016	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**
Basic (loss) earnings per share ($)	**(0.11)**	**0.29**	**0.44**	**(0.39)**	**0.41**	**0.40**	**(0.62)**	**0.17**
Net (loss) income attributable to shareholders of the Company per Condensed Interim Consolidated Statements of (Loss) Income	**(6)**	**35**	**49**	**(34)**	**40**	**39**	**(45)**	**20**
Preferred share dividends including Part VI.1 tax	(5)	(6)	(5)	(6)	(6)	(6)	(6)	(6)
Earnings (loss) attributable to common shareholders	(11)	29	44	(40)	34	33	(51)	14
Loss on termination of the acquired Sundance PPA	46	-	-	-	-	-	-	-
Unrealized foreign exchange (gain) loss on revaluation of U.S. dollar denominated debt	(8)	1	6	(2)	10	4	5	(3)
Unrealized changes in fair value of derivatives	5	11	(19)	33	(17)	(21)	(3)	8
Income tax expense related to increase in deferred tax liabilities caused by change in Alberta statutory corporate income tax rate	-	-	-	19	-	-	-	-
Impact of change in non-controlling interest percentage on adjustments of previous quarters	-	-	-	(1)	-	1	-	-
Write-down of U.S. deferred tax assets	-	-	-	-	-	-	59	-
Amount received upon amendment of the Genesee Coal Mine Agreements	-	-	-	-	-	-	-	(14)
Genesee flood damage repair costs	-	-	-	-	-	-	-	1
Restructuring charges	-	-	2	-	-	-	-	-
Recognition of tax liability on foreign domiciled investment	-	-	-	1	-	-	-	-
Normalized earnings attributable to common shareholders	**32**	**41**	**33**	**10**	**27**	**17**	**10**	**6**
Weighted average number of common shares outstanding (millions)	96.4	98.7	100.9	102.1	83.7	83.3	82.8	81.9
Normalized earnings per share ($)	**0.33**	**0.42**	**0.33**	**0.10**	**0.32**	**0.20**	**0.12**	**0.07**

Normalized earnings per share reflects the period-over-period change in normalized earnings attributable to common shareholders and the changes from period to period as the weighted average number of common shares outstanding increases or decreases and the net income attributable to non-controlling interests decreases.

FINANCIAL HIGHLIGHTS

(unaudited, $ millions, except per share amounts)	Three months ended March 31	
	2016	2015
Revenues	341	358
Adjusted EBITDA [1]	120	147
Net (loss) income	(8)	50
Net (loss) income attributable to shareholders of the Company	(6)	40
Normalized earnings attributable to common shareholders [1]	32	27
Basic and diluted (loss) earnings per share ($) [2]	(0.11)	0.41
Normalized earnings per share ($) [1]	0.33	0.32
Funds from operations [1]	109	108
Purchase of property, plant and equipment and other assets	31	52
Dividends per common share, declared ($)	0.3650	0.3400
Dividends per Series 1 preferred share, declared ($)	0.1913	0.2875
Dividends per Series 3 preferred share, declared ($)	0.2875	0.2875
Dividends per Series 5 preferred share, declared ($)	0.2813	0.2813

	As at	
	March 31, 2016	December 31, 2015
Loans and borrowings including current portion	1,520	1,615
Total assets	5,228	5,393

[1] The consolidated financial highlights, except for adjusted EBITDA, normalized earnings attributable to common shareholders, normalized earnings per share and funds from operations were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

[2] Diluted earnings per share was calculated after giving effect to outstanding share purchase options and the subsequent exchange of common limited partnership units of CPLP held by EPCOR which were exchangeable for common shares of Capital Power on a one-for-one basis as at March 31, 2015. All common limited partnership units of CPLP were subsequently exchanged on April 2, 2015.

Normalized earnings attributable to common shareholders and normalized earnings per share

Normalized earnings attributable to common shareholders and normalized earnings per share for the first quarter of 2016 were consistent with the first quarter of 2015. The number of common shares outstanding increased as a result of the common shares issued to EPCOR following the secondary offering and exchange of exchangeable common limited partnership units on April 2, 2015.

Funds from operations

Funds from operations for the first quarter of 2016 was consistent with funds from operations for the first quarter of 2015 primarily due to cash distributions received from K2 Wind, cash inflows from working capital compared with cash outflows in 2015, partly offset by higher finance expense in 2016 as a result of lower capitalized interest given the completion of Shepard in March 2015.

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 (SGER) 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 asset.

CLP Update

On March 16, 2016, the Alberta government appointed a 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 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.

CONSOLIDATED NET (LOSS) INCOME AND RESULTS OF OPERATIONS

The primary factors contributing to the change in consolidated net (loss) income for the three months ended March 31, 2016 compared with the three months ended March 31, 2015 are presented below followed by further discussion of these items.

(unaudited, $ millions)		
Consolidated net income for the three months ended March 31, 2015		**50**
Increase (decrease) in adjusted EBITDA:		
Alberta commercial plants and portfolio optimization	1	
Alberta contracted plants	-	
Ontario and British Columbia contracted plants	8	
U.S. contracted plants	3	
Corporate	-	
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits	(39)	(27)
Increase in depreciation and amortization expense		(5)
Change in foreign exchange gain (loss)		16
Loss on termination of power purchase arrangement		(53)
Increase in finance expense		(4)
Finance expense from joint venture		(3)
Decrease in income before tax		(76)
Decrease in income tax expense		18
Decrease in net income		**(58)**
Consolidated net loss for the three months ended March 31, 2016		**(8)**

Results by Plant Category and Other

	Three months ended March 31							
	2016	2015	2016	2015	2016	2015	2016	2015
	Electricity generation (GWh) [1]		**Plant availability** (%) [2]		**Revenues** (unaudited, $ millions)		**Adjusted EBITDA** (unaudited, $ millions) [3]	
Total electricity generation, average plant availability and plant revenues excluding acquired Sundance PPA	3,898	3,398	97	98	188	178		
Alberta commercial plants and acquired Sundance PPA								
Genesee 3	474	493	99	100	8	13		
Keephills 3	388	457	90	100	7	13		
Clover Bar Energy Centre 1, 2 and 3	48	70	99	97	1	5		
Joffre	83	86	89	99	6	7		
Shepard [4]	577	60	100	80	21	2		
Halkirk	124	136	99	99	8	9		
Clover Bar Landfill Gas	1	2	99	100	-	-		
Alberta commercial plants – owned	1,695	1,304	96	97	51	49		
Acquired Sundance PPA [5]	655	691	95	92	13	21		
Portfolio optimization	N/A	N/A	N/A	N/A	124	146		
	2,350	1,995	96	95	188	216	64	63
Alberta contracted plants								
Genesee 1	843	815	100	98				
Genesee 2	833	836	99	100				
	1,676	1,651	99	99	71	66	42	42
Ontario and British Columbia contracted plants								
Island Generation	-	-	100	100	10	10		
K2 Wind [6]	71	N/A	99	N/A	N/A	N/A		
Kingsbridge 1	34	31	94	97	2	2		
Port Dover and Nanticoke	95	91	97	99	12	11		
Quality Wind	91	108	99	98	10	13		
	291	230	99	99	34	36	38	30
U.S. contracted plants								
Roxboro, North Carolina	66	59	89	97	8	7		
Southport, North Carolina	127	129	83	89	19	17		
Beaufort Solar, North Carolina [7]	7	N/A	98	N/A	1	N/A		
Macho Springs, New Mexico	36	25	97	99	4	3		
	236	213	89	94	32	27	8	5
Corporate [8]					2	1	(24)	(24)
Unrealized changes in fair value of commodity derivatives and emission credits					14	12	(8)	31
Consolidated revenues and adjusted EBITDA					**341**	**358**	**120**	**147**

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

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

[3] The financial results by plant category, except for adjusted EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

[4] Shepard was commissioned on March 11, 2015.

[5] The Company gave notice to terminate its role as Buyer of the acquired Sundance PPA effective March 24, 2016 (see Significant Events). Revenues, adjusted EBITDA, electricity generation, and plant availability in 2016 include the results of the acquired Sundance PPA up to the effective termination date.

[6] K2 Wind is accounted for under the equity method. Capital Power's share of the plant's net income is included in income from joint venture on the Company's Condensed Interim Consolidated Statements of (Loss) Income. The plant was commissioned on May 29, 2015 and the equivalent of Capital Power's share of the plant's revenues was $13 million for the first quarter of 2016, which is not included in the above results.

[7] Beaufort Solar was commissioned on December 22, 2015.

[8] Corporate revenues were offset by interplant category eliminations.

Energy prices and hedged positions

		Three months ended March 31		Year ended December 31, 2015
Alberta	**Unit**	**2016**	**2015**	
Hedged position [1]	Percentage sold forward at beginning of period (%)	100	97	97
Spot power price average	$ per MWh	18	29	33
Realized power price [2]	$ per MWh	52	59	55
Natural gas price (AECO) [3]	$ per gigajoule (Gj)	1.72	2.63	2.60

[1] Hedged position is for the Alberta baseload plants and acquired Sundance PPA plus a portion of Joffre and the uncontracted portion of Shepard baseload.

[2] Realized power price is the average price realized as a result of the Company's commercial contracted sales and portfolio optimization activities.

[3] AECO refers to the historical virtual trading hub located in Alberta and known as the Nova Inventory Transfer system operated by TransCanada Pipelines Limited.

Alberta commercial plants, acquired Sundance PPA and portfolio optimization

The Alberta spot power price average of $18 per MWh for the three months ended March 31, 2016 was lower than the corresponding period in 2015 which had a spot power price average of $29 per MWh. The lower average price in 2016 reflected greater generation from Shepard, which began commercial operation on March 11, 2015, as well as warmer weather and conservative dispatch offer strategies by market participants.

Generation, availability, revenues, and adjusted EBITDA for the Alberta commercial plants include results of the acquired Sundance PPA up to the effective termination date of March 24, 2016 (see Significant Events).

Generation increased 355 GWh for the three months ended March 31, 2016 compared with the corresponding period in 2015 primarily due to a full quarter of operation at Shepard in 2016 compared with less than one month of operation in 2015. This increase was partly offset by a 10-day forced outage at Keephills 3 and the termination of the acquired Sundance PPA in 2016.

Availability for three months ended March 31, 2016 was consistent with the corresponding period in 2015. Shepard experienced no outages in 2016 compared with an unplanned outage in 2015. Prior to the termination date (see Significant Events), the acquired Sundance PPA experienced fewer outage days in 2016 compared with 2015. These increases in availability were partly offset by an unplanned outage at Keephills 3 and both a planned and unplanned outage at Joffre in 2016, compared with no outages at these plants in 2015.

As a result of lower Alberta average spot prices, revenues from the Alberta commercial plants decreased for the three months ended March 31, 2016 compared with the corresponding period in 2015. Portfolio optimization revenues were lower during the first quarter of 2016, as the portfolio was fully hedged at an average realized price of $52 per MWh which was lower than the average price of $59 per MWh realized in the same period of 2015. Partly offsetting the effects of lower prices was increased revenues from Shepard as a result of the facility operating for a full quarter in 2016. Adjusted EBITDA for the three months ended March 31, 2016 was consistent with the corresponding period in 2015 primarily due to lower energy purchases and fuel expenses realized by the portfolio given lower AECO pricing year-over-year.

Alberta contracted plants

Generation and availability for the three months ended March 31, 2016 were consistent with the corresponding period in 2015. Revenues and expenses increased in 2016 compared with 2015 primarily due to higher environmental compliance costs as a result of the changes to the SGER announced in the second quarter of 2015 which became effective January 1, 2016. Contributions to the Climate Change and Emissions Management Fund increased from $15 per tonne of greenhouse gases in 2015 to $20 per tonne in 2016 and are based on a higher reduction in emissions intensity of 15% in 2016, compared with 12% in 2015. Under the terms of the PPA with the Balancing Pool, increases in environmental compliance costs for the Alberta plants are passed on to the Balancing Pool until the PPA expires at the end of 2020.

Ontario and British Columbia contracted plants

Generation and adjusted EBITDA increased in the three months ended March 31, 2016 compared with the corresponding period in 2015 due to the addition of K2 Wind in the second quarter of 2015. This increase was partly offset by decreased wind generation at Quality Wind, which primarily contributed to lower revenues in 2016 compared with 2015. Revenues for 2016 do not include the revenues of K2 Wind which is accounted for under the equity method.

U.S. contracted plants

Generation, revenues and EBITDA increased in the three months ended March 31, 2016 compared with the corresponding period in 2015 primarily due to the addition of Beaufort Solar in the fourth quarter of 2015, increased wind generation at Macho Springs and increased off-peak generation at Roxboro.

Availability decreased in the three months ended March 31, 2016 compared with the corresponding period in 2015 due to multiple forced outages at Southport and a planned outage at Roxboro in 2016. There were no outages at those plants in 2015. However, Roxboro experienced a number of de-rates in 2015 due to fuel constraints, which reduced generation in that period but did not affect the availability measure.

Corporate

Corporate includes (i) revenues for cost recoveries, (ii) the cost of support services such as treasury, finance, internal audit, legal, human resources, corporate risk management, asset management, and environment, health and safety, and (iii) business development expenses. The cost recovery revenues are primarily intercompany revenues which are offset by interplant category transactions.

The Corporate category's net expenditures for the quarter ended March 31, 2016 were consistent compared with the quarter ended March 31, 2015.

Unrealized changes in fair value of commodity derivatives and emission credits

(unaudited, $ millions)	Three months ended March 31			
Unrealized changes in fair value of commodity derivatives and emission credits	**2016**	**2015**	**2016**	**2015**
	Revenues		**Adjusted EBITDA**	
Unrealized gains on Alberta energy derivatives	13	38	1	21
Unrealized gains (losses) on natural gas derivatives	5	(28)	(2)	8
Unrealized (losses) gains on emission derivatives	(4)	2	(4)	2
Unrealized losses on emission credits held for trading	-	-	(3)	-
	14	**12**	**(8)**	**31**

The Company's financial results relating to its Alberta commercial plants and portfolio optimization include unrealized changes in the fair value of commodity and other derivatives.

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

Unrealized changes in the fair value of Alberta energy derivatives for the three months ended March 31, 2016 were immaterial compared with the unrealized net gains of $21 million for the corresponding period in 2015. The unrealized net gains for the three months ended March 31, 2015 were primarily attributed to the impact of decreasing Alberta forward power prices combined with the portfolio's net forward sales contracts.

During the three months ended March 31, 2016 the Company recognized unrealized net losses of $2 million on natural gas derivatives primarily due to decreasing natural gas forward prices combined with net forward purchase contracts. During the three months ended March 31, 2015, the Company recognized unrealized net gains of $8 million on natural gas derivatives which primarily reflected the reversal of previously recognized unrealized net losses.

Unrealized net losses of $4 million were recognized on emission derivatives for the three months ended March 31, 2016, primarily due to decreasing forward prices on allowances and renewable energy credits combined with net forward purchase contracts. Emission derivative activities for the first quarter of 2015 accounted for unrealized net gains of $2 million, primarily driven by the impact of decreasing North Carolina renewable energy credits prices combined with the portfolio's net forward sales contracts.

During the three months ended March 31, 2016, the Company recognized unrealized net losses of $3 million on emission credits held for trading, primarily due to the reversal of previously unrealized net gains.

Consolidated Other Expenses and Non-controlling Interests

(unaudited, $ millions)	Three months ended March 31	
	2016	2015
Interest on borrowings less capitalized interest	(21)	(13)
Other finance expense – sundry interest and guarantee and other fees	(1)	(1)
	(22)	(14)
Unrealized gain (loss) representing changes in the fair value of interest rate derivatives	1	(2)
Other finance expense – amortization and accretion charges	(1)	(1)
Other finance expense – finance charges incurred on early debt extinguishment	-	(1)
Total finance expense	(22)	(18)
Depreciation and amortization	(56)	(51)
Foreign exchange gain (loss)	8	(8)
Loss on termination of power purchase arrangement	(53)	-
Finance expense from joint venture	(3)	-
Income tax expense	(2)	(20)
Net loss (income) attributable to non-controlling interests	2	(10)

Finance expense

Finance expense increased primarily due to decreased capitalized interest as Shepard was completed in March 2015.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2016 increased $5 million compared with the same period in the prior year primarily due to additional expense recognized for Shepard which commenced commercial operations in March 2015.

Foreign exchange gain (loss)

Foreign exchange consisted of the gain (loss) incurred on the revaluation of U.S. dollar denominated debt not hedged (US$100 million) for accounting purposes. For the three months ended March 31, 2016, the exchange rate of the Canadian dollar relative to the U.S. dollar increased resulting in an unrealized gain of $8 million.

Loss on termination of power purchase arrangement

The Company recorded a pre-tax loss of $53 million with respect to the derecognition of the acquired Sundance PPA asset during the three months ended March 31, 2016. On March 24, 2016, the Company gave notice to terminate its role as Buyer of the acquired Sundance PPA effective March 24, 2016 (see Significant Events).

Finance expense from joint venture

Finance expense from joint venture includes Capital Power's share of finance expenses of K2 Wind accounted for under the equity method. This plant was commissioned on May 29, 2015.

Income tax expense

Income tax expense decreased $18 million due to lower taxable income partly offset by higher effective income tax rates for the three months ended March 31, 2016 compared with the same period in the prior year.

Non-controlling interests

For the three months ended March 31, 2016, none (three months ended March 31, 2015 – 18%) of CPLP's net income was attributable to EPCOR which was reported as net income attributable to non-controlling interests by the Company in 2015. Effective April 2, 2015, EPCOR disposed of all its interest in CPLP. Subsequent to April 2, 2015, non-controlling interests consist only of the Genesee Coal Mine Assets (Coal Mine) partner's share of the consolidated net income of the Coal Mine.

COMPREHENSIVE (LOSS) INCOME

(unaudited, $ millions)	Three months ended March 31	
	2016	**2015**
Net (loss) income	(8)	50
Other comprehensive (loss) income:		
Net unrealized gains on commodity derivatives designated as cash flow hedges	34	48
Net realized gains on commodity derivatives designated as cash flow hedges reclassified to revenues and/or energy purchases and fuel	(30)	(22)
Unrealized foreign exchange (losses) gains on the translation of foreign operations	(12)	16
	(8)	42
Comprehensive (loss) income	**(16)**	**92**

Other comprehensive (loss) income includes fair value adjustments on financial instruments held by the Company to hedge market risks and which meet the requirements of hedges for accounting purposes. To the extent that such hedges are ineffective, any related gains or losses are recognized in net income. Other unrealized fair value changes on derivatives designated as cash flow hedges and foreign currency translation gains or losses are subsequently recognized in net income when the hedged transactions are completed and the foreign operations are disposed of or otherwise terminated. As a result of the termination of the acquired Sundance PPA (see Significant Events), certain derivatives that were previously designated as accounting hedges were de-designated as the hedged transactions are no longer expected to occur. The de-designation resulted in the reclassification of unrealized gains of $5 million ($4 million post tax) from other comprehensive loss to net loss.

FINANCIAL POSITION

The significant changes in the Consolidated Statements of Financial Position from December 31, 2015 to March 31, 2016 were as follows:

(unaudited, $ millions)	**March 31, 2016**	**December 31, 2015**	**Increase (decrease)**	**Primary reason for increase (decrease)**
Trade and other receivables	159	190	(31)	Primarily lower generation and the timing of receipts at Quality Wind, lower Alberta pool prices and reduced generation due to the termination of the acquired Sundance PPA (see Significant Events).
Inventories	83	99	(16)	Increased sales of emission credit inventory.
Net derivative financial instruments assets	155	167	(12)	Impact of the strengthening Canadian dollar relative to the U.S. dollar on currency interest rate swaps.
Equity-accounted investment	-	10	(10)	Primarily distributions received.
Intangible assets	296	341	(45)	Derecognition of assets related to the acquired Sundance PPA (see Significant Events) partly offset by the addition of emission credits held for compliance.
Property, plant and equipment	3,636	3,679	(43)	Depreciation and amortization, partly offset by capital additions (primarily sustaining capital and Bloom Wind).
Loans and borrowings (including current portion)	1,520	1,615	(95)	Repayment of debt payable to EPCOR partly offset by increased bankers' acceptances outstanding.
Share capital	2,723	2,744	(21)	Common share purchases by Capital Power.
Deficit	(116)	(70)	(46)	Net loss and common and preferred share dividends.

LIQUIDITY AND CAPITAL RESOURCES

(unaudited, $ millions)	Three months ended March 31		
Cash inflows (outflows)	**2016**	**2015**	**Increase (decrease)**
Operating activities	131	107	24
Investing activities	(28)	(18)	(10)
Financing activities	(129)	(83)	(46)

Operating activities

Cash flows from operating activities for the three months ended March 31 increased on a quarter-over-quarter basis primarily due to distributions received from the K2 Wind joint venture and the sale of emission credit inventory in 2016.

Investing activities

Cash flows used in investing activities for the three months ended March 31 increased on a quarter-over-quarter basis primarily due to the payment in 2016 of final construction costs related to Shepard, compared with the accrual of Shepard supplier incentive costs in 2015. Purchases of property, plant and equipment and other assets were lower in 2016 primarily due to the construction of Shepard and K2 Wind in 2015, compared with minimal construction activity in 2016.

Capital expenditures and investments

(unaudited, $ millions)	**Pre-2016 Actual**	**Three months ended March 31, 2016 Actual** [1]	**Balance of 2016 Estimated** [2, 3]	**Actual or Projected Total** [3, 4]	**Timing**
Shepard	847	-	1	848	Commercial operation commenced March 2015.
Genesee 4 and 5 [5, 6]	9	1	31	700	Targeted substantial completion as early as 2020 and 2021, respectively.
Bloom Wind	-	4	166	358	Targeted completion in mid-2017.
Subtotal growth projects		**5**			
Sustaining – plant maintenance excluding Genesee mine		7			
Sustaining – Genesee mine maintenance and lands [7]		1			
Total capital expenditures		**8**			
Emission credits held for compliance		18			
Purchase of property, plant and equipment and other assets		**31**			

1 Capital expenditures exclude capitalized interest.

2 The Company's 2016 estimated capital expenditures include only expenditures for previously announced growth projects and exclude other potential new development projects.

3 Costs for the Shepard project completed in 2015 include certain costs that are expected to be incurred subsequent to the date of commercial operations such as capital spares to be received.

4 Projected capital expenditures to be incurred over the life of the project are based on management's estimates.

5 Excludes interest to fund construction and refundable transmission system contribution payments.

6 Continuation of the Genesee 4 and 5 project will be considered once sufficient detail about the CLP is released and the Company has assessed the impact on its existing Alberta assets. The construction execution of the project has been restructured at modestly higher costs and risk, to move the decision point to the fourth quarter of 2016.

7 Capital expenditures for Genesee mine maintenance represent only those capital expenditures funded by the Company for its share of the Genesee mine operation.

Financing activities

The cash flows used in financing activities for the three months ended March 31, 2016 primarily reflected the sum of common share dividends, preferred share dividends, common shares purchased, and the net repayment of loans and borrowings.

The Company's credit facilities consisted of:

(unaudited, $ millions)		As at March 31, 2016			As at December 31, 2015		
	Maturity timing	Total facilities	Credit facility utilization	Available	Total facilities	Credit facility utilization	Available
CPLP committed credit facility	2020	1,000			1,000		
Letters of credit outstanding			9			15	
Bankers' acceptances outstanding			304			212	
U.S. dollar bank loans outstanding			-			27	
		1,000	313	687	1,000	254	746
CPLP bilateral demand credit facilities	N/A	200			200		
Letters of credit outstanding			118	82		110	90
CPLP demand credit facility	N/A	20	-	20	20	-	20
Capital Power Corporation demand credit facility	N/A	5	-	5	5	-	5
		1,225	**431**	**794**	**1,225**	**364**	**861**

As at March 31, 2016, the committed credit facility utilization increased $67 million compared with the utilization as at December 31, 2015 primarily due to increased bankers' acceptances outstanding, partly offset by the repayment of U.S. dollar bank loans outstanding at December 31, 2015. The increase in bankers' acceptances outstanding was to fund the debt payment made to EPCOR in the first quarter of 2016. The committed credit facility includes an accordion feature that permits an increase to the facility size by $300 million in the future, subject to certain conditions including lender approval. The maturity date of CPLP's credit agreements is July 9, 2020.

The available credit facilities provide the Company with adequate funding for ongoing development projects.

The Company has a corporate credit rating of BBB- with a stable outlook from Standard & Poor's (S&P). The BBB rating category assigned by S&P is the fourth highest rating of S&P's ten rating categories for long-term debt obligations. According to S&P, a BBB corporate credit rating exhibits adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

The Company has a long-term debt credit rating of BBB from DBRS Limited (DBRS) and on March 10, 2016, DBRS changed the trend of the rating from stable to negative. The negative trend indicates the possibility of a downgrade to BBB (low). The BBB rating assigned by DBRS is the fourth highest rating of DBRS' ten rating categories for long-term debt obligations. According to DBRS, long-term debt rated BBB is of adequate credit quality. The capacity of the payment of financial obligations is considered acceptable but the entity is vulnerable to future events.

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

Future cash requirements

The following estimates of future cash requirements are subject to variable factors including those discussed in Forward-looking Information. Capital Power's expected cash requirements for 2016 include:

(unaudited, $millions)	2016 Expected Cash Requirements
Repayment of debt payable to EPCOR	139
Capital expenditures excluding capitalized interest and emission credits held for compliance	65
Common share dividends [1]	143
Preferred share dividends	20

[1] Includes 7% annual dividend growth, subject to approval by the Board of Directors of Capital Power.

The current portion of loans and borrowings on the March 31, 2016 Condensed Interim Consolidated Statements of Financial Position included $195 million of senior debt payable to EPCOR which was classified as current since the debt is callable and, therefore, all potentially repayable in 2016.

The Company expects to fund the construction of the Genesee 4 and 5 and Bloom Wind projects using existing bank credit facilities and cash flows from operating activities. The Company's other cash requirements identified above are expected to be funded with cash on hand, cash flows from operating activities, and use of existing bank credit facilities.

The Company uses a short-form base shelf prospectus to provide it with the ability, market conditions permitting, to obtain new debt and equity capital from external markets when required. Under the short-form base shelf prospectus, Capital Power may raise up to $3 billion by issuing common shares, preferred shares, subscription receipts exchangeable for common shares and/or other securities of the Company and/or debt securities. This prospectus expires in January 2017.

If the Canadian and U.S. financial markets become unstable, as they did particularly in the period from 2008 to 2010, Capital Power's ability to raise new capital, to meet its financial requirements, and to refinance indebtedness under existing credit facilities and debt agreements may be adversely affected. Capital Power has credit exposure relating to various agreements, particularly with respect to its PPA, trading and supplier counterparties. While Capital Power continues to monitor its exposure to its significant counterparties, there can be no assurance that all counterparties will be able to meet their commitments.

Off-statement of financial position arrangements

The Company has off-statement of financial position arrangements including operating leases and, as at March 31, 2016, $127 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements and to satisfy legislated reclamation requirements. If the Company were to terminate these off-statement of financial position arrangements, the penalties or obligations would not have a material impact on the Company's financial condition, results of operations, liquidity, capital expenditures or resources.

Capital resources

(unaudited, $ millions)	As at	
	March 31, 2016	December 31, 2015
Loans and borrowings	1,520	1,615
Finance lease obligation [1]	20	22
Less cash and cash equivalents	53	80
Net debt	1,487	1,557
Share capital	2,723	2,744
Deficit and other reserves	(50)	4
Non-controlling interests	66	68
Total equity	2,739	2,816
Total capital	**4,226**	**4,373**

[1] Includes the current portion disclosed within trade and other payables.

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The termination of the acquired Sundance PPA reduces the Company's obligations to make fixed and variable payments, which were estimated to range from $99 million to $146 million annually, adjusted for inflation, over the remaining term of the agreement (see Significant Events). There were no other changes to the Company's purchase obligations and commitments since December 31, 2015 that would be material to the Company's business or financial position. For further information on contractual obligations, refer to the Company's December 31, 2015 MD&A.

Contingent liabilities

Capital Power is participating in the Line Loss Rule (LLR) Proceeding currently underway 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 intends to address the replacement for the currently non-compliant LLR as well as the possible correction of line loss charges and credits for the years 2006 forward. This is expected to be completed in three modules. In January 2015, the AUC issued its decision in Module A of the LLR Proceeding and concluded that it has the jurisdiction and authority to retroactively adjust line loss rates. Module A was subsequently appealed by multiple parties, including the Company. Consideration of those appeals has been deferred until after the completion of Module C. Principles for the new LLR were considered in Module B and in November 2015, the AUC issued a decision in which it directed the AESO to make several changes to the currently non-compliant LLR including that it be based on an incremental loss factor methodology. The AUC also directed the AESO to file a plan and timeline for a revised LLR incorporating this new methodology and, on February 1, 2016, the AESO indicated that it will work to develop and implement the new LLR by January 1, 2017. The AESO has since

indicated that retroactive loss factors using the new LLR could be made available by the end of 2017, at the earliest. Module C of the LLR Proceeding will address the compensation, if any to be paid or received by the various parties. As at April 22, 2016, no retroactive loss factors have been produced by the AESO using the new LLR nor has any alternative or supplemental mechanism for determining retrospective adjustments been established by the AUC. It is unclear when such loss factors will be made available and the timing of a Module C decision is unknown. Capital Power may incur material additional transmission charges on a retrospective and go-forward basis but a provision has not been recorded in the Company's unaudited condensed interim consolidated financial statements since the outcome of the LLR Proceeding is not known.

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.

TRANSACTIONS WITH RELATED PARTIES

EPCOR was a related party of Capital Power until April 2, 2015, following the secondary offering and exchange of exchangeable common limited partnership units which decreased EPCOR's interest in the Company to 9.1%. The City of Edmonton, as the sole shareholder of EPCOR, was also a related party of Capital Power until April 2, 2015.

Power sales and purchases of energy, fuel, raw materials and other services transactions with EPCOR and the City of Edmonton were in the normal course of operations and were recorded at exchange amounts based on normal commercial rates. CPLP paid distributions to EPCOR for the three months ended March 31, 2015 based on EPCOR's unitholdings during that period.

(unaudited, $millions)	**Period from January 1, 2015 to April 2, 2015**
Revenues – energy sales:	
EPCOR and City of Edmonton	5
Energy purchases and fuel:	
EPCOR	-
Purchase of raw materials and other services:	
EPCOR	2
Finance expense:	
EPCOR	5
CPLP distributions paid [1]	
EPCOR	7
Repayment of unsecured senior debt payable	
EPCOR	9

[1] Distributions of $6 million were paid on April 30, 2015 based on EPCOR's unitholdings outstanding as of March 31, 2015.

RISKS AND RISK MANAGEMENT

There have been no material changes in the three months ended March 31, 2016 to the Company's business and operational risks as described in the Company's December 31, 2015 MD&A.

ENVIRONMENTAL MATTERS

The Company recorded decommissioning provisions of $186 million as at March 31, 2016 ($184 million as at December 31, 2015) for its generation plants and the Genesee coal mine as it is obliged to remove the facilities at the end of their useful lives and restore the plant and mine sites to their original condition. Decommissioning provisions for the coal mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation. The timing of reclamation activities could be accelerated and the amount of decommissioning provisions could change on enactment of the CLP.

The Company is obligated under contract to purchase environmental credits totalling approximately $180 million in the current and future years and expects to mostly use these credits to comply with applicable environmental regulations, including the proposed CCR.

USE OF JUDGMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management necessarily made estimates in determining transaction amounts and financial statement balances. There have been no significant changes to the Company's use of judgments and estimates as described in the Company's December 31, 2015 MD&A.

ACCOUNTING CHANGES

Effective January 1, 2016

The Company adopted new accounting standards as issued by the International Accounting Standards Board (IASB). The changes and impact to Capital Power are:

Standard	Description	Impact to Capital Power
Presentation of financial statements (amendments to IAS 1)	Amendments providing guidance on materiality and aggregation on the statements of financial position, clarification of presentation issues on the statements of profit or loss and other comprehensive income or loss, and providing additional examples of ways of ordering notes.	There was no impact to the Company's interim financial statement disclosures and the Company expects an insignificant impact to annual financial statement disclosures.
Acquisition of an interest in a joint operation (amendments to IFRS 11)	Provides guidance on how a joint operator accounts for the acquisition of an interest in a joint operation that is a business. It requires a joint operator to account for such an acquisition by applying IRFS 3 Business Combinations and other standards, and disclosing the relevant information specified in those IFRSs for business combinations.	No immediate impact but would affect applicable future transactions.

Future

The IASB issued the following new standards and amendments to existing standards that were not yet effective as of March 31, 2016 and which may significantly impact Capital Power:

Standard	Description	Impact to Capital Power	Effective Date
Statement of Cash Flows (amendments to IAS 7)	Amendments issued to improve disclosures of changes in financing liabilities to allow users of financial statements to evaluate changes in liabilities arising from financing activities.	Capital Power is currently analyzing the requirements to determine how best to apply them. The amendments may require further disclosures with respect to cash and non-cash debt transactions.	Effective for annual periods beginning on or after January 1, 2017.
Revenue from contracts with customers (IFRS 15)	New standard on revenue recognition consisting of a single and comprehensive framework for revenue recognition to ensure consistent treatment for all transactions in all industries and capital markets.	May change the timing of revenue recognized from any contracts with a number of discrete performance obligations (multiple-element arrangements), require separate line disclosure of credit losses, and require more extensive disclosures on annual and interim basis.	Effective for annual periods beginning on or after January 1, 2018; early application permitted and to be applied retrospectively.
Financial instruments (IFRS 9)	New standard, replacing IAS 39, which addresses requirements for classification and measurement, impairment, hedge accounting and derecognition of financial assets and liabilities.	May change the measurement of certain financial instruments and the recording of expected credit losses. Capital Power is currently analyzing the requirements to determine how best to apply them, determine system requirements, and develop the required disclosures.	Effective for annual periods beginning on or after January 1, 2018; early application permitted.
Leases (IFRS 16)	New standard which replaces IAS 17 which addresses the recognition, measurement, presentation and disclosure of leases and provides a new approach to lessee accounting, requiring lessees to recognize assets and liabilities for all leases.	Will require the Company to recognize leased assets and leased obligations with respect to its lease arrangements for office space.	Effective for annual periods beginning on or after January 1, 2019. Early application is permitted if IFRS 15 has also been applied.

FINANCIAL INSTRUMENTS

The classification, carrying amounts and fair values of financial instruments held at March 31, 2016 and December 31, 2015 were as follows:

(unaudited, $ millions)	Classification	Fair value hierarchy level [1]	March 31, 2016 Carrying amount	March 31, 2016 Fair value	December 31, 2015 Carrying amount	December 31, 2015 Fair value
Financial assets:						
Cash and cash equivalents	Loans and receivables	N/A	53	53	80	80
Trade and other receivables	Loans and receivables	N/A	159	159	190	190
Derivative financial instruments assets – current and non-current	Financial assets designated at fair value through income or loss	Level 2	245	245	220	220
Finance lease receivables	Loans and receivables	Level 2	683	778	689	786
Other financial assets	Loans and receivables	Level 2	10	10	12	12
Financial liabilities:						
Trade and other payables (excluding current portion of finance lease obligation)	Other financial liabilities	N/A	158	158	180	180
Derivative financial instruments liabilities – current and non-current	Financial liabilities designated at fair value through income or loss	Level 2	90	90	53	53
Finance lease obligation (including current portion disclosed within trade & other payables)	Other financial liabilities	Level 2	20	21	22	22
Loans and borrowings (including current portion)	Other financial liabilities	Level 2	1,520	1,550	1,615	1,623

[1] Fair values for Level 1 financial assets and liabilities are based on unadjusted quoted prices in active markets for identical instruments while fair values for Level 2 financial assets and liabilities are generally based on indirectly observable prices. The determination of fair values for Level 3 financial assets and liabilities is performed by the Company's commodity risk group and reviewed by management. As at March 31, 2016 and December 31, 2015, the Company did not classify any financial instruments in Level 3 of the fair value hierarchy.

Risk management and hedging activities

There have been no material changes in the three months ended March 31, 2016 to the Company's risk management and hedging activities as described in the Company's December 31, 2015 MD&A.

The derivative financial instruments assets and liabilities held at March 31, 2016 compared with December 31, 2015 and used for risk management purposes were measured at fair value and consisted of the following:

(unaudited, $ millions)	As at March, 2016				
	Commodity cash flow hedges	Commodity non-hedges	Foreign exchange hedges	Interest rate non-hedges	Total
Derivative financial instruments assets	74	110	52	9	245
Derivative financial instruments liabilities	(7)	(69)	-	(14)	(90)
Net derivative financial instruments assets (liabilities)	**67**	**41**	**52**	**(5)**	**155**

(unaudited, $ millions)	As at December 31, 2015				
	Commodity cash flow hedges	Commodity non-hedges	Foreign exchange hedges	Interest rate non-hedges	Total
Derivative financial instruments assets	64	83	68	5	220
Derivative financial instruments liabilities	(4)	(38)	-	(11)	(53)
Net derivative financial instruments assets (liabilities)	**60**	**45**	**68**	**(6)**	**167**

Commodity and foreign exchange derivatives designated as accounting hedges

Unrealized gains and losses for fair value changes on commodity and foreign exchange derivatives that qualify for hedge accounting are recorded in other comprehensive income and, when realized, are reclassified to net income as revenues, energy purchases and fuel or foreign exchange gains and losses. As a result of the termination of the acquired Sundance PPA (see Significant Events), certain derivatives that were previously designated as accounting hedges were de-designated as the hedged transactions are no longer expected to occur. The Company performed a hedge effectiveness test before and after the de-designation and concluded no ineffectiveness was present. Unrealized gains and losses associated with these de-designated hedges will flow through net income as revenues starting in the first quarter of 2016.

Commodity and interest rate derivatives not designated as accounting hedges

The change in fair values of commodity derivatives not designated as hedges is primarily due to changes in forward Alberta power prices and their impact on the Alberta power portfolio. Unrealized and realized gains and losses for fair value changes on commodity derivatives that do not qualify for hedge accounting are recorded in net income as revenues or energy purchases and fuel.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no significant changes in the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the three months ended March 31, 2016 that have materially affected or are reasonably likely to materially affect the Company's disclosures of required information and internal control over financial reporting.

SUMMARY OF QUARTERLY RESULTS

(GWh)	Three months ended							
Electricity generation	**Mar 31 2016**	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**
Total generation excluding acquired Sundance PPA	3,898	3,929	3,687	3,553	3,398	3,204	3,220	2,711
Alberta commercial plants and acquired Sundance PPA								
Genesee 3	474	500	498	491	493	369	473	438
Keephills 3	388	489	258	436	457	433	461	381
Clover Bar Energy Centre 1, 2 and 3	48	41	39	98	70	45	77	66
Joffre	83	84	62	76	86	58	77	71
Shepard	577	387	572	443	60	N/A	N/A	N/A
Halkirk	124	129	88	107	136	146	86	92
Clover Bar Landfill Gas	1	1	2	3	2	3	3	5
Alberta commercial plants – owned	1,695	1,631	1,519	1,654	1,304	1,054	1,177	1,053
Acquired Sundance PPA [1]	655	717	688	565	691	819	673	521
	2,350	2,348	2,207	2,219	1,995	1,873	1,850	1,574
Alberta contracted plants								
Genesee 1	843	842	865	608	815	857	854	771
Genesee 2	833	861	843	838	836	856	841	546
	1,676	1,703	1,708	1,446	1,651	1,713	1,695	1,317
Ontario and British Columbia contracted plants								
Island Generation	-	5	37	37	-	9	6	-
K2 Wind	71	102	46	19	N/A	N/A	N/A	N/A
Kingsbridge 1	34	36	13	21	31	35	14	22
Port Dover and Nanticoke	95	95	44	69	91	91	51	66
Quality Wind	91	121	97	82	108	101	71	80
	291	359	237	228	230	236	142	168
U.S. contracted plants								
Roxboro, North Carolina	66	77	76	70	59	74	73	58
Southport, North Carolina	127	131	128	118	129	122	133	115
Beaufort Solar, North Carolina	7	-	N/A	N/A	N/A	N/A	N/A	N/A
Macho Springs, New Mexico	36	28	19	37	25	5	N/A	N/A
	236	236	223	225	213	201	206	173

[1] The Company gave notice to terminate its role as Buyer of the acquired Sundance PPA effective March 24, 2016 (see Significant Events). Results of the acquired Sundance PPA were recognized up to March 24, 2016.

(%)	Three months ended							
Plant availability	**Mar 31 2016**	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**
Total average plant availability excluding acquired Sundance PPA	97	99	95	90	98	94	97	92
Alberta commercial plants and acquired Sundance PPA								
Genesee 3	99	100	100	100	100	74	97	96
Keephills 3	90	100	63	97	100	92	100	100
Clover Bar Energy Centre 1, 2 and 3	99	97	88	95	97	90	97	98
Joffre	89	100	100	87	99	82	95	95
Shepard	100	98	100	73	80	N/A	N/A	N/A
Halkirk	99	96	97	98	99	98	91	98
Clover Bar Landfill Gas	99	84	81	93	100	87	58	83
Alberta commercial plants – owned	96	98	92	89	97	87	96	97
Acquired Sundance PPA [1]	95	92	91	79	92	96	85	67
	96	96	92	86	95	91	91	84
Alberta contracted plants								
Genesee 1	100	99	100	72	98	100	100	96
Genesee 2	99	100	98	100	100	100	99	66
	99	100	99	86	99	100	99	81
Ontario and British Columbia contracted plants								
Island Generation	100	100	100	100	100	100	99	100
K2 Wind	99	99	98	98	N/A	N/A	N/A	N/A
Kingsbridge 1	94	98	94	95	97	96	93	97
Port Dover and Nanticoke	97	98	95	97	99	97	98	94
Quality Wind	99	98	94	97	98	98	93	99
	99	99	97	98	99	98	97	98
U.S. contracted plants								
Roxboro, North Carolina	89	99	94	87	97	100	100	96
Southport, North Carolina	83	93	94	88	89	88	85	93
Beaufort Solar, North Carolina	98	100	N/A	N/A	N/A	N/A	N/A	N/A
Macho Springs, New Mexico	97	96	96	99	99	99	N/A	N/A
	89	96	95	91	94	92	90	94

[1] The Company gave notice to terminate its role as Buyer of the acquired Sundance PPA effective March 24, 2016 (see Significant Events). Results of the acquired Sundance PPA were recognized up to March 24, 2016.

Financial results

(unaudited, $ millions)	Three months ended							
	Mar 31 2016	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**
Revenues								
Alberta commercial plants, acquired Sundance PPA and portfolio optimization [1]	188	199	237	130	216	178	119	127
Alberta contracted plants	71	70	72	67	66	69	76	58
Ontario and British Columbia contracted plants	34	40	23	25	36	36	21	25
U.S. contracted plants	32	30	29	28	27	22	22	22
Corporate [2]	2	1	2	4	1	2	2	21
Unrealized changes in fair value of commodity derivatives and emission credits	14	1	106	(171)	12	125	8	(13)
	341	**341**	**469**	**83**	**358**	**432**	**248**	**240**
Adjusted EBITDA								
Alberta commercial plants, acquired Sundance PPA and portfolio optimization [1]	64	70	72	49	63	60	49	43
Alberta contracted plants	42	45	52	45	42	41	44	34
Ontario and British Columbia contracted plants [3]	38	45	22	21	30	29	15	18
U.S. contracted plants	8	10	6	6	5	1	3	3
Corporate	(24)	(24)	(25)	(27)	(24)	(27)	(25)	(7)
Unrealized changes in fair value of commodity derivatives and emission credits	(8)	(12)	27	(47)	31	37	5	(13)
	120	**134**	**154**	**47**	**147**	**141**	**91**	**78**

[1] The Company gave notice to terminate its role as Buyer of the acquired Sundance PPA effective March 24, 2016 (see Significant Events). Results of the acquired Sundance PPA were recognized up to March 24, 2016.

[2] Revenues are offset by interplant category revenue eliminations.

[3] Commencing with the first quarter of 2016, the reported Ontario and British Columbia contracted plants' adjusted EBTIDA was changed to include the adjusted EBITDA from joint venture and the applicable comparative periods have been adjusted to conform to the current period's presentation.

Quarterly revenues, net income and cash flows from operating activities are affected by seasonal weather conditions, fluctuations in U.S. dollar exchange rates relative to the Canadian dollar, power and natural gas prices, planned and unplanned plant outages and items outside the normal course of operations. Net income is also affected by changes in the fair value of the Company's power, natural gas, foreign exchange and interest rate derivative contracts.

Financial highlights

(unaudited, $ millions except per share amounts)	Three months ended							
	Mar 31 2016	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**
Revenues	341	341	469	83	358	432	248	240
Adjusted EBITDA [1,2]	120	134	154	47	147	141	91	78
Net (loss) income	(8)	34	50	(48)	50	48	(57)	21
Net (loss) income attributable to shareholders of the Company	(6)	35	49	(34)	40	39	(45)	20
Basic (loss) earnings per share ($)	(0.11)	0.29	0.44	(0.39)	0.41	0.40	(0.62)	0.17
Normalized earnings per share ($) [1]	0.33	0.42	0.33	0.10	0.32	0.20	0.12	0.07
Funds from operations [1,3]	109	125	97	70	108	102	83	85
Purchase of property, plant and equipment and other assets	31	17	36	35	52	57	25	63

[1] The consolidated financial highlights, except for adjusted EBITDA, normalized earnings per share and funds from operations, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

[2] Commencing with the first quarter of 2016, the reported Ontario and British Columbia contracted plants' adjusted EBTIDA was changed to include the adjusted EBITDA from joint venture and the applicable comparative periods have been adjusted to conform to the current period's presentation.

[3] Commencing with the Company's December 31, 2014 quarter-end, the reported funds from operations measure was changed to remove the impact of fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty.

	Three months ended							
Spot price averages	**Mar 31 2016**	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**
Alberta power ($ per MWh)	18	21	26	57	29	30	64	42
Alberta natural gas (AECO) ($ per Gj)	1.72	2.35	2.77	2.52	2.63	3.43	3.81	4.46
Capital Power's Alberta portfolio average realized power price ($ per MWh)	52	55	61	46	59	58	56	57

Factors impacting results for the previous quarters

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

For the quarter ended December 31, 2015, the Company recorded net income attributable to shareholders of $35 million and normalized earnings per share of $0.42, compared to $39 million and $0.20, respectively for the quarter ended December 31, 2014. Net income attributable to common shareholders was lower for the quarter compared to the same quarter last year primarily due to lower adjusted EBITDA, increased depreciation on new assets and finance expense on additional plant financing, partially offset by the contribution of K2 equity earnings and lower taxes. Generating plants contributed higher adjusted EBITDA for the fourth quarter with higher generation across the fleet, including the fully hedged Alberta baseload units, the addition of Shepard and a full quarter of Macho Springs compared to the same quarter last year. These additions were more than offset by the quarter over quarter decrease in unrealized changes in the fair value of derivative contracts. In the fourth quarter of 2014, the Company reported unrealized gains of $37 million due to declining forward prices on its forward sales contracts. In the fourth quarter of 2015, the Company reported unrealized losses on its forward electricity sales contracts upon reversal of prior quarter gains and declining prices on its long natural gas position. Normalized earnings per share of $0.42 in the fourth quarter of 2015 was higher than the comparable amount of $0.20 in the fourth quarter of 2014 primarily due to the increase in adjusted EBITDA after removing the effects of unrealized changes in fair value of derivative contracts.

The results for the third quarter of 2015 reflected strong portfolio optimization results due to the forward sale of 100% of its commercial production realizing a price of $61 per MWh compared with the $26 per MWh Alberta spot power price average for the three months ended September 30, 2015. Alberta commercial plant results reflected the Keephills 3 planned outage and an unplanned outage at Clover Bar Energy Centre Unit 2. The Alberta electricity portfolio accounted for unrealized net gains of $27 million due to decreasing Alberta forward prices combined with the portfolio's net forward sales contracts.

The results for the second quarter of 2015 reflected volatility in Alberta power prices where spot prices averaged $97 per MWh in June due to warmer weather compared with $21 per MWh in April 2015 and $54 per MWh in May 2015. The positive EBITDA realized by the Alberta plants was partly offset by portfolio optimization results. With commercial production 100% sold forward in the quarter, the Company was required to cover a short market position at higher

prices. Capital Power's second quarter 2015 results were also negatively impacted by the announcement of an increase to the Alberta statutory income tax rate, which resulted in $19 million of additional income tax expense for the quarter. The Alberta government also announced changes to Alberta's regulations governing carbon emissions with increases to the required reduction in emissions intensity and cost of compliance. Capital Power announced a 7.4% increase in the annual dividend for holders of its common shares commencing with the third quarter dividend paid on October 30, 2015.

The results for the quarter ended March 31, 2015 reflected the impact of low Alberta power pricing averaging $29 per MWh. Alberta commercial plant results reflected the commencement of operations at Shepard. Portfolio optimization results were strong since the Company was fully hedged at an average realized price of $59 per MWh. The Alberta electricity portfolio accounted for unrealized net gains of $21 million due to decreasing Alberta forward prices combined with the portfolio's net forward sales contracts.

The results for the quarter ended December 31, 2014 reflected the Genesee 3 major planned outage and the impact of low Alberta power pricing averaging $30 per MWh. Portfolio optimization revenues were strong since the Company hedged a greater portion of its baseload generation by entering into more contracts. Captured prices realized through portfolio optimization were greater than spot prices during the fourth quarter of 2014. Alberta commercial plant results included an $8 million recovery on settlement of a claim with a turbine supplier relating to a component failure at Genesee 3 in 2008. Adjusted EBITDA for the Alberta contracted plants was negatively impacted by costs associated with the wind-up of the Genesee coal mine's defined benefit pension plan. Significant events during the quarter were the acquisition of renewable development sites and the receipt of all major regulatory approvals for Genesee 4 and 5.

Financial results for the third quarter of 2014 reflected the impact of an extended planned outage and other unplanned outages at the acquired Sundance PPA units and derates at the Keephills 3 plant. The outages occurred primarily in July 2014 coinciding with a period of pricing volatility with Alberta spot power prices in July averaging $122 per MWh compared with $45 per MWh in August 2014 and $24 per MWh in September 2014. With commercial production 100% sold forward in July 2014, the resulting short position was covered at the higher prices. Capital Power's third quarter 2014 net income was also negatively impacted by a non-cash write-down of deferred tax assets of $73 million. The write-down related to the accounting impact of U.S. income tax loss carryforwards that could no longer be recognized for accounting purposes based on the Company's long-term forecast for U.S. taxable income.

In the second quarter of 2014, the results for the Alberta commercial plants reflected seasonally low Alberta power prices, lower generation from the acquired Sundance PPA units, and lower generation at Genesee 3 caused by transmission constraints. However, the results for the Alberta contracted plants were positively impacted by lower rolling average pool prices which caused lower availability penalties on outages in the second quarter of 2014 compared with the same quarter in 2013. Capital Power recorded revenues of $20 million arising from the amendment of the Genesee Coal Mine Agreements. The Company announced a 7.9% increase in the annual dividend for holders of its common shares commencing with the third quarter 2014 quarterly dividend payment.

SHARE AND PARTNERSHIP UNIT INFORMATION

Quarterly common share trading information

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

	Three months ended							
	Mar 31 2016	**Dec 31 2015**	**Sep 30 2015**	**Jun 30 2015**	**Mar 31 2015**	**Dec 31 2014**	**Sep 30 2014**	**Jun 30 2014**
Share price ($/common share)								
High	18.93	20.21	22.42	25.58	27.12	28.14	28.71	26.49
Low	16.37	15.41	18.28	21.53	23.77	24.50	25.75	24.07
Close	18.00	17.77	18.88	21.54	24.51	26.00	26.75	26.37
Volume of shares traded (millions)	19.2	20.5	19.4	21.1	18.8	13.9	12.5	13.9

Outstanding share and partnership unit data

As at April 19, 2016, the Company had 96.134 million common shares outstanding, 5 million Cumulative Rate Reset Preference Shares, Series 1 outstanding, 6 million Cumulative Rate Reset Preference Shares, Series 3, 8 million Cumulative Rate Reset Preference Shares, Series 5, and one special limited voting share outstanding. Assuming full conversion of the outstanding and issuable share purchase options to common shares and ignoring exercise prices, the outstanding and issuable common shares as at April 19, 2016 were 100.821 million. The outstanding special limited voting share is held by EPCOR.

As at April 19, 2016, CPLP had 21.750 million general partnership units outstanding and 80.953 million common limited partnership units outstanding. All of the outstanding general partnership units and the outstanding common limited partnership units are held, indirectly, by the Company.

ADDITIONAL INFORMATION

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