Capital Power Announces Agreement to Sell New England Assets and Refocusing of Merchant Power Business on Alberta

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- **Capital Power to sell New England merchant generation facilities to Emera Inc. for US$541 million**
- **Re-focusing boosts immediate and long-term value for shareholders, reduces merchant risk and lowers costs**

EDMONTON, Alberta – Capital Power Corporation (TSX: CPX) and Capital Power L.P., the legal entity that indirectly holds substantially all of Capital Power Corporation's assets (together, Capital Power or the Company), today announced that Emera Inc. (Emera) (TSX: EMA) has entered into an agreement to acquire Capital Power's three New England combined cycle, natural gas-fired power generation facilities for US$541 million.

The facilities are Bridgeport Energy, a 520-megawatt power station in Bridgeport, CT, that has been operational since 1999; Tiverton Power, a 265-megawatt power station in Tiverton, RI, that has been operational since 2000; and Rumford Power, a 265-megawatt power station in Rumford, ME, that has been operational since 2000. The transaction includes certain emissions credits.

"The transaction is consistent with our focus on enhancing Capital Power's returns for shareholders while rebalancing risk in our portfolio," said Capital Power President & CEO Brian Vaasjo. "The sale proceeds for the New England assets will be redeployed to reduce our merchant risk profile and provide more predictable earnings and cash flow."

Capital Power's merchant power activities will now be focused on Alberta. The company will continue to pursue growth in contracted power generation across North America.

"Focusing Capital Power's business is the best way to create immediate and long-term value for shareholders and balance the Company's merchant and contracted portfolio," said Capital Power President & CEO Brian Vaasjo. "While we will continue to pursue contracted power generation opportunities throughout North America, growth in our merchant power business and our trading activities will now be focused on North America's strongest power market, Alberta."

"Our re-focusing reflects the fact that North American power markets have evolved over the past several years." Mr. Vaasjo continued. "Capital Power can now pursue higher value investment opportunities in the fast-growing Alberta market. For example, we expect the Shepard Energy Centre to deliver improved returns for shareholders, and provide a combination of contracted and merchant cash flow that reduces Capital Power's portfolio risk and earnings volatility."

The Company will wind down its commodity and energy trading business outside Alberta before year end, closing its Toronto office immediately and its Chicago office in 2014. Energy trading and portfolio management activities will continue within Alberta. Focused teams in Alberta, Boston and San Diego will continue to pursue growth, seeking contracted development and acquisition opportunities across North America, and both merchant and contracted opportunities within Alberta.

"The Alberta merchant focus has significant implications for the organization," said Bryan DeNeve, Capital Power's Senior Vice President Corporate Development & Commercial Services. "Our employee base and operating complexity is significantly reduced by the divestiture of the northeast U.S. plants, and resources will no longer be required to support power or gas trading in U.S. markets or the pursuit of merchant growth opportunities outside Alberta."

"Beginning in the first quarter of 2014, we expect the overall financial impact of the business refocusing, excluding the sale of the New England facilities themselves, to reduce annual expense spending by approximately $25 million to $30 million, boost annualized earnings per share by $0.20 to $0.25 and increase cash flow per share by approximately $0.25 to $0.30, net of the trading margins that would have been expected to be earned," said Senior Vice President & CFO Stuart Lee. "Associated with these changes, we also expect to take a restructuring charge of approximately $10 million in the third quarter."

"Capital Power is now in a position to fully fund the remaining investment required for our 50% interest in the Shepard Energy Centre from proceeds from the New England sale, existing resources and future operating cash flows," said Mr. Lee. "We expect to fund Capital Power's existing growth opportunities without further equity issuances, save for the continuing operation of our dividend reinvestment program."

The Shepard investment adds new stable cash flows for Capital Power through a 20-year tolling agreement on 50% of the owned capacity, and contracting and hedging agreements for the 2013 – 2017 period.

"Capital Power's business will be simpler and more focused after these actions, and the right size to be competitive for the future," Mr. Vaasjo concluded. "Our investment thesis is now clearer and easier to evaluate: Capital Power will provide investors with a stable and growing contracted cash flow base, with upside exposure to the Alberta power market, while operating a leaner core business. And we expect to provide our employees with an efficient and clearly organized company where they can grow their careers, and the opportunity to operate facilities that are industry leaders in performance and safety."

The New England transaction is expected to close in the fourth quarter of 2013, subject to regulatory approvals and other customary closing conditions. The gross proceeds approximate the expected carrying value of the assets projected at close. As part of the transaction, Capital Power expects to take a valuation allowance against the Company's U.S. deferred tax assets (net operating loss carry forwards that the Company will continue to retain) which will negatively impact net income, partially offset by a foreign exchange gain. After closing costs, tax expense and foreign exchange gains, the Company expects to record a small loss related to the transaction. Morgan Stanley & Co. LLC served as sole financial advisor to Capital Power on the transaction.

Analyst Call

Management will host a conference call with analysts on August 29, 2013 at 10:00 AM (ET). 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 1051010# followed by participant code 21543#. The replay will be available until midnight on October 29, 2013. Interested parties may also access the live webcast on the Company's website at www.capitalpower.com with an archive of the webcast available following the conference call.

About Capital Power

Capital Power (TSX: CPX) 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. Following the close of the New England transaction, Capital Power will own more than 2,500 megawatts of power generation capacity at 13 facilities, and an additional 371 megawatts of capacity through PPAs. An additional 595 megawatts of owned generation capacity is under construction or in advanced development in Alberta and Ontario.

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 information with respect to: (i) expectations regarding future merchant and contracted business activities and investments, (ii) expectations regarding the returns and risk profile of the Company's planned investments, (iii) expectations regarding future annual expenses, earnings per share, cash flow per share and restructuring expenses, (iv) expectations and assumptions concerning satisfaction of all conditions of closing of the transaction and the timing, effect and fact of a successful closing of the New England transaction; and (v) expectations regarding the Company's use of the funds received as sale proceeds.

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 and 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 commodity prices in markets in which the Company operates 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 expenditures, (v) ability to fund current and future capital and working capital needs, (vi) acquisitions and developments including timing and costs of regulatory approvals and construction, (vii) changes in market prices and availability of fuel, and (vii) changes in general economic and competitive conditions.

See Risks and Risk Management in the Company's December 31, 2012 annual Management's Discussion and Analysis for further discussion of these and other risks.

For more information, contact:

Media Inquiries:	Mike Sheehan 780-392-5222
Investor Relations:	Randy Mah 780-392-5305 (866) 896-4636 (toll-free)