Capital Power provides 2017 targets and dividend growth guidance

Company reaffirms annual dividend growth to 2018, provides expectations for coal phase-out compensation, and advances development of a proposed wind project in southeastern Alberta

EDMONTON, AB--(Marketwired - December 15, 2016) - At its annual Investor Day event in Toronto today, Capital Power Corporation (TSX: CPX) ("Capital Power" or "the Company") will provide financial and operational targets for 2017, highlight corporate developments, and affirm its dividend growth guidance to 2018. The Company will also discuss its outlook, including the implementation of its disciplined growth strategy and its strategic positioning as Alberta transitions to a capacity market for electricity.

"Capital Power's strong operational performance and contracted cash flows will fund increased dividends and execution of the Company's disciplined growth strategy," said Brian Vaasjo, President and CEO of Capital Power. "The entry into service of our Bloom Wind project will add to our contracted cash flows in 2017, and the commencement of coal compensation payments will further strengthen our financial position."

"Based on Capital Power's projected cash flows over the next two years, which include the initial coal compensation payments from the Alberta government, the Company is well positioned to add to its fleet of contracted power generation assets across North America and deliver on its 7% annual dividend growth guidance through 2018," continued Mr. Vaasjo. "We continue to advance our development sites and contracted growth opportunities in Canada and the United States."

"Capital Power has the people, the assets and the expertise to succeed in Alberta's evolving power market, and to expand our contracted generation footprint outside Alberta," said Mr. Vaasjo. "The Alberta government has committed to implement a capacity market for electricity in a way that treats existing investments fairly, and promotes a level playing field between existing and new generation. We are actively participating in consultations on market design, and pursuing renewable and thermal development opportunities that will be competitive in the Alberta market. The Genesee 4/5 project remains well-positioned to supply Alberta's future electricity needs, and today we are announcing commercial agreements that will advance our proposed Whitla wind project in southeastern Alberta."

Corporate developments

Agreement for the development of a wind project in Alberta

Capital Power has signed agreements that will advance the development of the Whitla Wind project in the County of Forty Mile, located southwest of Medicine Hat, Alberta.

Capital Power controls the site and will be the developer for the proposed 300 megawatt (MW) project, which is expected to be completed in two 150 MW phases. The agreement provides for seven years of wind measurement data that will be used in Whitla Wind's development. The first phase is planned to be bid into the Alberta Electricity System Operator's (AESO) first competition under their Renewable Electricity Program. AESO's first competition is expected in early 2017, and will procure up to 400 MW of renewable electricity generation to enter into operation in 2019. Whitla Wind could be further expanded, with additional phases possible through asset acquisition or additional greenfield development of nearby lands.

Expectations for coal phase-out compensation

As announced on November 24, 2016, Capital Power will receive cash payments from the Government of Alberta of $52.4 million annually for 14 years, commencing July 31, 2017, as compensation for the capital that the Company invested in coal generating assets that will be "stranded" effective December 31, 2030. The Government of Alberta is AA-rated by S&P.

For accounting purposes, the payments will be treated as a government grant, recognized as other income, and included as a component of adjusted EBITDA through 2030. Net income and EPS will reflect the difference between the coal compensation received, and accelerated depreciation due to the shortened useful lives of the stranded components of the Company's coal assets. Based on current coal assets, depreciation expenses are expected to increase by up to $27 million for the next five years, resulting in a net positive impact to annual earnings of approximately $0.19 per share. Given that compensation has now been announced, the Company will update impairment testing for its Alberta assets as a part of its year-end process but does not expect an impairment to result.

Outlook for 2017

At its Investor Day, the Company will discuss its corporate priorities and financial targets for 2017 including:

- A capacity-weighted average plant availability of 95%, reflecting planned outages at Genesee 1 and Keephills 3,

- Plant maintenance capital and sustaining capital expenditures of up to $85 million, and plant operating and maintenance expenses of $195 million to $215 million,
- Adjusted funds from operations (AFFO) of $305 million to $345 million, based on 100% of the Alberta commercial portfolio position hedged at an average contracted price in the mid-$40 per megawatt hour,
- Dividend increase of 7% in-line with its annual dividend growth expectations.

Investor Day event and webcast information

Capital Power's Investor Day event is being held today at the St. Andrew's Club and Conference Centre (150 King Street West, 16th floor) in Toronto. Registration begins at 8:30 am (ET) with presentations starting at 9:00 am. A live audio webcast of the event is available on the Company's website at www.capitalpower.com. The presentation slides and webcast will be archived and accessible for replay.

Non-GAAP Financial Measures

The Company uses (i) adjusted EBITDA and (ii) adjusted funds from operations 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.

Forward-looking Information

Certain information in this news release is forward-looking within the meaning of Canadian securities law as it relates to anticipated financial and operating performance, events or strategies. The forward-looking information or statements are provided to inform the Company's shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this press release is generally identified by words such as will, anticipate, believe, plan, intend, target, and expect or similar words that suggest future outcomes.

Material forward-looking information in this press release includes expectations regarding: (i) adjusted funds from operations, maintenance capital and sustaining capital expenditures, and operating and maintenance expenses, (ii) consistent growth of dividends, (iii) the impact of environmental regulations on Capital Power and its business, including, but not limited to, emissions compliance costs, (iv) commercial operations date for Bloom Wind, (v) Alberta's electricity market structure, (vi) carbon credits and the price of electricity in Alberta, (vii) Capital Power's ability to compete for new projects, (viii) the development of new projects, and (ix) plant availability.

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

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

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. Capital Power owns more than 3,200 megawatts of power generation capacity at 18 facilities across North America. More than 700 megawatts of owned generation capacity are in advanced development in Alberta and under construction in Kansas.

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