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For release: April 29, 2019

Capital Power reports solid first quarter 2019 results

Results highlighted by strong cash flow generation in the quarter

EDMONTON, Alberta – Capital Power Corporation (TSX: CPX) today released financial results for the quarter ended March 31, 2019.

First Quarter Highlights

- Achieved excellent operating performance with 96% facility availability
- Generated net cash flows from operating activities of $286 million and adjusted funds from operations of $117 million
- Entered into a heat rate call option agreement with an investment grade counterparty covering periods outside of Arlington Valley's existing summer tolling agreements

Net cash flows from operating activities were $286 million in the first quarter of 2019 compared with $143 million in the first quarter of 2018. Adjusted funds from operations (AFFO) were $117 million in the first quarter of 2019, compared to $85 million in the first quarter of 2018. AFFO per share was $1.15 in the first quarter of 2019 compared to $0.82 in the first quarter of 2018.

Net income attributable to shareholders in the first quarter of 2019 was $61 million and basic earnings per share was $0.49 per share, compared with net income attributable to shareholders of $41 million, and basic earnings per share of $0.30, in the comparable period of 2018. Normalized earnings attributable to common shareholders in the first quarter of 2019, after adjusting for non-recurring items and fair value adjustments, were $30 million or $0.29 per share compared with $29 million or $0.28 per share in the first quarter of 2018.

"Capital Power's financial results for the first quarter of 2019 were in line with management's expectations," said Brian Vaasjo, President and CEO of Capital Power. "Alberta spot power price averaged $69 per megawatt hour (MWh) in the first quarter due to unseasonably cold temperatures and higher natural gas prices and was the highest quarterly power price in over five years. Our financial results benefitted from strong operating performance in Alberta with nearly 100% availability and higher electricity generation. This contributed to the Company capturing an average realized power price of $58/MWh compared to $47/MWh for the same period a year ago."

"We continue to have a positive outlook for Alberta power prices that has averaged nearly $60/MWh in the last 12 months. Based on our forecast for the remainder of the year, we now expect adjusted funds from operations for 2019 to be in the upper end of our annual guidance range," stated Mr. Vaasjo.

Operational and Financial Highlights [1] (unaudited)	**Three months ended March 31**	
(millions of dollars except per share and operational amounts)	**2019**	**2018**
Electricity generation (Gigawatt hours)	5,782	5,026
Generation facility availability	96%	96%
Revenues and other income [3]	$ 397	$ 313
Adjusted EBITDA [2, 3]	$ 202	$ 179
Net income [3]	$ 60	$ 39
Net income attributable to shareholders of the Company [3]	$ 61	$ 41
Basic and Diluted earnings per share [3]	$ 0.49	$ 0.30
Normalized earnings attributable to common shareholders [2, 3]	$ 30	$ 29
Normalized earnings per share [2, 3]	$ 0.29	$ 0.28
Net cash flows from operating activities	$ 286	$ 143
Adjusted funds from operations [2]	$ 117	$ 85
Adjusted funds from operations per share [2]	$ 1.15	$ 0.82
Purchase of property, plant and equipment and other assets	$ 51	$ 40
Dividends per common share, declared	$ 0.4475	$ 0.4175

1 The operational and financial highlights in this press release should be read in conjunction with Management's Discussion and Analysis and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019.

2 Earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from its joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits (adjusted EBITDA), normalized earnings attributable to common shareholders, normalized earnings per share, adjusted funds from operations and adjusted funds from operations per share are non-GAAP financial measures and do not have standardized meanings under GAAP and are, therefore, unlikely to be comparable to similar measures used by other enterprises. See Non-GAAP Financial Measures.

3 Prior quarter amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16 - *Leases*.

Significant Events

Heat rate call option at Arlington Valley

During the first quarter of 2019, the Company entered into a heat rate call option agreement ("HRCO") with an investment grade counterparty covering the periods outside of Arlington Valley's existing summer tolling agreements. The HRCO commenced on April 1, 2019 and terminates December 31, 2025, covering (i) April and November-December 2019 and (ii) January-May and October-December 2020-2025. Pursuant to the HRCO the counterparty has the right to call the plant in exchange for fixed monthly premiums plus reimbursements for fuel at an indexed price, variable operating and maintenance expense and start charges. Adjusted EBITDA and AFFO from the Arlington Valley facility during the period covered by the HRCO is expected to be consistent with the guidance provided at the time the acquisition was announced.

Appointment to the Board of Directors

Effective March 1, 2019, Jane Peverett was appointed to the Capital Power Board of Directors.

Subsequent Event

Appointment to the Board of Directors

Effective April 26, 2019, Robert Phillips was appointed to the Capital Power Board of Directors.

Analyst conference call and webcast

Capital Power will be hosting a conference call and live webcast with analysts on April 29, 2019 at 9:00 am (MDT) to discuss the first quarter financial results. The conference call dial-in numbers are:

(604) 638-5340 (Vancouver)
(403) 351-0324 (Calgary)
(416) 915-3239 (Toronto)
(514) 375-0364 (Montreal)
(800) 319-4610 (toll-free from Canada and USA)

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 conclusion of the analyst conference call.

Non-GAAP Financial Measures

The Company uses (i) earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from its joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits (adjusted EBITDA), (ii) adjusted funds from operations, (iii) adjusted funds from operations per share (iv) normalized earnings attributable to common shareholders, and (v) 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 facilities and categories of facilities from period to period. Management believes that a measure of facility operating performance is more meaningful if results not related to facility 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, 2019 quarter-end, adjusted EBITDA excludes unrealized changes in fair value of commodity derivatives and emission credits which were previously included in adjusted EBITDA. This change was made to better align the Company's measure of adjusted EBITDA with its other non-GAAP measures, as both the adjusted funds from operations and the normalized earnings per share measures exclude the impacts of unrealized changes in fair value of commodity derivatives and emission credits. This change also results in improved period over period comparability of adjusted EBITDA.

Comparative figures have been restated to reflect the above change to the adjusted EBITDA metric.

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

(unaudited, $ millions)	Three months ended							
	Mar 2019	**Dec 2018**	**Sep 2018**	**Jun 2018**	**Mar 2018**	**Dec 2017**	**Sep 2017**	**Jun 2017**
Revenues and other income [2]	397	340	395	369	313	267	352	207
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(167)	(233)	(261)	(152)	(153)	(125)	(198)	(119)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	(34)	53	35	(22)	1	18	3	29
Adjusted EBITDA from joint ventures [1]	6	11	10	12	18	18	10	14
Adjusted EBITDA	**202**	**171**	**179**	**207**	**179**	**178**	**167**	**131**
Depreciation and amortization [2]	(98)	(85)	(83)	(83)	(84)	(80)	(83)	(74)
Unrealized changes in fair value of commodity derivatives and emission credits	34	(53)	(35)	22	(1)	(18)	(3)	(29)
Impairments	-	-	-	-	-	-	(83)	-
Gain on disposal of joint venture	-	159	-	-	-	-	-	-
Foreign exchange (loss) gain	(4)	6	(2)	3	3	(4)	21	9
Net finance expense	(36)	(33)	(28)	(29)	(33)	(32)	(31)	(25)
Finance expense and depreciation expense from joint ventures [1]	(8)	(10)	(7)	(8)	(7)	(13)	(6)	(2)
Income tax (expense) recovery [2]	(30)	(19)	(7)	(46)	(18)	(45)	9	95
Net income (loss)	**60**	**136**	**17**	**66**	**39**	**(14)**	**(9)**	**105**
Net income (loss) attributable to:								
Non-controlling interests	(1)	(2)	(1)	(2)	(2)	(3)	(2)	(2)
Shareholders of the Company	61	138	18	68	41	(11)	(7)	107
Net income (loss)	**60**	**136**	**17**	**66**	**39**	**(14)**	**(9)**	**105**

1 Total income from joint ventures as per the Company's consolidated statements of income (loss). Prior quarters' values include Capital Power's share of K2 Wind up until the December 31, 2018 disposal date.

2 Prior quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16.

Adjusted funds from operations and adjusted funds from operations per share

The Company uses adjusted funds from operations as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders.

Adjusted funds from operations represents net cash flows from operating activities adjusted to include net finance expense and current income tax expense and exclude changes in operating working capital and distributions received from the Company's joint venture interests. Net finance expense and current income tax expense are included as 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. Changes in operating working capital are excluded from adjusted funds from operations as the timing of cash receipts and payments also affects the period-to-period comparability. Distributions received from the Company's joint venture interests are excluded as the distributions are calculated after the effect of joint venture debt payments, which are not considered operating activities. Adjusted funds from operations is reduced by the tax equity financing project investors' shares of adjusted funds from operations associated with assets under tax equity financing structures to ensure that only the Company's share is reflected in the overall metric. Adjusted funds from operations also excludes 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. Adjusted funds from operations is reduced by sustaining capital expenditures and preferred share dividends and adjusted to include the Company's share of the adjusted funds from operations of its joint venture interests and cash from coal compensation that will be received annually.

Adjusted funds from operations per share is determined by applying adjusted funds from operations to the weighted average number of common shares used in the calculation of basic, diluted and normalized earnings per share.

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

(unaudited, $ millions)	Three months ended March 31	
	2019	**2018**
Net cash flows from operating activities per condensed interim consolidated statements of cash flows	**286**	**143**
Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows:		
Interest paid	21	25
Realized loss on settlement of interest rate derivatives	6	-
Change in fair value of derivatives reflected as cash settlement	(7)	(9)
Distributions received from joint ventures	(3)	(13)
Miscellaneous financing charges paid [1]	1	2
Income taxes paid	2	1
Change in non-cash operating working capital	(147)	(16)
	(127)	(10)
Net finance expense [2]	(28)	(25)
Current income tax expense [3]	2	(4)
Sustaining capital expenditures [4]	(9)	(21)
Preferred share dividends paid	(11)	(10)
Remove tax equity interests' respective shares of adjusted funds from operations	(1)	(2)
Adjusted funds from operations from joint ventures	5	14
Adjusted funds from operations	**117**	**85**
Weighted average number of common shares outstanding (millions)	101.8	104.2
Adjusted funds from operations per share ($)	**1.15**	**0.82**

1 Included in other cash items on the condensed interim consolidated statements of cash flows to reconcile net income to net cash flows from operating activities.

2 Excludes unrealized changes on interest rate derivative contracts, amortization, accretion charges and non-cash implicit interest on tax equity investment structures.

3 Excludes current income tax expense related to the disposal of the Company's interest in the K2 Wind joint venture as the amount is considered an investing activity.

4 Includes sustaining capital expenditures net of partner contributions of $2 million for each of the three months ended March 31, 2019 and 2018, respectively.

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 (loss) used in the calculation of basic earnings (loss) per share according to GAAP and 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 2019	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**	**Dec 31 2017**	**Sep 30 2017**	**Jun 30 2017**
Basic earnings (loss) per share ($)[2]	**0.49**	**1.24**	**0.08**	**0.55**	**0.30**	**(0.21)**	**(0.15)**	**1.01**
Net income (loss) attributable to shareholders of the Company per condensed interim consolidated statements of income (loss) [2]	**61**	**138**	**18**	**68**	**41**	**(11)**	**(7)**	**107**
Preferred share dividends including Part VI.1 tax	(11)	(11)	(10)	(11)	(10)	(11)	(9)	(8)
Earnings (loss) attributable to common shareholders [2]	50	127	8	57	31	(22)	(16)	99
Unrealized changes in fair value of derivatives [1]	(20)	35	26	(19)	25	14	(31)	23
Gain on disposal of joint venture	-	(134)	-	-	-	-	-	-
Non-cash tax equity adjustment	-	-	-	(15)	-	-	-	-
Realized foreign exchange (gain) loss on settlement of foreign currency derivative instruments	-	-	-	-	(29)	-	12	-
Asset held for sale accounting treatment of K2 Wind	-	3	-	-	-	-	-	-
Income tax adjustment	-	-	-	(2)	2	-	-	-
Impairments	-	-	-	-	-	-	53	-
Unrealized foreign exchange (gain) loss on revaluation of U.S. dollar denominated debt	-	-	-	-	-	(1)	44	(12)
Realized foreign exchange gain on revaluation of U.S. dollar denominated debt	-	-	-	-	-	(1)	(35)	-
Recognition of U.S. deferred tax assets related to non-capital losses	-	-	-	-	-	-	-	(86)
Provision for Line Loss Rule Proceeding	-	-	-	-	-	7	-	-
U.S. tax reform rate decrease	-	-	-	-	-	31	-	-
Success fee received related to development project	-	-	-	-	-	(3)	-	-
Release of tax liability on foreign domiciled investment	-	-	-	-	-	(1)	-	-
Normalized earnings attributable to common shareholders [2]	**30**	**31**	**34**	**21**	**29**	**24**	**27**	**24**
Weighted average number of common shares outstanding (millions)	101.8	102.3	102.4	103.1	104.2	104.3	104.1	98.1
Normalized earnings per share ($)[2]	**0.29**	**0.30**	**0.33**	**0.20**	**0.28**	**0.23**	**0.26**	**0.24**

1 Includes impacts of the interest rate non-hedge held the Company's joint venture and recorded within income from joint venture on the Company's statements of income.

2 Prior quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16.

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 disclosures regarding expected impacts on adjusted EBITDA and AFFO from the Arlington Valley facility driven by the HRCO signed in the quarter as well as expected AFFO performance compared to guidance for 2019.

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, other energy and carbon prices, (ii) performance, (iii) status of and impact of policy, legislation and regulations, and (iv) 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, market structure and tax legislation, (iv) generation facility availability and performance including maintenance of equipment, (v) ability to fund current and future capital and working capital needs, (vi) 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 Management's Discussion and Analysis for the year ended December 31, 2018, prepared as of February 15, 2019, 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 specified approval date. 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.

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CAPITAL POWER CORPORATION

Management's Discussion and Analysis

This management's discussion and analysis (MD&A), prepared as of April 26, 2019, 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, 2019, the audited consolidated financial statements and MD&A of Capital Power Corporation for the year ended December 31, 2018, the annual information form of Capital Power Corporation dated February 19, 2019, and the cautionary statements regarding forward-looking information which begin on page 9. 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, 2019 and the three months ended March 31, 2018 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 26, 2019.

Contents

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 adjusted 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 (including phase 1 of the Whitla Wind project, and the Cardinal Point Wind project),
- facility availability and planned outages,
- capital expenditures for facility maintenance and other (sustaining capital, future growth projects),
- the impact of the transition to a capacity market on the Company's future growth projects including the Genesee 4 and 5 project, and
- expectations around the Line Loss Rule Proceeding including timing of retrospective loss factors being finalized, participation in applicable appeal processes, and potential impacts to the Company.

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 including its review of purchased businesses and assets. The material factors and assumptions used to develop these forward-looking statements relate to:

- electricity and other energy prices and carbon prices,
- performance,
- business prospects (including potential re-contracting of facilities) 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, market structure and tax legislation,
- generation facility 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, 2018 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 specified approval date. 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, owns, and operates power generation facilities using a variety of energy sources. Capital Power owns approximately 5,100 megawatts (MW) of power generation capacity at 25 facilities across North America. Approximately 900 MW of owned generation capacity is in advanced development in Alberta and Illinois.

The Company's power generation operations and assets are owned by Capital Power L.P. (CPLP) and Capital Power (US Holdings) Inc., both wholly owned subsidiaries of the Company.

CORPORATE STRATEGY

The Company's corporate strategy remains unchanged from that disclosed in its 2018 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 of Capital Power. The measurement categories include corporate measures and measures specific to certain groups within the Company. The corporate measures are company-wide and include adjusted funds from operations and safety. The group-specific measures include facility operating margin and other operations measures, committed capital, construction and maintenance capital on budget and on schedule, and facility site safety.

Operational excellence

Performance measure	2019 target	Actual results for the three months ended March 31, 2019
Facility availability average	95% or greater	96%
Sustaining capital expenditures	$80 to 90 million	$9 million [1]

[1] Includes sustaining capital expenditures net of joint venture contributions of $2 million.

The Company's facility availability averaged 96% which reflected planned outages at Roxboro, Southport, Decatur Energy, and Arlington Valley. Unplanned outages also occurred at EnPower.

Sustaining capital expenditures for the three months ended March 31, 2019 were lower than target for the year to date primarily due to various budgeted sustaining capital projects which will be incurred later in the year, and the move of the Joffre outage, originally planned to occur in the first quarter, to the second quarter. Full year sustaining capital expenditures are expected to be consistent with the target.

Disciplined growth

Performance measure	2019 target	Status as at March 31, 2019
Whitla Wind	Completion of Whitla Wind on budget and on time for commercial operations in December 2019.	Construction expected to be complete and on budget, with the exception of foreign exchange impacts (see Liquidity and Capital Resources), in the fourth quarter of 2019.
Cardinal Point Wind	Progress on the development of Cardinal Point Wind to be on track with budget and the March 2020 completion date.	Construction expected to be complete and on budget in the first quarter of 2020.
Other contracted growth	$500 million of committed capital.	The Company continues to explore contracted growth opportunities and expects to be able to achieve this target during the year.

Financial stability and strength

Performance measure	2019 target	Actual results to March 31, 2019
Adjusted funds from operations [1]	$460 million to $510 million	$117 million
Adjusted EBITDA [1]	$800 million to $850 million	$202 million

[1] Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP Financial Measures.

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 2018, the Company provided financial guidance for 2019 adjusted funds from operations in the range of $460 million to $510 million and 2019 adjusted EBITDA in the range of $800 million to $850 million (see Non-GAAP Financial Measures). Based on the actual results for the first quarter of 2019 and the Company's forecast for the future three quarters, the Company now expects adjusted funds from operations for 2019 to be in the upper end of the guidance range.

Priorities for the Company in 2019 include continuing to work with the Government of Alberta concerning the design of the Alberta market. The Company continues to develop its wind facilities with Whitla Wind and Cardinal Point Wind expected to commence commercial operation in the fourth quarter of 2019 and the first quarter of 2020, respectively. The Company is targeting additional committed capital of $500 million for contracted growth in 2019.

In 2019, Capital Power's availability target of 95% reflects major scheduled maintenance outages for Genesee 1, Clover Bar Energy Centre, Joffre, Shepard, and Decatur Energy compared to those scheduled for Genesee 2, Genesee 3, Clover Bar Energy Centre, Joffre, Shepard, East Windsor, and Decatur Energy in 2018.

The Alberta portfolio position, contracted prices and forward Alberta pool prices for 2020, 2021 and 2022 (all as at March 31, 2019) were:

Alberta commercial portfolio positions and power prices	Full year 2020	Full year 2021	Full year 2022
Percentage of baseload generation sold forward [1]	24%	2%	2%
Contracted price [2]	Low-$50	Low-$70 [3]	Mid-$50
Forward Alberta pool prices	$51	$48	$45

1 Based on the Alberta baseload facilities plus a portion of Joffre and the uncontracted portion of Shepard.

2 Forecasted average contracted prices may differ significantly from future average realized prices as future realized prices are driven by a combination of previously contracted prices and settled prices.

3 Average contract pricing on the net 2021 position is abnormally high due to low net volumes sold forward where gross sales were transacted at higher prices than gross purchases.

The 2019 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 facility outages including outages at facilities of other market participants, and the related impacts on market power prices.

At its Investor Day held in December 2018, the Company extended the 7% annual dividend growth guidance for one additional year to 2021. Each annual increase is subject to changing circumstances and 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. It is expected that, outside of new growth opportunities, no additional common share equity will be required in 2019.

NON-GAAP FINANCIAL MEASURES

The Company uses (i) earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from its joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits (adjusted EBITDA), (ii) adjusted funds from operations, (iii) adjusted funds from operations per share, (iv) normalized earnings attributable to common shareholders, and (v) 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 facilities and categories of facilities from period to period. Management believes that a measure of facility operating performance is more meaningful if results not related to facility 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, 2019 quarter-end, adjusted EBITDA excludes unrealized changes in fair value of commodity derivatives and emission credits which were previously included in adjusted EBITDA. This change was made to better align the Company's measure of adjusted EBITDA with its other non-GAAP measures, as both the adjusted funds from operations and the normalized earnings per share measures exclude the impacts of unrealized changes in fair value of commodity derivatives and emission credits. This change also results in improved period over period comparability of adjusted EBITDA.

Comparative figures have been restated to reflect the above change to the adjusted EBITDA metric.

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

(unaudited, $ millions)	Three months ended							
	Mar 2019	**Dec 2018**	**Sep 2018**	**Jun 2018**	**Mar 2018**	**Dec 2017**	**Sep 2017**	**Jun 2017**
Revenues and other income [2]	397	340	395	369	313	267	352	207
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	(167)	(233)	(261)	(152)	(153)	(125)	(198)	(119)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	(34)	53	35	(22)	1	18	3	29
Adjusted EBITDA from joint ventures [1]	6	11	10	12	18	18	10	14
Adjusted EBITDA	**202**	**171**	**179**	**207**	**179**	**178**	**167**	**131**
Depreciation and amortization [2]	(98)	(85)	(83)	(83)	(84)	(80)	(83)	(74)
Unrealized changes in fair value of commodity derivatives and emission credits	34	(53)	(35)	22	(1)	(18)	(3)	(29)
Impairments	-	-	-	-	-	-	(83)	-
Gain on disposal of joint venture	-	159	-	-	-	-	-	-
Foreign exchange (loss) gain	(4)	6	(2)	3	3	(4)	21	9
Net finance expense	(36)	(33)	(28)	(29)	(33)	(32)	(31)	(25)
Finance expense and depreciation expense from joint ventures [1]	(8)	(10)	(7)	(8)	(7)	(13)	(6)	(2)
Income tax (expense) recovery [2]	(30)	(19)	(7)	(46)	(18)	(45)	9	95
Net income (loss)	**60**	**136**	**17**	**66**	**39**	**(14)**	**(9)**	**105**
Net income (loss) attributable to:								
Non-controlling interests	(1)	(2)	(1)	(2)	(2)	(3)	(2)	(2)
Shareholders of the Company [2]	61	138	18	68	41	(11)	(7)	107
Net income (loss)	**60**	**136**	**17**	**66**	**39**	**(14)**	**(9)**	**105**

1 Total income from joint ventures as per the Company's consolidated statements of income (loss). Prior quarters' values include Capital Power's share of K2 Wind up until the December 31, 2018 disposal date.

2 Prior quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16, see Accounting Changes.

Adjusted funds from operations and adjusted funds from operations per share

The Company uses adjusted funds from operations as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders.

Adjusted funds from operations represents net cash flows from operating activities adjusted to include net finance expense and current income tax expense and exclude changes in operating working capital and distributions received from the Company's joint venture interests. Net finance expense and current income tax expense are included as 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. Changes in operating working capital are excluded from adjusted funds from operations as the timing of cash receipts and payments also affects the period-to-period comparability. Distributions received from the Company's joint venture interests are excluded as the distributions are calculated after the effect of joint venture debt payments, which are not considered operating activities. Adjusted funds from operations is reduced by the tax equity financing project investors' shares of adjusted funds from operations associated with assets under tax equity financing structures to ensure that only the Company's share is reflected in the overall metric. Adjusted funds from operations also excludes 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. Adjusted funds from operations is reduced by sustaining capital expenditures and preferred share dividends and adjusted to include the Company's share of the adjusted funds from operations of its joint venture interests and cash from coal compensation that will be received annually.

Adjusted funds from operations per share is determined by applying adjusted funds from operations to the weighted average number of common shares used in the calculation of basic, diluted and normalized earnings per share.

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

(unaudited, $ millions)	Three months ended March 31	
	2019	**2018**
Net cash flows from operating activities per condensed interim consolidated statements of cash flows	**286**	**143**
Add (deduct) items included in calculation of net cash flows from operating activities per condensed interim consolidated statements of cash flows:		
Interest paid	21	25
Realized loss on settlement of interest rate derivatives	6	-
Change in fair value of derivatives reflected as cash settlement	(7)	(9)
Distributions received from joint ventures	(3)	(13)
Miscellaneous financing charges paid [1]	1	2
Income taxes paid	2	1
Change in non-cash operating working capital	(147)	(16)
	(127)	(10)
Net finance expense [2]	(28)	(25)
Current income tax expense [3]	2	(4)
Sustaining capital expenditures [4]	(9)	(21)
Preferred share dividends paid	(11)	(10)
Remove tax equity interests' respective shares of adjusted funds from operations	(1)	(2)
Adjusted funds from operations from joint ventures	5	14
Adjusted funds from operations	**117**	**85**
Weighted average number of common shares outstanding (millions)	101.8	104.2
Adjusted funds from operations per share ($)	**1.15**	**0.82**

1 Included in other cash items on the condensed interim consolidated statements of cash flows to reconcile net income to net cash flows from operating activities.

2 Excludes unrealized changes on interest rate derivative contracts, amortization, accretion charges and non-cash implicit interest on tax equity investment structures.

3 Excludes current income tax expense related to the disposal of the Company's interest in the K2 Wind joint venture as the amount is considered an investing activity.

4 Includes sustaining capital expenditures net of partner contributions of $2 million for each of the three months ended March 31, 2019 and 2018, respectively.

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 (loss) used in the calculation of basic earnings (loss) per share according to GAAP and 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 2019	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**	**Dec 31 2017**	**Sep 30 2017**	**Jun 30 2017**
Basic earnings (loss) per share ($) [2]	**0.49**	**1.24**	**0.08**	**0.55**	**0.30**	**(0.21)**	**(0.15)**	**1.01**
Net income (loss) attributable to shareholders of the Company per condensed interim consolidated statements of income (loss) [2]	**61**	**138**	**18**	**68**	**41**	**(11)**	**(7)**	**107**
Preferred share dividends including Part VI.1 tax	(11)	(11)	(10)	(11)	(10)	(11)	(9)	(8)
Earnings (loss) attributable to common shareholders [2]	50	127	8	57	31	(22)	(16)	99
Unrealized changes in fair value of derivatives [1]	(20)	35	26	(19)	25	14	(31)	23
Gain on disposal of joint venture	-	(134)	-	-	-	-	-	-
Non-cash tax equity adjustment	-	-	-	(15)	-	-	-	-
Realized foreign exchange (gain) loss on settlement of foreign currency derivative instruments	-	-	-	-	(29)	-	12	-
Asset held for sale accounting treatment of K2 Wind	-	3	-	-	-	-	-	-
Income tax adjustment	-	-	-	(2)	2	-	-	-
Impairments	-	-	-	-	-	-	53	-
Unrealized foreign exchange (gain) loss on revaluation of U.S. dollar denominated debt	-	-	-	-	-	(1)	44	(12)
Realized foreign exchange gain on revaluation of U.S. dollar denominated debt	-	-	-	-	-	(1)	(35)	-
Recognition of U.S. deferred tax assets related to non-capital losses	-	-	-	-	-	-	-	(86)
Provision for Line Loss Rule Proceeding	-	-	-	-	-	7	-	-
U.S. tax reform rate decrease	-	-	-	-	-	31	-	-
Success fee received related to development project	-	-	-	-	-	(3)	-	-
Release of tax liability on foreign domiciled investment	-	-	-	-	-	(1)	-	-
Normalized earnings attributable to common shareholders [2]	**30**	**31**	**34**	**21**	**29**	**24**	**27**	**24**
Weighted average number of common shares outstanding (millions)	101.8	102.3	102.4	103.1	104.2	104.3	104.1	98.1
Normalized earnings per share ($) [2]	**0.29**	**0.30**	**0.33**	**0.20**	**0.28**	**0.23**	**0.26**	**0.24**

1 Includes impacts of the interest rate non-hedge held within a joint venture and recorded within income from joint ventures on the Company's statements of income.

2 Prior quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16, see Accounting Changes.

Normalized earnings per share reflects the period-over-period change in normalized earnings attributable to common shareholders and the changes from period to period in the weighted average number of common shares outstanding.

FINANCIAL HIGHLIGHTS

(unaudited, $ millions, except per share amounts)	Three months ended March 31	
	2019	2018
Revenues and other income [3]	397	313
Adjusted EBITDA [1, 3]	202	179
Net income [3]	60	39
Net income attributable to shareholders of the Company [3]	61	41
Normalized earnings attributable to common shareholders [1, 3]	30	29
Basic and diluted earnings per share ($) [2, 3]	0.49	0.30
Normalized earnings per share ($) [1, 3]	0.29	0.28
Net cash flows from operating activities	286	143
Adjusted funds from operations [1]	117	85
Adjusted funds from operations per share ($) [1]	1.15	0.82
Purchase of property, plant and equipment and other assets	51	40
Dividends per common share, declared ($)	0.4475	0.4175
Dividends per Series 1 preferred share, declared ($)	0.1913	0.1913
Dividends per Series 3 preferred share, declared ($)	0.3408	0.2875
Dividends per Series 5 preferred share, declared ($)	0.3274	0.2813
Dividends per Series 7 preferred share, declared ($)	0.3750	0.3750
Dividends per Series 9 preferred share, declared ($)	0.3594	0.3594

	As at	
	March 31, 2019	December 31, 2018
Loans and borrowings including current portion	2,355	2,647
Total assets	7,314	7,569

1 The consolidated financial highlights, except for adjusted EBITDA, normalized earnings attributable to common shareholders, normalized earnings per share, adjusted funds from operations and adjusted funds from operations per share 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.

3 Prior quarter amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16, see Accounting Changes.

See Consolidated Net Income and Results of Operations for discussion of the key drivers of the changes in revenues and other income, adjusted EBITDA, net income and net income attributable to shareholders of the Company.

The changes in basic and diluted earnings per share were driven by the same factors as net income which are discussed in Consolidated Net Income and Results of Operations. The changes in normalized earnings per share and normalized earnings attributable to common shareholders were affected by the same drivers as basic earnings per share, but also the adjustments between earnings per share and normalized earnings per share described under Non-GAAP Financial Measures.

See Liquidity and Capital Resources for discussion of the key drivers of the changes in net cash flows from operating activities. Adjusted funds from operations and adjusted funds from operations per share for the three months ended March 31, 2019 were higher than the same period in 2018 due primarily to lower sustaining capital expenditures and higher adjusted funds from operations from the Alberta facilities driven largely by favourable pricing and generation offset partially by lower adjusted funds from operations driven by the December 31, 2018 disposal of K2 Wind.

The increase in purchases of property, plant and equipment and other assets is discussed in Liquidity and Capital Resources.

SIGNIFICANT EVENTS

Heat rate call option at Arlington Valley

During the first quarter of 2019, the Company entered into a heat rate call option agreement ("HRCO") with an investment grade counterparty covering the periods outside of Arlington Valley's existing summer tolling agreements. The HRCO commenced on April 1, 2019 and terminates December 31, 2025, covering (i) April and November-December 2019 and (ii) January-May and October-December 2020-2025. Pursuant to the HRCO the counterparty has the right to call the plant in exchange for fixed monthly premiums plus reimbursements for fuel at an indexed price, variable operating and maintenance expense and start charges. Adjusted EBITDA and AFFO from the Arlington Valley facility during the period covered by the HRCO is expected to be consistent with the guidance provided at the time the acquisition was announced.

Appointment to the Board of Directors

Effective March 1, 2019, Jane Peverett was appointed to the Capital Power Board of Directors.

SUBSEQUENT EVENT

Appointment to the Board of Directors

Effective April 26, 2019, Robert Phillips was appointed to the Capital Power Board of Directors.

CONSOLIDATED NET INCOME AND RESULTS OF OPERATIONS

The primary factors contributing to the change in consolidated net income for the three months ended March 31, 2019 compared with 2018 are presented below followed by further discussion of these items.

(unaudited, $ millions)		
Consolidated net income for the three months ended March 31, 2018 [1]		**39**
Increase (decrease) in adjusted EBITDA:		
Alberta commercial facilities and portfolio optimization	29	
Alberta contracted facilities	8	
Ontario and British Columbia contracted facilities	(15)	
U.S. contracted facilities	3	
Corporate	(2)	23
Increase in depreciation and amortization expense		(14)
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits		35
Decrease in foreign exchange gain		(7)
Increase in realized losses on settled interest rate derivatives included in finance expense		(1)
Increase in finance expense and depreciation expense from joint ventures		(1)
Increase in net finance expense		(2)
Increase in income before tax		33
Increase in income tax expense		(12)
Increase in net income		**21**
Consolidated net income for the three months ended March 31, 2019		**60**

1 Prior quarter consolidated net income has been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16, see Accounting Changes.

Results by facility category and other

	Three months ended March 31							
	2019	2018	2019	2018	2019	2018	2019	2018
	Electricity generation (GWh) [1]		**Facility availability** (%) [2]		**Revenues and other income** (unaudited, $ millions) [10]		**Adjusted EBITDA** (unaudited, $ millions) [3, 10]	
Total electricity generation, average facility availability and facility revenues	5,782	5,026	96	96	383	268		
Alberta commercial facilities [4]								
Genesee 3	500	479	100	97	34	17		
Keephills 3	470	420	99	92	28	15		
Clover Bar Energy Centre 1, 2 and 3	296	175	97	93	24	9		
Joffre	232	128	100	93	23	11		
Shepard Energy Centre	807	795	97	100	44	28		
Halkirk	120	132	98	98	14	12		
Clover Bar Landfill Gas	-	-	-	-	-	-		
Alberta commercial facilities	2,425	2,129	98	96	167	92		
Portfolio optimization	N/A	N/A	N/A	N/A	13	81		
	2,425	2,129	98	96	180	173	84	55
Alberta contracted facilities [4]								
Genesee 1	837	811	100	100				
Genesee 2	848	663	100	83				
	1,685	1,474	100	92	74	61	53	45
Ontario and British Columbia contracted facilities								
Island Generation	168	10	100	100	10	10		
York Energy [5]	4	2	100	100	N/A	N/A		
East Windsor	2	2	99	99	8	9		
K2 Wind [6]	N/A	76	N/A	98	N/A	N/A		
Kingsbridge 1	36	36	98	98	3	3		
Port Dover and Nanticoke	99	108	99	100	15	16		
Quality Wind	74	78	96	97	11	11		
EnPower	5	14	55	97	-	1		
	388	326	98	99	47	50	44	59
U.S. contracted facilities								
Roxboro, North Carolina	62	76	88	88	8	8		
Southport, North Carolina	99	111	91	89	15	15		
Decatur Energy, Alabama	408	669	98	100	23	23		
Arlington Valley, Arizona [7]	394	N/A	81	N/A	22	N/A		
Beaufort Solar, North Carolina	6	6	100	93	1	-		
Bloom Wind, Kansas	175	198	99	98	12	15		
Macho Springs, New Mexico	39	37	98	97	4	4		
New Frontier, North Dakota [8]	101	N/A	96	N/A	10	N/A		
	1,284	1,097	92	98	95	65	38	35
Corporate [9]					15	15	(17)	(15)
Unrealized changes in fair value of commodity derivatives and emission credits within revenues					(14)	(51)		
Consolidated revenues and other income and adjusted EBITDA					**397**	**313**	**202**	**179**

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

2 Facility availability represents the percentage of time in the period that the facility 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 facility category, except for adjusted EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.

4 Based on the nature of future cash flows, the Alberta assets are combined as one CGU for impairment testing purposes. Since the cash flows of Genesee 1 and 2 will remain contracted through 2020, management will continue to present facility results based on the Alberta Commercial and Alberta Contracted groupings through 2020.

5 York Energy is accounted for under the equity method. Capital Power's share of the facility's net income is included in income from joint ventures on the Company's condensed interim consolidated statements of income. Capital Power's share of the facility's adjusted EBITDA is included in adjusted EBITDA above. The equivalent of Capital Power's share of the facility's revenue was $8 million and $7 million for three months ended March 31, 2019 and 2018, respectively. The facility's revenues are not included in the above results.

6 Capital Power's share of K2 Wind was disposed of effective December 31, 2018.

7 Arlington Valley was acquired on November 30, 2018.

8 New Frontier Wind was commissioned on December 21, 2018.

9 Corporate revenues were offset by interplant category eliminations.

10 Prior quarter amounts for the Ontario and British Columbia contracted facilities, as appropriate, have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16, see Accounting Changes.

Energy prices and hedged positions

		Three months ended March 31		Year ended December 31, 2018
Alberta	**Unit**	**2019**	**2018**	
Hedged position [1]	Percentage sold forward at beginning of period (%)	82	100	87
Spot power price average	$ per MWh	69	35	50
Realized power price [2]	$ per MWh	58	47	51
Natural gas price (AECO) [3]	$ per gigajoule (Gj)	2.62	1.99	1.46

1 Hedged position is for the Alberta baseload facilities as well as a portion of Joffre and the uncontracted portion of Shepard.

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 facilities and portfolio optimization

The Alberta spot price averaged $69 per MWh for the three months ended March 31, 2019, which was $34 higher than the corresponding period in 2018 as a result of unseasonably cold temperatures, the impact of higher natural gas pricing, baseload facility outages and derates, low wind generation and a high volume of power exports. Spot prices for 2018 reflected minimal market volatility combined with conservative offer strategies from market participants, stable baseload supply, and lower natural gas prices.

For the three months ended March 31, 2019, generation was higher than the comparable period in 2018 primarily due to higher dispatch at Joffre, and Cloverbar Energy Centre as well as higher availability at Genesee 3 and Keephills 3. Availability for the three months ended March 31, 2019 was higher than the same period in 2018, most notably reflecting longer outages for Clover Bar Energy Centre, Joffre and Keephills 3 in the prior year.

Revenues and other income and adjusted EBITDA for the three months ended March 31, 2019 increased compared with the corresponding period in 2018 primarily due to increased generation and captured pricing from commercial facilities. Adjusted EBITDA for the three months ended March 31, 2019 also increased, compared to the corresponding period in 2018, as a result of favourable margins earned on export activity. These favourable variances were partially offset by the impact of higher natural gas pricing, higher transmission expenses and lower ancillary services revenues as compared to 2018.

Alberta contracted facilities

Generation and availability for the three months ended March 31, 2019 were higher compared with the corresponding period in 2018 primarily due to the timing of the Genesee 2 planned maintenance outage which commenced in the first quarter of 2018. Revenues and other income and adjusted EBITDA were higher than the corresponding period in 2018 primarily as a result of the noted planned outage timing as the 2019 results reflect higher net availability incentive, excess energy and running energy payments.

Ontario and British Columbia contracted facilities

Generation for the three months ended March 31, 2019 was higher compared to the corresponding period in 2018 primarily due to dispatch at Island Generation, partially offset by the sale of K2 Wind in the fourth quarter of 2018. The impact of these generation variances on revenues and other income were minimal because, under the terms of the Island Generation agreement, revenues are based on deemed generation which is determined based on the facility's availability and revenues and other income does not include K2 Wind and York Energy, which are accounted for under the equity method. Overall availability is consistent for the three months ended March 31, 2019 and 2018.

Revenues and other income for the three months ended March 31, 2019 were lower compared with the corresponding period in 2018 due to lower wind capacity at Port Dover and Nanticoke, lower operating reserve revenues at East Windsor and unplanned outages and low pipeline flow at EnPower. Adjusted EBITDA for the three months ended March 31, 2019 was lower compared with the corresponding period in 2018 due to the sale of K2 Wind and the noted revenues and other income variances at Port Dover and Nanticoke, East Windsor and EnPower.

U.S. contracted facilities

Generation and revenues and other income increased in the three months ended March 31, 2019 compared with the corresponding period in 2018 primarily due to the addition of Arlington Valley and the commencement of commercial operations at New Frontier in the fourth quarter of 2018. The favourable generation variance was offset by lower dispatch at Decatur Energy and lower wind capacity at Bloom Wind. The noted favourable revenues and other income variances were partially offset by lower Bloom Wind capacity and the impacts of the updated Bloom tax equity investor agreement signed during the second quarter of 2018.

Adjusted EBITDA increased in the three months ended March 31, 2019 compared with the corresponding period in 2018 due to the commencement of commercial operations at New Frontier in the fourth quarter of 2018, partially offset by negative adjusted EBITDA at Arlington Valley due to a planned outage in the first quarter of 2019 and the noted lower generation and impacts of the updated tax equity investor agreement at Bloom Wind.

Availability decreased in the three months ended March 31, 2019 compared with the corresponding period in 2018 primarily due to the planned outage at Arlington Valley in the first quarter of 2019.

Corporate

Corporate results include (i) revenues for cost recoveries and other income related to coal compensation from the Province of Alberta, (ii) costs 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. Note that cost recovery revenues are primarily intercompany revenues that are offset by interplant category transactions.

Net corporate revenues and other income were consistent with 2018 results for the three months ended March 31, 2019. Net corporate expenditures were slightly higher due to the write off of previously capitalized costs related to the Black Fork development project as the project will not continue to be developed as a wind facility.

Unrealized changes in fair value of commodity derivatives and emission credits

(unaudited, $ millions)	**Three months ended March 31**			
	2019	**2018**	**2019**	**2018**
Unrealized changes in fair value of commodity derivatives and emission credits	**Revenues and other income**		**Income before tax**	
Unrealized (losses) gains on Alberta energy derivatives	(25)	(53)	8	-
Unrealized gains (losses) on U.S energy derivatives	10	(1)	10	(1)
Unrealized (losses) gains on natural gas derivatives	(1)	(1)	18	2
Unrealized gains on emission derivatives	2	4	2	4
Unrealized losses on emission credits held for trading	-	-	(4)	(6)
	(14)	**(51)**	**34**	**(1)**

The Company's revenues and other income and adjusted EBITDA relating to its Alberta commercial facilities and portfolio optimization and U.S. wind facilities include realized changes in the fair value of commodity derivatives and emission credits. Unrealized changes in the fair value of commodity derivatives and emission credits are excluded from revenues and other income relating to the Alberta commercial facilities and portfolio optimization and U.S. wind facilities and are also excluded from the Company's adjusted EBITDA metric.

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

During the three months ended March 31, 2019 the Alberta energy portfolio recognized an unrealized gain of $8 million largely as a result of increasing Alberta power prices on forward purchase contracts.

During the three months ended March 31, 2019 the U.S. energy portfolio recognized unrealized gains of $10 million primarily due to the impact of decreasing forward prices on the value of forward sale contracts.

During the three months ended March 31, 2019, the Company recognized unrealized gains of $18 million on natural gas derivatives, mainly due to the reversal of prior year unrealized net losses on forward purchase contracts that settled during the quarter, as well as unrealized gains on forward purchase contracts valued against increasing forward prices. For the comparable period in 2018 the Company recognized unrealized gains of $2 million on natural gas derivatives primarily due to the reversal of prior period unrealized losses on forward purchase contracts that settled during the quarter, partially offset by net forward purchase contracts valued against decreasing forward prices.

Unrealized gains on emission derivatives of $2 million were recognized during the three months ended March 31, 2019, primarily due to the reversal of prior year unrealized losses on positions that settled during the quarter. For the comparable period in 2018, unrealized gains on emission derivatives of $4 million were recognized primarily due to net forward purchase contracts being valued against increasing forward prices.

Unrealized losses of $4 million on emission credits held for trading were recognized during the three months ended March 31, 2019, primarily due to the reversal of prior periods unrealized gains on emission credits sold during the quarter. For the comparable period in 2018, unrealized losses of $6 million were recognized, primarily due to the reversal of prior periods unrealized gains on emission credits sold during the quarter.

Consolidated other expenses and non-controlling interests

(unaudited, $ millions)	Three months ended March 31	
	2019	**2018**
Interest on borrowings less capitalized interest	(31)	(29)
Realized losses on settlement of interest rate derivatives	(1)	-
Other net finance expense – interest on coal compensation from the Province of Alberta, sundry interest, guarantee and other fees	2	2
	(30)	(27)
Other net finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to coal compensation from the Province of Alberta	(6)	(6)
Total net finance expense	(36)	(33)
Depreciation and amortization	(98)	(84)
Foreign exchange (loss) gain	(4)	3
Finance expense and depreciation expense from joint ventures	(8)	(7)
Income tax expense	(30)	(18)
Net loss attributable to non-controlling interests	1	2

Net finance expense

Higher net finance expense for the three months ended March 31, 2019 compared with the same period in the prior year was primarily due to higher loans and borrowings outstanding in the first quarter of 2019 driven by the acquisition of Arlington Valley in the fourth quarter of 2018.

Depreciation and amortization

Depreciation and amortization for the three months ended March 31, 2019 increased compared with the same period in the prior year primarily due to the acquisition of Arlington and New Frontier commencing commercial operation in the last quarter of 2018. In addition to this, starting in Q1 2019, Capital Power adjusted the useful lives of assets related to coal to reflect new expected end of life dates resulting from federal regulation changes, including the assets that would be used in a coal-to-gas conversion, to the new estimated life as set out by the federal government.

Foreign exchange (loss) gain

As at March 31, 2019, the Company had outstanding foreign currency purchase contracts totalling US$117 million. For the three months ended March 31, 2019, the exchange rate of the Canadian dollar relative to the U.S. dollar strengthened resulting in an unrealized loss.

As at March 31, 2018, the Company had outstanding foreign currency purchase contracts totalling US$133 million. For the three months ended March 31, 2018, the exchange rate of the Canadian dollar relative to the U.S. dollar weakened resulting in an unrealized gain.

Finance expense and depreciation expense from joint ventures

Finance expense and depreciation expense from joint ventures includes Capital Power's share of finance expense and depreciation expense of York Energy and K2 Wind (through to the December 31, 2018 disposal date), which are accounted for under the equity method.

Income tax expense

Income tax expense increased $12 million for the three months ended March 31, 2019 compared with the corresponding period in 2018 primarily due to higher consolidated income before tax.

Non-controlling interests

Non-controlling interests mostly consist of the Coal Mine partner's share of the consolidated depreciation expense of the Coal Mine.

Comprehensive Income

(unaudited, $ millions)	**Three months ended March 31**	
	2019	**2018**
Net income	60	39
Other comprehensive loss:		
Net unrealized losses on derivative instruments designated as cash flow hedges	(33)	(13)
Net realized losses (gains) on derivative instruments designated as cash flow hedges reclassified to net income	14	(8)
Unrealized foreign exchange (loss) gain on the translation of foreign operations	(15)	11
Total other comprehensive loss, net of tax	(34)	(10)
Comprehensive income	**26**	**29**

Other comprehensive 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 derivative instruments 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.

FINANCIAL POSITION

The significant changes in the consolidated statements of financial position from December 31, 2018 to March 31, 2019 were as follows:

(unaudited, $ millions)	As at March 31 2019	As at December 31 2018	Increase (decrease)	IFRS 16 Impact (see Accounting Changes)	Other	Primary other changes
Trade and other receivables [1]	277	438	(161)	(2)	(159)	Lower receivables are driven by the receipt of the remaining proceeds on disposal of K2 Wind and timing of collection of generation receivables.
Net derivative financial instruments liabilities	(37)	(45)	8	-	8	Impact of increasing forward natural gas prices on forward purchase contracts, partially offset by impact of increasing power prices on forward power sale contracts.
Right-of-use assets	98	-	98	86	12	Reclassification from property, plant and equipment.
Property, plant and equipment [1]	5,293	5,356	(63)	-	(63)	Decrease primarily due to depreciation and amortization offset partly by capital additions.
Loans and borrowings (including current portion)	2,355	2,647	(292)	-	(292)	Decrease primarily due to net repayment of credit facilities, partially offset by the medium-term note issued in the quarter.
Lease liabilities (including current portion)	112	18	94	96	(2)	Decrease primarily due to lease payments.
Net deferred tax liabilities [1]	333	351	(18)	(2)	(16)	Decrease primarily due to reclass of tax on the disposal of K2 Wind from deferred tax liability to current tax liability, which was offset by the utilization of non-capital loss carry forwards.

[1] Balance as at December 31, 2018 has been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16, see Accounting Changes.

LIQUIDITY AND CAPITAL RESOURCES

(unaudited, $ millions)	Three months ended March 31		
Cash inflows (outflows)	**2019**	**2018**	**Change**
Operating activities	286	143	143
Investing activities	(51)	(30)	(21)
Financing activities	(322)	(118)	(204)

Operating activities

Cash flows from operating activities for the three months ended March 31, 2019 increased compared with the same period in 2018 primarily due to cash flows from the collection of outstanding receivables in the first quarter of 2019. In addition, cash flows from the Alberta assets were higher in the three months ended March 31, 2019 when compared to the same period in the previous year driven by higher Alberta power pricing and generation. Partially offsetting these increases were lower distributions from joint ventures as a result of the disposal of K2 Wind and higher long-term incentive payouts in the first quarter of 2019 compared to the same period in the previous year as well as losses on the settlement of interest rate derivatives during the first quarter of 2019.

Investing activities

Cash flows used in investing activities for the three months ended March 31, 2019 increased compared with the same period in 2018 primarily due to higher year-to-date spending on the Company's wind development projects. Additional cash flows were utilized towards upgrading the combustion turbine at Decatur Energy during the first quarter of 2019, with the estimated completion of the project in the second quarter of 2019. The Company also increased the amount of emissions credits purchased compared to the same period in the prior year.

Capital expenditures and investments

(unaudited, $ millions)	Pre-2019 Actual	Three months ended March 31, 2019 Actual	Balance of 2019 Estimated [1, 2]	Actual or Projected Total [2]	Timing
Genesee 4 and 5 [3, 4]	18	-	-	700	Targeted completion as early as 2022
New Frontier Wind [5]	174	3	4	181	Completed in December 2018
Whitla Wind [6]	71	8	258	337	Targeted completion in the fourth quarter of 2019
Cardinal Point Wind [7]	28	10	241	295	Targeted completion in March of 2020
Commercial initiatives [8]	-	14	35	49	
Development sites and projects	15	-	1		
Subtotal growth projects		**35**	**539**		
Sustaining – facility maintenance excluding Genesee mine		9			
Sustaining – Genesee mine maintenance and lands		2			
Total capital expenditures [9]		**46**			
Emission credits held for compliance		6			
Capitalized interest		(1)			
Purchase of property, plant and equipment and other assets		**51**			

1 The Company's 2019 estimated capital expenditures include only expenditures for previously announced growth projects and exclude other potential new development projects.

2 Projected capital expenditures to be incurred over the life of the projects for Genesee 4 and 5, New Frontier Wind, Whitla Wind and Cardinal Point Wind are based on management's estimates. Projected capital expenditures for development sites are not reflected beyond the current period until specific projects reach the advanced development stages and projected capital expenditures for commercial initiatives are not reflected beyond the current period.

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

4 Continuation and timing of the Genesee 4 and 5 project will be considered once sufficient Alberta market certainty exists and new generation is required in Alberta to balance supply and demand.

5 New Frontier Wind began commercial operations in December 2018. The finalization of construction activities is occurring during 2019. Projected total cost excludes a $19 million (US$15 million) developer fee paid to a subsidiary of the Company.

6 The original projected total construction cost for Whitla Wind was expected to be in the range of $315 million to $325 million. Actual project costs are now expected to exceed that range driven by foreign exchange impacts on U.S. dollar costs. These amounts are partially economically hedged by forward U.S. currency purchases which have a fair value of $9 million at March 31, 2019 and are recorded within current derivative instruments assets as foreign exchange non-hedges. The remaining foreign exchange differential is driven by movements in the U.S dollar to Canadian dollar foreign exchange rate between the bid date of Whitla Wind into the initial Alberta REP and the date that Whitla Wind was awarded the contract, which were not hedged.

7 The projected total cost for Cardinal Point Wind reflects the midpoint of the expected range of construction costs of $289 million to $301 million (US$236 million to US$246 million).

8 Commercial initiatives include the combustion turbine upgrade project for Decatur Energy with projected capital expenditures to be incurred of approximately $24 million (US$18 million). This project will result in an additional 30MW of generation and is

expected to be completed in the second quarter of 2019. Commercial Initiatives also includes expected spending on the Company's Genesee Performance Standard project and various other projects designed to either increase the capacity or efficiency of their respective facilities.

9 Capital expenditures include capitalized interest. Capital expenditures excluding capitalized interest are presented on the consolidated statements of cash flows as purchase of property, plant and equipment and other assets.

Financing activities

The cash flows used in financing activities for the three months ended March 31, 2019 primarily reflected the net repayment of loans and borrowings as well as the payment of common and preferred share dividends, partially offset by the issuance of $300 million of medium-term notes.

The Company's credit facilities consisted of:

(unaudited, $ millions)		As at March 31, 2019			As at December 31, 2018		
	Maturity timing	**Total facilities**	**Credit facility utilization**	**Available**	**Total facilities**	**Credit facility utilization**	**Available**
Committed credit facilities	2019/2023	1,150			1,150		
Letters of credit outstanding			167			99	
Bankers' acceptances outstanding			165			396	
Bank loans outstanding[1]			140			218	
		1,150	472	678	1,150	713	437
Bilateral demand credit facilities	N/A	200			200		
Letters of credit outstanding			170			172	
		200	170	30	200	172	28
Demand credit facilities	N/A	25	-	25	25	-	25
		1,375	**642**	**733**	**1,375**	**885**	**490**

1 U.S. dollar denominated bank loans outstanding totaling US$105 million (December 31, 2018 – US$160 million)

As at March 31, 2019, the committed credit facility utilization decreased $241 million compared with the utilization as at December 31, 2018, due to decreased bankers' acceptance and U.S. dollar bank loans partially offset by increased letters of credit outstanding. In the second quarter of 2018, the existing credit facilities were reduced in size by $55 million, to $1 billion, and the maturities were extended to July 2023. In the fourth quarter of 2018 the Company secured a committed non-revolving $150 million credit facility for a period of up to 12 months, or December 2019. 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 corporate credit rating of BBB (low) with a stable outlook from DBRS Limited (DBRS). The BBB rating category 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 and 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 2019 include:

(unaudited, $ millions)	Three months ended March 31, 2019 Actual	Balance of 2019 estimated	Total 2019 Expected Cash Requirements
Net repayment of debt payable	260	12	272
Capital expenditures – sustaining	9	78	87
Capital expenditures – ongoing growth projects	35	539	574
Common share dividends [1]	46	140	186
Preferred share dividends	11	32	43
	361	**801**	**1,162**

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

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 June 2020.

If the Canadian and U.S. financial markets become unstable, 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, energy supply contract, 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

As at March 31, 2019, the Company has $337 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, 2019	**December 31, 2018**
Loans and borrowings	2,355	2,647
Lease liabilities [1]	112	18
Less cash and cash equivalents	(90)	(182)
Net debt	2,377	2,483
Share capital	3,206	3,200
Deficit and other reserves	(227)	(190)
Non-controlling interests	42	43
Total equity	3,021	3,053
Total capital	**5,398**	**5,536**

[1] Includes the current portion disclosed within deferred revenue and other liabilities.

CONTINGENT LIABILITIES AND PROVISIONS

Contingent liabilities

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.

Line Loss Rule Proceeding provision

Capital Power participated in the Line Loss Rule (LLR) Proceeding 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 addressed the replacement of the non-compliant LLR as well as the possible correction of line loss charges and credits for the years 2006 up to (but not including) 2017.

The Company is participating in appeal processes rendering the final outcome of the LLR Proceeding still unknown. However, based on current AUC decisions, Capital Power would incur additional charges related to transmission amounts of historical periods and, as such, recorded a current provision of $9 million during the fourth quarter of 2017 pertaining to the estimated net liability for its currently held Alberta assets.

RISKS AND RISK MANAGEMENT

There have been no material changes in the three months ended March 31, 2019 to the Company's business and operational risks as described in the Company's December 31, 2018 MD&A. Additional information pertaining to climate-related risks and opportunities can be found on the Company's website within its Climate Change Disclosure report dated February 19, 2019.

ENVIRONMENTAL MATTERS

The Company recorded decommissioning provisions of $284 million as at March 31, 2019 ($259 million as at December 31, 2018) for its generation facilities and the Genesee Coal Mine as it is obliged to remove the facilities at the end of their useful lives and restore the facility and mine sites to their original condition. Decommissioning provisions for the Genesee 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 vary and the amount of decommissioning provisions could change depending on potential future changes in environmental regulations and the timing of any facility fuel conversions.

The Company has forward contracts to purchase environmental credits totaling $370 million and forward contracts to sell environmental credits totaling $371 million in future years. Included within these forward purchases and sales are net purchase amounts which will be used by the Company to comply with applicable environmental regulations and net sales amounts related to other emissions trading activities.

REGULATORY MATTERS

On October 31, 2018, the Government of Ontario passed Bill 4, the *Cap and Trade Cancellation Act, 2018*. Bill 4 repealed the *Climate Change Mitigation and Low-carbon Economy Act, 2016*, and set out the legal framework for a wind-down of the Cap and Trade program. The Federal Government has proposed legislation that will impose a carbon pricing system on provinces that do not have an equivalent system in place to meet targeted GHG reduction levels, that if implemented is proposed to be in place effective retroactive to January 1, 2019. Currently, the Government of Ontario is consulting stakeholders on a Greenhouse Gas ("GHG") framework to regulate large emitters of GHG as part of Ontario's broader climate change strategy. The PPAs for York Energy and East Windsor both have a provision that triggers a contractual amendment, the effect of which will enable recovery of any imposed federal carbon compliance costs. Accordingly, the Company does not believe the implementation of a federal carbon pricing system or any potential provincial GHG system will have a material adverse effect on its financial condition and results of operations.

On April 16, 2019, the Province of Alberta held an election resulting in the United Conservative Party (UCP) forming a majority government to replace the previous New Democratic Party majority government. Although the timing and exact nature of the policy reforms that will be affected by the UCP are not yet clear, management's preliminary assessment of the UCP's election platform suggests that any policy changes are likely to be positive from Capital Power's perspective.

USE OF JUDGMENTS AND ESTIMATES

In preparing the condensed interim consolidated financial statements, management made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. There have been no significant changes to the Company's use of judgments and estimates as described in the Company's December 31, 2018 MD&A, other than those judgments made as a part of the adoption of new accounting standards in the first quarter of 2019, as described under Accounting Changes.

ACCOUNTING CHANGES

Effective January 1, 2019

The Company adopted one new accounting standard as issued by the International Accounting Standards Board (IASB). The standard and impact to Capital Power were:

Standard	Description	Impact to Capital Power and current implementation status	Effective Date
Leases (IFRS 16)	The new standard which replaces IAS 17 – Leases addresses the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for all leases previously classified as operating leases, including but not limited to, office space leases and land leases. There are no changes to lessor accounting under the new standard. However, the criteria for assessing whether a contract contains a lease have changed.	The Company has elected not to grandfather lease assessments, as previously assessed under IAS 17 and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. Management reviewed all contracts and existing lease arrangements to determine the impact of the IFRS 16 adoption. For contracts determined to contain leases with the Company as the lessee under IFRS 16, the Company elected to apply the modified retrospective approach where the lessee does not restate comparative figures and the cumulative effect of initial application of the standard is recognized in the opening deficit balance. The Company recognized right-of-use assets for the underlying assets and lease liabilities for future lease payments. Management determined that certain PPAs and energy supply contracts that were previously considered to be finance leases with the Company as the lessor are no longer considered leases under IFRS 16, but rather are now accounted for under IFRS 15 – Revenue from Contracts with Customers. The transition impact for the former finance leases was accounted for retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and treated as a change in accounting policy.	Effective for annual periods beginning on or after January 1, 2019.

The adjustments to the impacted financial statement categories within the consolidated statements of financial position as a result of changes described in the IFRS 16 discussion above are as follows:

	Previously stated at January 1, 2018	IAS 8	Restated as at January 1, 2018	Previously stated at December 31, 2018	IAS 8	Restated as at December 31, 2018	IFRS 16	As at January 1, 2019
Assets [1]	$ 6,898	$ (79)	$ 6,819	$ 7,660	$ (91)	$ 7,569	$ 84	$ 7,653
Liabilities [2]	3,836	(22)	3,814	4,541	(25)	4,516	90	4,606
Equity [2]	$ 3,062	$ (57)	$ 3,005	$ 3,119	$ (66)	$ 3,053	$ (6)	$ 3,047

[1] Under IFRS 16, assets related to leases as the lessee represent right-of-use assets and assets related to leases as the lessor represent property, plant and equipment.

[2] The opening deficit adjustments above reflect increases to the opening deficit balances, net of deferred tax impacts at a rate of 27%, which also impact the liabilities amounts as reductions to deferred tax liabilities.

The adjustments to the impacted line items within the consolidated statements of income pertaining to the IAS 8 accounting policy change related to the former finance leases where Capital Power was the lessor were:

	Three months ended March 31, 2019			Three months ended March 31, 2018		
	Pre-policy change	Post-policy change	Impact	Pre-policy change	Post-policy change	Impact
Revenues	359	365	6	280	286	6
Depreciation and amortization	(89)	(98)	(9)	(75)	(84)	(9)
Income tax (expense) recovery	(31)	(30)	1	(19)	(18)	1
Net income (loss) impact			(2)			(2)

FINANCIAL INSTRUMENTS

The classification, carrying amounts and fair values of financial instruments held at March 31, 2019 and December 31, 2018 were as follows:

(unaudited, $ millions)		March 31, 2019		December 31, 2018	
	Fair value hierarchy level [1]	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Amortized cost					
Cash and cash equivalents	N/A	90	90	182	182
Trade and other receivables [2]	N/A	224	224	385	385
Government grant receivable [3]	Level 2	515	478	511	505
Fair value through income or loss					
Derivative financial instruments assets – current and non-current	See below	152	152	148	148
Fair value through other comprehensive income					
Derivative financial instruments assets – current and non-current	See below	3	3	11	11
Financial liabilities:					
Other financial liabilities					
Trade and other payables	N/A	277	277	244	244
Lease liabilities [3]	Level 2	112	112	18	18
Loans and borrowings [3]	Level 2	2,355	2,394	2,647	2,645
Fair value through income or loss					
Derivative financial instruments liabilities – current and non-current	See below				
Fair value through other comprehensive income		165	165	186	186
Derivative financial instruments liabilities – current and non-current	See below	27	27	18	18

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 prepared by appropriate subject matter experts and reviewed by the Company's commodity risk group and by management.

2 Excludes current portion of government grant receivable.

3 Includes current portion.

Risk management and hedging activities

There have been no material changes in the three months ended March 31, 2019 to the Company's risk management and hedging activities as described in the Company's December 31, 2018 MD&A.

The derivative financial instruments assets and liabilities held at March 31, 2019 compared with December 31, 2018 and used for risk management purposes were measured at fair value and consisted of the following:

(unaudited, $ millions)		As at March 31, 2019				
	Fair value hierarchy level	Commodity cash flow hedges	Commodity non-hedges	Interest rate cash flow hedges	Foreign exchange non-hedges	Total
Derivative financial instruments assets	Level 2	3	119	-	9	131
	Level 3	-	24	-	-	24
		3	143	-	9	155
Derivative financial instruments liabilities	Level 2	(18)	(124)	(9)	-	(151)
	Level 3	-	(41)	-	-	(41)
		(18)	(165)	(9)	-	(192)
Net derivative financial instruments (liabilities) assets		**(15)**	**(22)**	**(9)**	**9**	**(37)**

(unaudited, $ millions)		As at December 31, 2018				
	Fair value hierarchy level	Commodity cash flow hedges	Commodity non-hedges	Interest rate cash flow hedges	Foreign exchange non-hedges	Total
Derivative financial instruments assets	Level 2	11	120	-	12	143
	Level 3	-	16	-	-	16
		11	136	-	12	159
Derivative financial instruments liabilities	Level 2	(11)	(141)	(7)	(1)	(160)
	Level 3	-	(44)	-	-	(44)
		(11)	(185)	(7)	(1)	(204)
Net derivative financial instruments (liabilities) assets		**-**	**(49)**	**(7)**	**11**	**(45)**

Commodity, interest rate and foreign exchange derivatives designated as accounting hedges

Unrealized gains and losses for fair value changes on commodity, interest rate and foreign exchange derivatives that qualify for hedge accounting are recorded in other comprehensive loss and, when realized, are reclassified to net income as revenues, energy purchases and fuel, finance expense or foreign exchange gains and losses as appropriate. When interest rate derivatives are used to hedge the interest rate on a future debt issuance, realized gains or losses are deferred within accumulated other comprehensive income and recognized within finance expense over the life of the debt, consistent with the interest expense on the hedged debt.

Commodity, interest rate and foreign exchange 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 and natural gas prices and their impact on the Alberta portfolio as well as the change in pricing on U.S. trading relating to the swap arrangements on the Company's U.S. wind generation. 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 gains and losses on foreign exchange derivatives and interest rate derivatives that are not designated as hedges for accounting purposes are recorded in net income as foreign exchange gains or losses and net finance expense, respectively.

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, 2019 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 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**	**Dec 31 2017**	**Sep 30 2017**	**Jun 30 2017**
Total generation	5,782	5,406	5,213	4,584	5,026	4,839	4,720	3,673
Alberta commercial facilities								
Genesee 3	500	372	495	468	479	511	509	480
Keephills 3	470	483	494	434	420	362	380	419
Clover Bar Energy Centre 1, 2 and 3	296	264	217	204	175	92	140	24
Joffre	232	212	154	115	128	119	101	70
Shepard Energy Centre	807	769	789	585	795	694	730	560
Halkirk	120	130	85	103	132	168	95	119
Clover Bar Landfill Gas	-	-	-	-	-	2	6	6
	2,425	2,230	2,234	1,909	2,129	1,948	1,961	1,678
Alberta contracted facilities								
Genesee 1	837	877	829	751	811	860	830	576
Genesee 2	848	850	799	647	663	864	823	825
	1,685	1,727	1,628	1,398	1,474	1,724	1,653	1,401
Ontario and British Columbia contracted facilities								
Island Generation	168	-	17	-	10	3	12	-
York Energy	4	2	3	3	2	2	5	1
East Windsor	2	1	4	2	2	1	2	1
K2 Wind	N/A	70	35	41	76	57	28	29
Kingsbridge 1	36	33	14	20	36	37	11	25
Port Dover and Nanticoke	99	78	43	70	108	84	39	71
Quality Wind	74	112	74	98	78	117	85	84
EnPower	5	3	10	11	14	13	7	2
	388	299	200	245	326	314	189	213
U.S. contracted facilities								
Roxboro, North Carolina	62	74	87	90	76	86	80	88
Southport, North Carolina	99	106	104	118	111	120	124	92
Decatur Energy, Alabama	408	674	784	576	669	425	542	107
Arlington Valley, Arizona	394	87	N/A	N/A	N/A	N/A	N/A	N/A
Beaufort Solar, North Carolina	6	5	8	8	6	6	7	8
Bloom Wind, Kansas	175	164	152	197	198	190	145	46
Macho Springs, New Mexico	39	31	16	43	37	26	19	40
New Frontier Wind, North Dakota	101	9	N/A	N/A	N/A	N/A	N/A	N/A
	1,284	1,150	1,151	1,032	1,097	853	917	381

(%)	Three months ended							
Facility availability	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**	**Dec 31 2017**	**Sep 30 2017**	**Jun 30 2017**
Total average facility availability	96	94	98	93	96	95	97	94
Alberta commercial facilities								
Genesee 3	100	74	98	98	97	100	100	97
Keephills 3	99	100	100	100	92	75	83	92
Clover Bar Energy Centre 1, 2 and 3	97	85	88	90	93	97	93	89
Joffre	100	100	97	90	93	100	100	96
Shepard Energy Centre	97	100	100	68	100	94	99	97
Halkirk	98	98	95	98	98	97	88	99
Clover Bar Landfill Gas	-	-	7	78	-	45	94	95
	98	93	96	87	96	93	95	95
Alberta contracted facilities								
Genesee 1	100	100	99	100	100	100	97	70
Genesee 2	100	98	100	93	83	100	96	100
	100	99	99	97	92	100	96	85
Ontario and British Columbia contracted facilities								
Island Generation	100	100	100	100	100	100	100	100
York Energy	100	100	100	94	100	100	100	100
East Windsor	99	99	99	99	99	97	99	99
K2 Wind	N/A	99	98	100	98	98	99	100
Kingsbridge 1	98	99	98	98	98	98	98	95
Port Dover and Nanticoke	99	98	94	99	100	96	93	100
Quality Wind	96	95	94	97	97	96	91	99
EnPower	55	97	100	86	97	96	95	98
	98	99	98	98	99	98	98	99
U.S. contracted facilities								
Roxboro, North Carolina	88	97	100	99	88	100	99	100
Southport, North Carolina	91	83	100	95	89	99	97	86
Decatur Energy, Alabama	98	85	100	94	100	89	100	100
Arlington Valley, Arizona	81	94	N/A	N/A	N/A	N/A	N/A	N/A
Beaufort Solar, North Carolina	100	97	100	98	93	97	97	90
Bloom Wind, Kansas	99	100	97	96	98	98	97	98
Macho Springs, New Mexico	98	99	97	98	97	98	98	96
New Frontier, North Dakota	96	98	N/A	N/A	N/A	N/A	N/A	N/A
	92	89	99	95	98	92	99	96

Financial results

(unaudited, $ millions)	Three months ended							
	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017
Revenues and other income								
Alberta commercial facilities and portfolio optimization	180	150	148	116	173	190	160	153
Alberta contracted facilities	74	71	70	66	61	64	61	55
Ontario and British Columbia contracted facilities [3]	47	52	37	41	50	54	37	38
U.S. contracted facilities	95	63	74	102	65	58	77	37
Corporate [1]	15	13	15	15	15	19	14	16
Unrealized changes in fair value of commodity derivatives and emission credits	(14)	(9)	51	29	(51)	(118)	3	(92)
	397	**340**	**395**	**369**	**313**	**267**	**352**	**207**
Adjusted EBITDA								
Alberta commercial facilities and portfolio optimization	84	62	60	51	55	60	55	55
Alberta contracted facilities	53	53	54	51	45	47	41	37
Ontario and British Columbia contracted facilities [2, 3]	44	52	37	45	59	60	37	46
U.S. contracted facilities	38	25	44	72	35	30	46	10
Corporate	(17)	(21)	(16)	(12)	(15)	(19)	(12)	(17)
	202	**171**	**179**	**207**	**179**	**178**	**167**	**131**

1 Revenues are offset by interplant category revenue eliminations

2 The reported Ontario and British Columbia contracted facilities' adjusted EBITDA includes the adjusted EBITDA from the York Energy joint venture. Prior quarter values include Capital Power's share of K2 Wind which was disposed of effective December 31, 2018.

3 Prior quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16, see Accounting Changes.

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, and planned and unplanned facility 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, interest rate and foreign exchange derivative contracts.

Financial highlights

(unaudited, $ millions except per share amounts)	Three months ended							
	Mar 31 2019	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**	**Dec 31 2017**	**Sep 30 2017**	**Jun 30 2017**
Revenues and other income [4]	397	340	395	369	313	267	352	207
Adjusted EBITDA [1,2,3,4]	202	171	179	207	179	178	167	131
Net income (loss) [4]	60	136	17	66	39	(14)	(9)	105
Net income (loss) attributable to shareholders of the Company [4]	61	138	18	68	41	(11)	(7)	107
Basic earnings (loss) per share ($)[4]	0.49	1.24	0.08	0.55	0.30	(0.21)	(0.15)	1.01
Normalized earnings per share ($) [1, 4]	0.29	0.30	0.33	0.20	0.28	0.23	0.26	0.24
Net cash flows from operating activities	286	133	65	109	143	75	120	78
Adjusted funds from operations [1]	117	80	156	76	85	94	135	44
Adjusted funds from operations per share ($)[1]	1.15	0.78	1.52	0.74	0.82	0.90	1.30	0.45
Purchase of property, plant and equipment and other assets	51	114	135	66	40	42	28	63

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

2 The reported Ontario and British Columbia contracted facilities' adjusted EBTIDA includes the adjusted EBITDA from the York Energy joint venture. Prior quarter values include Capital Power's share of K2 Wind which was disposed of effective December 31, 2018

3 Commencing with the Company's March 31, 2019 quarter-end, adjusted EBITDA excludes unrealized changes in fair value of commodity derivatives and emission credits which were previously included in adjusted EBITDA. This change was made to better align the Company's measure of adjusted EBITDA with its other non-GAAP measures, as both the adjusted funds from operations and the normalized earnings per share measures exclude the impacts of unrealized changes in fair value of commodity derivatives and emission credits. Comparative figures have been restated to reflect the above change to the adjusted EBITDA metric.

4 Prior quarters' amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16, see Accounting Changes.

	Three months ended							
Spot price averages	**Mar 31 2019**	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**	**Dec 31 2017**	**Sep 30 2017**	**Jun 30 2017**
Alberta power ($ per MWh)	69	56	55	56	35	22	25	19
Alberta natural gas (AECO) ($ per Gj)	2.62	1.59	1.15	1.10	1.99	1.73	1.34	2.62
Capital Power's Alberta portfolio average realized power price ($ per MWh)	58	52	54	51	47	46	49	52

Factors impacting results for the previous quarters

For the quarter ended December 31, 2018, the Company recorded net income attributable to shareholders of $138 million compared to net loss attributable to shareholders of $11 million for the quarter ended December 31, 2017. The increase compared to the prior quarter mainly resulted from the $159 million gain on disposal of the Company's minority owned interest in K2 Wind. In addition, tax expenses were lower by $26 million in the fourth quarter of 2018 as compared to 2017 driven by U.S. federal tax rate decreases in the fourth quarter of 2017 and the resulting reduction in deferred tax assets. These impacts were partially offset by higher unrealized losses on commodity derivatives and emission credits in 2018 which were higher by $35 million.

For the quarter ended September 30, 2018, the Company recorded net income attributable to shareholders of $18 million compared to net loss attributable to shareholders of $7 million for the quarter ended September 30, 2017. Higher net income reflects the recognition of non-cash impairment losses in the third quarter of 2017 totalling $83 million (pre-tax) related to the Company's Southport, Roxboro and Decatur Energy facilities. The Company did not record an impairment loss in 2018. Favourable net income attributed to shareholders was partially offset by a foreign exchange loss of $2 million in the third quarter of 2018 compared to a foreign exchange gain of $21 million in the third quarter of 2017 reflecting a gain on the revaluation of U.S. dollar denominated debt not hedged for accounting purposes, and income tax expense of $7 million in the third quarter of 2018 compared to income tax recovery of $9 million in the third quarter of 2017. Adjusted EBITDA was higher in the third quarter of 2018 compared to the third quarter of 2017 primarily due to the impact of higher Alberta power prices in 2018 compared with 2017 on the Alberta contracted assets. Losses related to unrealized changes in the fair value of commodity derivatives and emission credits were higher in the third quarter of 2018 compared to the third quarter of 2017 largely as a result of the 2018 impact of increasing forward prices on forward sales contracts relating to U.S. energy derivatives.

For the quarter ended June 30, 2018, the Company recorded net income attributable to shareholders of $68 million compared to $107 million for the quarter ended June 30, 2017. Lower net income reflected the reversal of a previous write-down of deferred tax assets related to the tax benefit associated with the Company's U.S. income tax loss carryforwards as a result of the acquisition of Decatur Energy and the commissioning of Bloom Wind in the second quarter of 2017. Further contributing to the decrease were higher net finance expenses and depreciation and amortization due to the acquisition of the thermal facilities and Decatur Energy and the receipt of Bloom Wind Project financing in the second quarter of 2017. These variances were partially offset by higher adjusted EBITDA in the second quarter of 2018 compared to the second quarter of 2017 primarily due to the impact of higher Alberta power prices in 2018 compared with 2017 on the Alberta contracted assets, a full quarter of results from the assets acquired in the second quarter of 2017, and higher Bloom Wind revenue due to the renegotiation of the commercial terms within the Bloom Wind tax equity agreement. Non-cash after tax net income related to Bloom Wind increased $15 million driven by tax rate differences while the $44 million increase in adjusted EBITDA was related to timing.

For the quarter ended March 31, 2018, the Company recorded net income attributable to shareholders of $41 million compared to $46 million for the quarter ended March 31, 2017. The financial results reflected higher unrealized gains on Alberta energy derivatives in the first quarter of 2017 that resulted from the impact of decreasing forward Alberta power prices on net forward sales contracts, partially offset by the reversal of prior year unrealized net gains on forward sales contracts that settled during the first quarter of 2017. Further contributing to the decrease were higher net finance expenses and depreciation and amortization due to the acquisition of the thermal facilities and Decatur Energy and the receipt of Bloom Wind Project financing in the second quarter of 2017. Adjusted EBITDA was higher in the first quarter of 2018 compared to the first quarter of 2017 primarily due to Bloom Wind commencing operations and acquisition of the thermal facilities and Decatur Energy in the second quarter of 2017.

For the quarter ended December 31, 2017, the Company recorded net loss attributable to shareholders of $11 million compared to net income attributable to shareholders of $27 million for the quarter ended December 31, 2016. The decrease compared to the prior quarter mainly resulted from lower average realized prices on the Alberta portfolio and unrealized losses on the Alberta power portfolio that were primarily due to the reversal of prior period unrealized net gains on forward sales contracts that settled during the period. Adjusted EBITDA was higher quarter over quarter mostly due to the impact of the acquired thermal facilities and Decatur Energy in the second quarter of 2017 and other income related to coal compensation from the Province of Alberta. During the fourth quarter of 2017, the U.S. federal income tax rate decreased as part of the U.S. tax reform and the Company's U.S. deferred tax assets and liabilities were re-measured. As a result of the re-measurement, the Company recognized $31 million in deferred income tax expense. In the fourth quarter of 2017, the Company also recorded a current provision of $9 million related to the LLR proceeding based on current Module C conclusions.

Financial results for the third quarter of 2017 reflected the impact of low Alberta power pricing averaging $25 per MWh. Revenues were lower compared with the corresponding period in 2016 mainly due to lower average realized prices on the Alberta portfolio and unrealized losses on the Alberta power portfolio that were primarily due to the reversal of prior period unrealized net gains on forward sales contracts that settled during the period. Adjusted EBITDA increased quarter over quarter mostly attributable to the acquisition of the thermal facilities and Decatur Energy in the second quarter of 2017 and other income related to coal compensation from the Province of Alberta. The Company recognized non-cash impairment losses in the third quarter of 2017 totalling $83 million (pre-tax) related to the Company's Southport, Roxboro and Decatur Energy facilities.

The results for the second quarter of 2017 reflected low Alberta power pricing and realized power prices. The Company completed the acquisitions of the thermal power business of Veresen Inc. and Decatur Energy. The Company also reversed a previous write-down of deferred tax assets related to the tax benefit associated with the Company's U.S. income tax loss carryforwards as a result of the acquisition of Decatur Energy and the commissioning of Bloom Wind. In addition, there were unrealized losses on net forward natural gas purchase contracts valued against decreasing forward natural gas prices in 2017 compared with unrealized gains on net forward natural gas purchase contracts valued against increasing forward natural gas prices in 2016. Adjusted EBITDA was higher in the second quarter of 2017 compared to the second quarter of 2016 primarily due to increases driven by the 2017 acquisitions, largely offset by the impacts of lower realized power prices in 2017 compared with 2016.

SHARE AND PARTNERSHIP UNIT INFORMATION

Quarterly common share trading information

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

	Three months ended							
	Mar 31 2019	**Dec 31 2018**	**Sep 30 2018**	**Jun 30 2018**	**Mar 31 2018**	**Dec 31 2017**	**Sep 30 2017**	**Jun 30 2017**
Share price ($/common share)								
High	32.44	29.79	29.45	26.00	25.14	25.59	26.51	26.14
Low	26.22	25.33	25.12	23.42	22.15	23.26	23.81	24.05
Close	31.30	26.59	28.51	25.23	24.24	24.49	24.67	24.32
Volume of shares traded (millions)	18.0	25.5	14.8	11.1	14.0	16.9	14.1	14.8

Outstanding share and partnership unit data

As at April 23, 2019, the Company had 102.179 million common shares, 5 million Cumulative Rate Reset Preference Shares (Series 1), 6 million Cumulative Rate Reset Preference Shares (Series 3), 8 million Cumulative Rate Reset Preference Shares (Series 5), 8 million Cumulative Minimum Rate Reset Preference Shares (Series 7), 6 million Cumulative Minimum Rate Reset Preference Shares (Series 9) 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 23, 2019 were 105.705 million. The outstanding special limited voting share is held by EPCOR.

As at April 23, 2019, CPLP had 24.040 million general partnership units outstanding and 89.473 million common limited partnership units outstanding. All of the outstanding general partnership units and the outstanding common limited partnership units are held 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.

Condensed Interim Consolidated Financial Statements of

CAPITAL POWER CORPORATION

(Unaudited, in millions of Canadian dollars)
Three months ended March 31, 2019 and 2018

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Financial Statements
Three months ended March 31, 2019 and 2018

Condensed Interim Consolidated Financial Statements:

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Income
(Unaudited, in millions of Canadian dollars, except per share amounts)

	Three months ended March 31, 2019	2018 (note 3)
Revenues	$ 365	$ 286
Other income	32	27
Energy purchases and fuel	(67)	(64)
Gross margin	330	249
Other raw materials and operating charges	(33)	(32)
Staff costs and employee benefits expense	(39)	(34)
Depreciation and amortization	(98)	(84)
Other administrative expense	(28)	(23)
Foreign exchange (loss) gain	(4)	3
Operating income	128	79
Net finance expense	(36)	(33)
(Loss) income from joint ventures	(2)	11
Income before tax	90	57
Income tax expense (note 4)	(30)	(18)
Net income	$ 60	$ 39
Attributable to:		
Non-controlling interests	$ (1)	$ (2)
Shareholders of the Company	$ 61	$ 41

Earnings per share (attributable to common shareholders of the Company):

	2019	2018
Basic (note 5)	$ 0.49	$ 0.30
Diluted (note 5)	$ 0.49	$ 0.30

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Income
(Unaudited, in millions of Canadian dollars)

	Three months ended March 31, 2019	2018 (note 3)
Net income	$ 60	$ 39
Other comprehensive income (loss):		
Items that are or may be reclassified subsequently to net income:		
Cash flow hedges:		
Unrealized losses on derivative instruments[1]	(33)	(13)
Reclassification of losses (gains) on derivative instruments to net income for the period[2]	14	(8)
Net investment in foreign subsidiaries:		
Unrealized (losses) gains[3]	(15)	11
Total items that are or may be reclassified subsequently to net income, net of tax	(34)	(10)
Total other comprehensive loss, net of tax	(34)	(10)
Total comprehensive income	$ 26	$ 29
Attributable to:		
Non-controlling interests	$ (1)	$ (2)
Shareholders of the Company	$ 27	$ 31

[1] For the three months ended March 31, 2019 and 2018, net of income tax recoveries of $12 and $5, respectively.

[2] For the three months ended March 31, 2019 and 2018, net of reclassification of income tax recovery of $6 and income tax expense of $3, respectively.

[3] For the three months ended March 31, 2019 and 2018, net of income tax of nil.

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Financial Position
(Unaudited, in millions of Canadian dollars)

	March 31, 2019	December 31, 2018 (note 3)
Assets		
Current assets:		
Cash and cash equivalents	$ 90	$ 182
Trade and other receivables	277	438
Inventories	190	200
Derivative financial instruments assets (note 6)	56	77
	613	897
Non-current assets:		
Other assets	62	66
Derivative financial instruments assets (note 6)	99	82
Government grant receivable	462	459
Deferred tax assets	55	59
Equity-accounted investments	137	142
Right-of-use assets (note 7)	98	-
Intangible assets	460	473
Property, plant and equipment	5,293	5,356
Goodwill	35	35
Total assets	$ 7,314	$ 7,569
Liabilities and equity		
Current liabilities:		
Trade and other payables	$ 277	$ 244
Derivative financial instruments liabilities (note 6)	71	90
Loans and borrowings	199	456
Deferred revenue and other liabilities	67	62
Provisions	32	54
	646	906
Non-current liabilities:		
Derivative financial instruments liabilities (note 6)	121	114
Loans and borrowings	2,156	2,191
Lease liabilities (note 7)	106	17
Deferred revenue and other liabilities	564	587
Deferred tax liabilities	388	410
Provisions	312	291
	3,647	3,610
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 8)	3,206	3,200
Deficit	(224)	(222)
Other reserves	(3)	32
Deficit and other reserves	(227)	(190)
	2,979	3,010
Non-controlling interests	42	43
Total equity	3,021	3,053
Total liabilities and equity	$ 7,314	$ 7,569

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited, in millions of Canadian dollars)

	Share capital	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity as at January 1, 2019 (note 3)	$ 3,200	$ 7	$ 23	$ (9)	$ 11	$ (222)	$ 3,010	$ 43	$ 3,053
Impact of IFRS 16 lessee accounting policy change (note 3)	-	-	-	-	-	(8)	(8)	-	(8)
Tax impact of IFRS 16 lessee accounting policy change (note 3)	-	-	-	-	-	2	2	-	2
Adjusted equity as at January 1, 2019	$ 3,200	$ 7	$ 23	$ (9)	$ 11	$ (228)	$ 3,004	$ 43	$ 3,047
Net income	-	-	-	-	-	61	61	(1)	60
Other comprehensive (loss) income:									
Cash flow derivative hedge losses	-	(45)	-	-	-	-	(45)	-	(45)
Reclassification of losses to net income	-	20	-	-	-	-	20	-	20
Unrealized loss on foreign currency translation	-	-	(15)	-	-	-	(15)	-	(15)
Tax on items recognized directly in equity	-	6	-	-	-	-	6	-	6
Other comprehensive loss	$ -	$ (19)	$ (15)	$ -	$ -	$ -	$ (34)	**$** -	$ (34)
Total comprehensive (loss) income	-	(19)	(15)	-	-	61	27	(1)	26
Common share dividends (note 8)	-	-	-	-	-	(46)	(46)	-	(46)
Preferred share dividends (note 8)	-	-	-	-	-	(11)	(11)	-	(11)
Common shares purchased (note 8)	(10)	-	-	-	-	-	(10)	-	(10)
Share options exercised	16	-	-	-	(1)	-	15	-	15
Equity as at March 31, 2019	$ 3,206	$ (12)	$ 8	$ (9)	$ 10	$ (224)	$ 2,979	$ 42	$ 3,021

[1] Accumulated other comprehensive income. Other reserves on the statements of financial position are the aggregate of accumulated other comprehensive income and the employee benefits reserve.

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited, in millions of Canadian dollars)

	Share capital	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit (note 3)	Equity attributable to shareholders of the Company	Non-controlling interests	Total (note 3)
Equity as at January 1, 2018	$ 3,262	$ (39)	$ (27)	$ (11)	$ 10	$ (181)	$ 3,014	$ 48	$ 3,062
Impact of IAS 8 accounting policy changes (note 3)	-	-	-	-	-	(79)	(79)	-	(79)
Impact of IFRS 15 accounting policy changes	-	-	-	-	-	(44)	(44)	-	(44)
Tax impacts of IAS 8 accounting policy changes (note 3)	-	-	-	-	-	22	22	-	22
Tax impacts of IFRS 15 accounting policy changes	-	-	-	-	-	11	11	-	11
Adjusted equity as at January 1, 2018	$ 3,262	$ (39)	$ (27)	$ (11)	$ 10	$ (271)	$ 2,924	$ 48	$ 2,972
Net income	-	-	-	-	-	41	41	(2)	39
Other comprehensive (loss) income:									
Cash flow derivative hedge losses	-	(18)	-	-	-	-	(18)	-	(18)
Reclassification of gains to net income	-	(11)	-	-	-	-	(11)	-	(11)
Unrealized gain on foreign currency translation	-	-	11	-	-	-	11	-	11
Tax on items recognized directly in equity	-	8	-	-	-	-	8	-	8
Other comprehensive (loss) income	$ -	$ (21)	$ 11	$ -	$ -	$ -	$ (10)	**$** -	$ (10)
Total comprehensive (loss) income	-	(21)	11	-	-	41	31	(2)	29
Common share dividends (note 8)	-	-	-	-	-	(43)	(43)	-	(43)
Preferred share dividends (note 8)	-	-	-	-	-	(10)	(10)	-	(10)
Common shares purchased (note 8)	(17)	-	-	-	-	-	(17)	-	(17)
Share options exercised	1	-	-	-	-	-	1	-	1
Equity as at March 31, 2018	$ 3,246	$ (60)	$ (16)	$ (11)	$ 10	$ (283)	$ 2,886	$ 46	$ 2,932

[1] Accumulated other comprehensive income (loss). Other reserves on the statements of financial position are the aggregate of accumulated other comprehensive income (loss) and the employee benefits reserve.

See accompanying notes to the condensed interim consolidated financial statements

CAPITAL POWER CORPORATION

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, in millions of Canadian dollars)

	Three months ended March 31, 2019	2018 (note 3)
Cash flows from operating activities:		
Net income	$ 60	$ 39
Non-cash adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	98	84
Net finance expense	36	33
Fair value changes on commodity derivative instruments and emission credits held for trading	(34)	-
Foreign exchange losses (gains)	4	(3)
Income tax expense	30	18
Loss (income) from joint ventures	2	(11)
Recognition of government grant deferred revenue	(13)	(13)
Tax equity attributes	(15)	(12)
Other items	6	-
Change in fair value of derivative instruments reflected as cash settlement	7	9
Distributions received from joint ventures	3	13
Interest paid[1]	(21)	(25)
Other cash items	(24)	(5)
Change in non-cash operating working capital	147	16
Net cash flows from operating activities	286	143
Cash flows used in investing activities:		
Purchase of property, plant and equipment and other assets	(51)	(40)
Other cash flows from investing activities	3	3
Change in non-cash investing working capital	(3)	7
Net cash flows used in investing activities	(51)	(30)
Cash flows used in financing activities:		
Proceeds from issue of loans and borrowings	300	95
Repayment of loans and borrowings	(560)	(168)
Issue costs on loans and borrowings	(1)	-
Repayment of lease liabilities	(2)	-
Realized gains on settlement of foreign exchange derivative instruments	-	33
Proceeds from exercise of share options	15	1
Common shares purchased (note 8)	(10)	(17)
Dividends paid (note 8)	(57)	(53)
Capitalized interest paid[1]	(1)	(1)
Income taxes paid on preferred share dividends	(6)	(8)
Net cash flows used in financing activities	(322)	(118)
Foreign exchange (loss) gain on cash held in a foreign currency	(5)	1
Net decrease in cash and cash equivalents	(92)	(4)
Cash and cash equivalents at beginning of period	182	52
Cash and cash equivalents at end of period	$ 90	$ 48

[1] Total interest paid.

See accompanying notes to the condensed interim consolidated financial statement

1. Reporting entity:

Capital Power Corporation (the Company or Capital Power) develops, acquires, owns, and operates power generation facilities and manages its related electricity and natural gas portfolios by undertaking trading and marketing activities.

The registered and head office of the Company is located at 10423 101 Street, Edmonton, Alberta, Canada, T5H 0E9. The common shares of the Company are traded on the Toronto Stock Exchange under the symbol “CPX”.

Interim results will fluctuate due to plant maintenance schedules, the seasonal demands for electricity and changes in energy prices. Consequently, interim results are not necessarily indicative of annual results.

2. Basis of presentation:

These condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s 2018 annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent annual consolidated financial statements, except as outlined in note 3, and have been prepared under the historical cost basis, except for the Company’s derivative instruments, emission credits held for trading, defined benefit pension assets and cash-settled share based payments, which are stated at fair value.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on April 26, 2019.

3. Changes in significant accounting policies:

Effective January 1, 2019 (date of initial application), the Company adopted IFRS 16 – *Leases*. The objective of this standard is to provide a foundation for users of financial statements to evaluate the amount, timing and uncertainty of cash flows arising from leases. To meet this objective, the new standard introduces a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for all leases previously classified as operating leases. There are no changes to lessor accounting under the new standard, however the criteria for assessing whether a contract contains a lease have changed. These assessments now focus on whether the customer controls the use of the identified asset throughout the period of use. As such, certain electricity and natural gas supply contracts where the Company was the lessor are no longer considered a lease under IFRS 16 and the energy revenue is now accounted for under IFRS 15 – *Revenue from Contracts with Customers*.

The Company has elected not to grandfather lease assessments, as previously assessed under IAS 17 - *Leases* and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*. Management reviewed all contracts and existing lease arrangements and determined the impact of adopting this standard.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

3. Changes in significant accounting policies, continued:

Impact on transition to IFRS 16 - Leases as the lessee

The Company is the lessee in various office, equipment and land leases that were previously accounted for as operating leases. The Company has elected to apply the modified retrospective approach where the lessee will not restate comparative figures and the cumulative effect of initial application of the standard will be recognized in the opening deficit balance at January 1, 2019.

The Company is also the lessee in a sale-and-leaseback transaction for the Beaufort Solar facility. The lease was accounted for as a finance lease under IAS 17 and remains unchanged under the new standard. The carrying amount of the right-of-use asset and lease liability at January 1, 2019 was determined based on the carrying amount of the lease asset and liability under IAS 17 immediately before that date.

On initial application, the Company recognized a lease liability of $96 for future lease payments and a right-of-use asset of $86 for the underlying asset with the difference recognized in the opening deficit balance. IFRS 16 transition impacts are presented in the tables below.

Measurement:

- Right-of-use assets are measured retrospectively, as if this standard had been applied since the commencement date of each lease, discounted using the Company's incremental borrowing rate at the date of initial application.
- Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at January 1, 2019. The weighted-average incremental borrowing rate was 5.72%.

Practical expedients applied:

- The Company grouped leases with reasonably similar characteristics into portfolios and applied appropriate discount rates to each of these portfolios of leases.
- The Company relied on its assessment of whether leases are onerous by applying IAS 37 – *Provisions, Contingent Liabilities and Contingent* Assets immediately before the date of initial application as an alternative to performing an impairment review. No leases were determined to be onerous.
- Management excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.

The following table reconciles the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019.

Operating lease commitments at December 31, 2018	$	142
Discounted using the incremental borrowing rate at January 1, 2019		(65)
Add: Equipment lease contracts		19
Add: Finance lease obligation as at December 31, 2018 [1]		18
Lease liabilities recognized at January 1, 2019 [1]	$	114

[1] At December 31, 2018 $1 million of current finance lease obligations reclassified from trade and other payables to deferred revenue and other liabilities to conform to the current period's presentation.

Impact on transition to IFRS 16 - Leases as the lessor

Finance leases:

- Management has determined that power purchase arrangements (PPAs) and energy supply contracts for Kingsbridge 1, Port Dover and Nanticoke and Quality Wind that were previously considered to be finance leases with the Company as the lessor are no longer considered leases upon adoption of this new standard, but rather will be accounted for under IFRS 15 – Revenue from Contracts with Customers. The transition impact for the former finance leases will be treated as a change in accounting policy and accounted for retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

3. Changes in significant accounting policies, continued:

Impact on transition to IFRS 16 - Leases as the lessor, continued

Operating leases:

- The Company is the lessor in various PPAs where it operates the facilities under PPAs that convey the right to the holder of the agreement to use the related property, plant and equipment. As such, the Genesee units 1 and 2, Island Generation, Decatur Energy and Arlington Valley power generation facilities continue to be accounted for as assets under operating leases as this classification remains unchanged under the new standard. Management determined that the East Windsor, EnPower and Roxboro PPAs no longer contain a lease under IFRS 16 and the energy revenues will be accounted for under IFRS 15. This change has no impact on the Company's financial statement balances, but will result in additional revenues from contracts with customers within the Company's segment information in note 10.

For further disclosure on the Company's leases, see note 7.

Summarized impacts of IFRS 16 adoption and resulting IAS 8 accounting policy change

The impacts of adopting IFRS 16 on the consolidated statements of financial position as at January 1, 2019 and 2018, inclusive of the related IAS 8 accounting policy changes, were:

	Previously stated at January 1, 2018	IAS 8	Restated as at January 1, 2018	Previously stated at December 31, 2018	IAS 8	Restated as at December 31, 2018	IFRS 16	As at January 1, 2019
Assets								
Current Assets:								
Cash and cash equivalents	$ 52	$ -	$ 52	$ 182	$ -	$ 182	$ -	$ 182
Trade and other receivables	278	(23)	255	462	(24)	438	(2)	436
Inventories	120	-	120	200	-	200	-	200
Derivative financial instruments assets	92	-	92	77	-	77	-	77
	542	(23)	519	921	(24)	897	(2)	895
Non-current Assets:								
Other assets	68	-	68	66	-	66	-	66
Derivative financial instruments assets	79	-	79	82	-	82	-	82
Finance lease receivables	644	(644)	-	620	(620)	-	-	-
Government grant receivable	493	-	493	459	-	459	-	459
Deferred tax assets	74	-	74	59	-	59	-	59
Equity-accounted investments in joint ventures	184	-	184	142	-	142	-	142
Right-of-use assets	-	-	-	-	-	-	86	86
Intangible assets	401	-	401	473	-	473	-	473
Property, plant and equipment	4,378	588	4,966	4,803	553	5,356	-	5,356
Goodwill	35	-	35	35	-	35	-	35
Total Assets	$ 6,898	$ (79)	$ 6,819	$ 7,660	$ (91)	$ 7,569	$ 84	$ 7,653

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

3. Changes in significant accounting policies, continued:

Summarized impacts of IFRS 16 adoption and resulting IAS 8 accounting policy change, continued

	Previously stated at January 1, 2018	IAS 8	Restated as at January 1, 2018	Previously stated at December 31, 2018	IAS 8	Restated as at December 31, 2018	IFRS 16	As at January 1, 2019
Liabilities and equity								
Current liabilities:								
Trade and other payables [1]	$ 216	$ -	$ 216	$ 245	$ (1)	$ 244	$ -	$ 244
Derivative financial Instrument liabilities	86	-	86	90	-	90	-	90
Loans and borrowings	239	-	239	456	-	456	-	456
Deferred revenue and other liabilities [1]	58	-	58	61	1	62	5	67
Provisions	37	-	37	54	-	54	-	54
	636	-	636	906	-	906	5	911
Non-current liabilities:								
Derivative financial Instruments liabilities	56	-	56	114	-	114	-	114
Loans and borrowings	1,907	-	1,907	2,191	-	2,191	-	2,191
Finance Lease obligations [1]	17	-	17	17	(17)	-	-	-
Lease liabilities [1]	-	-	-	-	17	17	91	108
Deferred revenue and other liabilities	581	-	581	587	-	587	(4)	583
Deferred tax liabilities	374	(22)	352	435	(25)	410	(2)	408
Provisions	265	-	265	291	-	291	-	291
	3,200	(22)	3,178	3,635	(25)	3,610	85	3,695
Equity:								
Share capital	3,262	-	3,262	3,200	-	3,200	-	3,200
Deficit [1]	(181)	(57)	(238)	(156)	(66)	(222)	(6)	(228)
Other reserves	(67)	-	(67)	32	-	32	-	32
Deficit and other reserves	(248)	(57)	(305)	(124)	(66)	(190)	(6)	(196)
	3,014	(57)	2,957	3,076	(66)	3,010	(6)	3,004
Non-controlling interests	48	-	48	43	-	43	-	43
Total equity	3,062	(57)	3,005	3,119	(66)	3,053	(6)	3,047
Total liabilities and equity	$ 6,898	$ (79)	$ 6,819	$ 7,660	$ (91)	$ 7,569	$ 84	$ 7,653

[1] Comparative figures have been reclassified to conform to the current year's presentation.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

3. Changes in significant accounting policies, continued:

IAS 8 accounting policy change – impacts on consolidated statements of income

The adjustments to the impacted line items within the consolidated statements of income pertaining to the IAS 8 accounting policy change related to the former finance leases where the Company was the lessor were:

	Three months ended March 31, 2019			Three months ended March 31, 2018		
	Pre-policy change	Post-policy change	Impact	Pre-policy change	Post-policy change	Impact
Revenues	359	365	6	280	286	6
Depreciation and amortization	(89)	(98)	(9)	(75)	(84)	(9)
Income tax (expense) recovery	(31)	(30)	1	(19)	(18)	1
Net income (loss) impact			(2)			(2)

Basic and diluted earnings per share for the three months ended March 31, 2019 and 2018 decreased by $0.02 and $0.02 respectively for the change in accounting policy pertaining to leases where the Company was the lessor.

4. Income tax:

Income taxes differ from the amount that would be computed by applying the federal and provincial income tax rates as follows:

	Three months ended March 31, 2019	2018 (note 3)
Net income before tax	$ 90	$ 57
Income tax at the statutory rate of 27%	24	15
Increase (decrease) resulting from:		
Non- taxable amounts	(1)	(6)
Amounts attributable to non-controlling interests and tax-equity interests	5	4
Statutory and other rate differences	1	4
Other	1	1
Income tax expense	$ 30	$ 18

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

5. Earnings per share:

Basic earnings per share

The earnings and weighted average number of common shares used in the calculation of basic earnings per share are as follows:

	Three months ended March 31, 2019	2018 (note 3)
Income for the period attributable to shareholders of the Company	$ 61	$ 41
Preferred share dividends of the Company[1]	(11)	(10)
Earnings used in the calculation of basic earnings per share	$ 50	$ 31

[1] Includes preferred share dividends and related taxes in respect of the three months ended March 31, 2019 and 2018, respectively.

	Three months ended March 31, 2019	2018
Weighted average number of common shares used in the calculation of basic earnings per share	101,816,086	104,169,516

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share does not differ from the earnings used in the calculation of basic earnings per share for the three months ended March 31, 2019 and 2018. The weighted average number of common shares for the purposes of diluted earnings per share reconciles to the weighted average number of common shares used in the calculation of basic earnings per share as follows:

	Three months ended March 31, 2019	2018
Weighted average number of common shares used in the calculation of basic earnings per share	101,816,086	104,169,516
Effect of dilutive share purchase options[2]	698,074	260,145
Weighted average number of common shares used in the calculation of diluted earnings per share	102,514,160	104,429,661

[2] For the three months ended March 31, 2019 and March 31, 2018, the average market price of the Company's common shares exceeded the exercise price of certain granted share purchase options, but had a neutral effect on earnings per share.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

6. Derivative financial instruments and hedge accounting:

Derivative financial and non-financial instruments are held for the purpose of energy purchases, merchant trading or financial risk management.

The derivative instruments assets and liabilities used for risk management purposes consist of the following:

	March 31, 2019				
	Energy and emission allowances		Interest rate	Foreign exchange	
	cash flow hedges	non-hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:					
Current	$ 1	$ 46	$ -	$ 9	$ 56
Non-current	2	97	-	-	99
Derivative instruments liabilities:					
Current	(13)	(49)	(9)	-	(71)
Non-current	(5)	(116)	-	-	(121)
Net fair value	$ (15)	$ (22)	$ (9)	$ 9	$ (37)
Net notional buys (sells) (millions):					
Megawatt hours of electricity	(6)	(14)			
Gigajoules of natural gas		153			
Metric tons of emission allowances		1			
Number of renewable energy credits		(28)			
Interest rate swaps			$ 200		
Forward currency buys (U.S. dollars)				$ 117	
Range of remaining contract terms in years	0.1 to 3.8	0.1 to 13.8	0.7	0.1 to 0.6	

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

6. Derivative financial instruments and hedge accounting, continued:

	December 31, 2018				
	Energy and emission allowances		Interest rate	Foreign exchange	
	cash flow hedges	non-hedges	cash flow hedges	non-hedges	Total
Derivative instruments assets:					
Current	$ 5	$ 60	$ -	$ 12	$ 77
Non-current	6	76	-	-	82
Derivative instruments liabilities:					
Current	(9)	(73)	(7)	(1)	(90)
Non-current	(2)	(112)	-	-	(114)
Net fair value	$ -	$ (49)	$ (7)	$ 11	$ (45)
Net notional buys (sells) (millions):					
Megawatt hours of electricity	(7)	(14)			
Gigajoules of natural gas		138			
Metric tons of emission allowances		4			
Number of renewable energy credits		(14)			
Bond forwards			$ 250		
Interest rate swaps			$ 200		
Forward currency buys (U.S. dollars)				$ 117	
Range of remaining contract terms in years	0.1 to 4.0	0.1 to 14.0	0.1 to 0.9	0.7 to 0.9	

Fair values of derivative instruments are determined using valuation techniques, inputs, and assumptions as described in the Company's 2018 annual consolidated financial statements. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

Unrealized and realized pre-tax gains and losses on derivative instruments recognized in other comprehensive income and net income are:

	Three months ended March 31, 2019		Three months ended March 31, 2018	
	Unrealized (losses) gains	Realized losses	Unrealized (losses) gains	Realized gains
Energy cash flow hedges	$ (18)	$ (20)	$ (29)	$ 11
Energy and emission allowances non-hedges	38	-	5	22
Interest rate cash flow hedges[1]	(7)	(1)	-	-
Foreign exchange non-hedges	(3)	-	(30)	33

[1] Bond forward interest rate cash flow hedges of $250 million were settled in the quarter for a total loss of $6 million which includes $5 million deferred within accumulated other comprehensive income to be reclassified to net income in future periods within the associated net finance expense pertaining to the hedged note offering.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

6. Derivative financial instruments and hedge accounting, continued:

Realized and unrealized gains and losses relate only to derivative financial instruments. The following realized and unrealized gains and losses are included in the Company's statements of income for the three months ended March 31, 2019 and 2018:

	Three months ended March 31, 2019	2018
Revenues	$ (65)	$ 11
Energy purchases and fuel	83	27
Foreign exchange (loss) gain	(3)	3
Net finance expense	(1)	-

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices and interest rate risk relating to future borrowings. For the three months ended March 31, 2019, $1 million of losses were realized within net finance expense pertaining to the ineffective portion of hedging derivatives (2018 – nil).

Net after tax gains and losses related to derivative instruments designated as energy cash flow hedges and interest rate hedges are expected to settle and be reclassified to net income in the following periods:

	March 31, 2019
Within one year	$ (14)
Between 1 – 5 years	1
After more than 5 years	3
	$ (10)

7. Leases:

Right-of-use assets

	Land	Offices	Equipment	Total
Balance, January 1, 2019	$ 58	$ 28	$ 20	$ 106
Depreciation	(7)	(1)	-	(8)
Balance, March 31, 2019	$ 51	$ 27	$ 20	$ 98

Lease Liabilities

Contractual undiscounted cash flows for lease liabilities:

As at March 31	2019
Within one year	$ 10
Between one and five years	36
More than five years	113
Total	$ 159

The following table presents amounts recognized in the consolidated statements of income:

	March 31, 2019
Interest on lease liabilities	$ 1
Variable lease payments not included in the measurement of lease liabilities	1

As at March 31, 2019, income from sub-leasing right-of-use assets and expenses related to short-term and low-value leases was nil.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

7. Leases, continued:

Facilities under operating leases

The Genesee units 1 and 2, Island Generation, Decatur Energy and Arlington Valley power generation facilities are accounted for as assets under operating leases.

As at March 31, 2019, the cost of such property, plant and equipment was $2,018 million (2018 - $2,006 million), less accumulated depreciation of $463 million (2018 - $433 million).

The minimum future rental payments to be received on these PPAs are:

As at March 31	2019
2019	$ 184
2020	155
2021	95
2022	96
2023	45
Thereafter	88
Total	$ 663

8. Share capital:

	Dividends declared				Dividends paid			
	2019		2018		2019		2018	
	Per share	Total	Per share	Total	Per share	Total	Per share	Total
Common	$ 0.4475	$ 46	$ 0.4175	$ 43	$ 0.4475	$ 46	$ 0.4175	$ 43
Preference, Series 1	0.1913	1	0.1913	1	0.1913	1	0.1913	1
Preference, Series 3	0.3408	2	0.2875	2	0.3408	2	0.2875	2
Preference, Series 5	0.3274	3	0.2813	2	0.3274	3	0.2813	2
Preference, Series 7	0.3750	3	0.3750	3	0.3750	3	0.3750	3
Preference, Series 9	0.3594	2	0.3594	2	0.3594	2	0.3594	2

During the three months ended March 31, 2019, the Company purchased and canceled 381,912 of its outstanding common shares at an average exercise price of $26.47 per share (three months ended March 31, 2018 – $24.36 per share) for a total of $10 million (three months ended March 31, 2018 – 713,100 for a total of $17 million) under its Toronto Stock Exchange approved normal course issuer bid.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

9. Financial instruments:

Fair values

Details of the fair values of the Company's derivative instruments are described in note 6.

The Company's other short-term financial instruments are classified and measured at amortized cost, consistent with the methodologies described in the Company's 2018 annual consolidated financial statements. Due to the short-term nature of these financial instruments, the fair values are not materially different from their carrying amounts.

The fair values of the Company's other long-term financial instruments are determined using the same valuation techniques, inputs, and assumptions as described in the Company's 2018 annual consolidated financial statements. The carrying amount and fair value of the Company's other financial instruments, which are all classified and subsequently measured at amortized cost, are summarized as follows:

		March 31, 2019		December 31, 2018	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Government grant receivable [1]	Level 2	515	478	511	505
Loans and borrowings [1]	Level 2	2,355	2,394	2,647	2,645
Lease liabilities (note 7) [1]	Level 2	112	112	18	18

[1] Includes current portion.

Fair value hierarchy

Fair value represents the Company's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction under no compulsion to act. Fair value measurements recognized in the consolidated statements of financial position are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs and precedence is given to those fair value measurements calculated using observable inputs over those using unobservable inputs. The determination of fair value requires judgment and is based on market information where available and appropriate. The valuation techniques used by the Company in determining the fair value of its financial instruments are the same as those used as at December 31, 2018.

The fair value measurement of a financial instrument is included in only one of the three levels described in the Company's 2018 annual consolidated financial statements, the determination of which is based upon the lowest level input that is significant to the derivation of the fair value. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment which will affect the placement within the fair value hierarchy levels.

The Company's policy is to recognize transfers between levels as of the date of the event of change in circumstances that caused the transfer. The transfers between levels in the fair value hierarchy for the three months ended March 31, 2019 and the year ended December 31, 2018 are disclosed below within the continuity of Level 3 balances.

The table below presents the Company's financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position, classified using the fair value hierarchy described in the Company's 2018 annual consolidated financial statements.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

9. Financial instruments, continued:

Fair value hierarchy, continued

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ -	$ 131	$ 24	$ 155
Derivative financial instruments liabilities	-	(151)	(41)	(192)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ -	$ 143	$ 16	$ 159
Derivative financial instruments liabilities	-	(160)	(44)	(204)

Valuation techniques used in determination of fair values within Level 3

The following financial instruments are classified within Level 3 of the hierarchy as forward market prices are not available for the full period of the contracts which extend beyond a liquid trading period, and as such their fair values are derived using forecasts based on internal modelling.

- On April 30, 2018, the Company entered into a 12-year contract to swap the market price per megawatt hour (MWh) for a fixed price per MWh for 85% of the notional generation of its Cardinal Point Wind project (Cardinal Point Wind).
- On August 30, 2017, the Company entered into a 12-year contract to swap the market price per MWh for a fixed price per MWh for 87% of the notional generation of its New Frontier Wind project (New Frontier Wind).
- On April 21, 2016, the Company entered into a 10-year, fixed price contract to swap the market revenue of its Bloom Wind project’s generation for a fixed annual payment for a 10-year term.

In addition, as at March 31, 2019 and December 31, 2018, the Company holds contracts for the sale of renewable energy credits (RECs) for which pricing beyond two years is not readily observable and the contracts are therefore classified in Level 3 of the hierarchy.

The fair values of the Company’s commodity derivatives included within Level 3 are determined by applying a mark-to-forecast model. The table below presents ranges for the Company’s Level 3 inputs:

	March 31, 2019	December 31, 2018
REC pricing (per certificate) – Thermal	$ 0.81	$1.09
REC pricing (per certificate) – Solar	$216.89 to $387.31	$221.55 to $395.64
Power pricing (per MWh) – Wind	$14.69 to $68.33	$15.48 to $70.68

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

9. Financial instruments, continued:

Fair value hierarchy, continued

Valuation process applied to Level 3

The valuation models used to calculate the fair values of the derivative financial instruments assets and liabilities within Level 3 are prepared by appropriate internal subject matter experts and reviewed by the Company's commodity risk group and by management. The valuation technique and the associated inputs are assessed on a regular basis for ongoing reasonability.

The table below presents the impact to fair value of Level 3 derivative instruments based on reasonably possible alternative assumptions:

	March 31, 2019	December 31, 2018
REC pricing – Thermal [2]	$ -	$ -
REC pricing – Solar [2]	-	-
Power pricing – Wind [2]	17	17

[2] Reflects the increase or decrease to fair value calculated using a $1 per unit decrease or increase in the input.

Continuity of Level 3 balances

The Company classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model used to determine fair value. In addition to these unobservable inputs, the valuation model for Level 3 instruments also relies on a number of inputs that are observable either directly or indirectly. Accordingly, the unrealized gains and losses shown below include changes in the fair value related to both observable and unobservable inputs. The following table summarizes the changes in the fair value of financial instruments classified in Level 3:

	Three months ended March 31, 2019	Year ended December 31, 2018
As at January 1 [3]	$ (28)	$ 30
Unrealized and realized gains (losses) included in net income [4]	11	(55)
Transfers [5]	-	(5)
Foreign exchange gain	1	2
As at end of period	$ (16)	$ (28)
Total unrealized gains (losses) for the period included in net income [4]	$ 11	$ (55)

[3] The fair value of derivative instruments assets and liabilities are presented on a net basis.

[4] Recorded in revenues.

[5] Relates to transfers from Level 3 to Level 2 when pricing inputs became readily observable.

All instruments classified as Level 3 are derivative type instruments. Gains and losses associated with Level 3 balances may not necessarily reflect the underlying exposures of the Company. As a result, unrealized gains and losses from Level 3 financial instruments are often offset by unrealized gains and losses on financial instruments that are classified in Levels 1 or 2.

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

10. Segment information:

The Company operates in one reportable business segment involved in the operation of electrical generation facilities within Canada (Alberta, British Columbia and Ontario) and in the U.S. (North Carolina, New Mexico, Kansas, Alabama, Arizona and North Dakota), as this is how management assesses performance and determines resource allocations. The Company also holds a portfolio of wind and solar development sites in the U.S., including Cardinal Point Wind which is under development in Illinois.

The Company's results from operations and certain asset balances within each geographic area are:

	Three months ended March 31, 2019				Three months ended March 31, 2018 (note 3)			
	Canada	U.S.	Inter-area eliminations	Total	Canada	U.S.	Inter-area eliminations	Total
Revenues – external	$ 258	$ 107	$ -	$ 365	$ 224	$ 62	$ -	$ 286
Revenues – inter-area	14	(14)	-	-	5	6	(11)	-
Other income	17	15	-	32	15	12	-	27
Total revenues and other income	$ 289	$ 108	$ -	$ 397	$ 244	$ 80	$ (11)	$ 313

	As at March 31, 2019			As at December 31, 2018 (note 3)		
	Canada	U.S.	Total	Canada	U.S.	Total
Property, plant and equipment	$ 3,919	$ 1,374	$ 5,293	$ 3,947	$1,409	$ 5,356
Right-of-use assets (note 7)	60	38	98	-	-	-
Intangible assets	249	211	460	249	224	473
Goodwill	35	-	35	35	-	35
Other assets	61	1	62	65	1	66
	$ 4,324	$ 1,624	$ 5,948	$ 4,296	$1,634	$ 5,930

(Unaudited, tabular amounts in millions of Canadian dollars, except share and per share amounts)

10. Segment information, continued:

The Company's revenues and other income from contracts with customers are disaggregated by major type of revenues and operational groupings of revenues:

	Three months ended March 31, 2019						
	Alberta Commercial	Alberta Contracted	Ontario and British Columbia Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 193	$ 1	$ 37	$ 52	$ 283	$ 68	$ 351
Emission credit revenues	7	-	-	2	9	5	14
Total revenues[1]	$ 200	$ 1	$ 37	$ 54	$ 292	$ 73	$ 365

[1] Included within trade and other receivables, as at March 31, 2019, were amounts related to contracts with customers of $133 million.

	Three months ended March 31, 2018 (note 3)						
	Alberta Commercial	Alberta Contracted	Ontario and British Columbia Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 104	$ 1	$ 40	$ 27	$ 172	$ 92	$ 264
Emission credit revenues	8	-	-	2	10	12	22
Total revenues[2]	$ 112	$ 1	$ 40	$ 29	$ 182	$ 104	$ 286

[2] Included within trade and other receivables, as at March 31, 2018, were amounts related to contracts with customers of $75 million.

11. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.