

# Corporate Responsibility Report 2012

## President & CEO's Message

**This is who we are. This is what we value. This is how we do business.**

"Being a responsible corporate citizen creates tangible benefits that reduce our environmental footprint, strengthen communities, contribute to innovation and the adoption of better technologies, and build human capacity so that our people remain healthy and safe while developing their careers."

Thank you for taking to the time to read our 2012 corporate responsibility report.

We strive for transparency and balance in our report, which is drawn from data that is collected and analyzed throughout the year.

We aim to present this information in a way that paints a clear and comprehensive picture of who we are, what we value, and how we do business.

***Guided by integrity and the highest ethical standards***, we are open about our challenges and the areas where we fell short of our goals and expectations.

***Mindful of our promise to be accountable and responsible***, we disclose and explain our environmental performance with respect to emissions, water, land use, and wildlife.

***Driven by a passion for our business and operational excellence***, for helping our people to be healthy and safe on the job and at home, and for making our communities vibrant and strong, we are moving in the right direction and we constantly aim for improvement.

## **Tangible benefits**

***Being a responsible corporate citizen creates tangible benefits*** that reduce our environmental footprint, strengthen communities, contribute to innovation and the adoption of better technologies, and build human capacity so that our people remain healthy and safe while developing their careers.

## **Risk management**

***Our business is subject to the complexities and risks*** that are inherent in the various regulatory frameworks and other external circumstances under which we: build, operate, and decommission facilities; raise capital for projects; manage human resources; report financial results; and respond to infractions and violations should they occur.

***Managing our risks is an ongoing and carefully considered process.*** We believe that operating our business in a responsible manner is crucial for the success of our ongoing work to reduce risks to the corporation and to stakeholders in multiple provinces and states.

For example, the safe and reliable construction and operation of our facilities depends on our ability to deliver on commitments to public and employee health and safety.

## **Challenges in 2012**

The competitive and cyclical power generation industry is sensitive to the ups and downs of the business cycle. Our production volumes and revenues are impacted by the market forces of supply and demand and by the general state of the economy and other market conditions.

***Low power prices and a North American economy that has been slow to recover*** have challenged us to find ways of working smarter and spending smarter. We are also dealing with an over-supply of power generation capacity in key markets.

***Responding to legislative, regulatory, and political changes*** at the provincial, state, and national level has required our very best thinking, the development of new plans, and the undertaking of specific activities to ensure we remain sustainable over the long term.

***Public interest in our business development, projects, and operations*** continues to grow as we strive to balance the needs and priorities of our stakeholders with our business activities.

***And continuously operating our facilities and growing the business depends on attracting, retaining, and developing the right people***, and helping them to stay healthy and safe. This requires ongoing attention and strategic investments and as we strive to make people our competitive advantage.

## **Milestones and progress**

In this year's corporate responsibility report, we explain how we're managing the orderly phasing out of coal-powered generation in Alberta, as mandated by the Government of Canada.

We report on our investment in a new state-of-the-art natural gas generation centre in Alberta, our two wind projects that were successfully completed in British Columbia and Alberta, and the two wind projects underway in Ontario.

You'll find details of our health and safety record and our work towards achieving a "zero injuries" goal by 2015.

Our employee learning and career development activities for 2012 are detailed as well, with a focus on leadership, ethics, and accountability at all levels of the organization.

And the numbers and narratives that explain our ongoing involvement in the communities where our people live and work show the many different ways in which Capital Power is contributing to the quality of life in cities and towns across North America.

### **How are we doing?**

Our business touches many different stakeholders, and we are open to feedback from all. We encourage you to let us know how you think we're doing, and to provide your thoughts on how we can improve not just this report, but our business operations overall.

Thank you for your interest in Capital Power. We look forward to hearing from you as we continue into our fifth year as an independent power producer.

Brian Vaasjo  
President and CEO



**Brian Vaasjo**  
President and Chief Executive Officer

# Corporate Responsibility Report 2012

## Corporate Profile

### Our Company

#### **We produce power in North America - reliably, competitively, and responsibly**

Established in July 2009, Capital Power (TSX: CPX) is a growth-oriented North American power producer headquartered in Edmonton, Alberta. We develop, acquire, build, operate, and optimize power generation from coal/solid fuels, natural gas, and wind.

As of December 31, 2012, we owned more than 3,600 megawatts (MW) of power generation capacity at 16 facilities in Canada and the United States and, rights to 371 MW of production were held through our interest in the Sundance Power Purchase Arrangement.

An additional 595 megawatts of owned generation is under construction or in advanced development in Alberta and Ontario.

Capital Power L.P., a limited partnership, owns our assets and investments in the electrical power generation business.

**OUR VISION** is to be recognized as one of North America's most respected, reliable, and competitive power producers.

**OUR BUSINESS** is the development, acquisition, construction, operation, and optimization of large-scale, fuel-diverse, cost-effective power generation facilities in North America.

## Senior Executives

### Our senior leadership team in 2012

#### Executive Team



**Brian Vaasjo,**  
President and Chief Executive  
Officer



**Peter Arnold,**  
Senior Vice President, Human  
Resources and Health, Safety  
and Environment



**Kate Chisholm, Q.C.**  
Senior Vice President, Legal  
and External Relations



**Bryan DeNeve,**  
Senior Vice President,  
Corporate Development and  
Commercial



**Stuart Lee,**  
Senior Vice President, Finance  
and Chief Financial Officer



**Darcy Trufyn,**  
Senior Vice President,  
Operations, Engineering and  
Construction

For more details on our leadership team visit [capitalpower.com \(http://www.capitalpower.com/About/Leadership/Pages/default.aspx\)](http://www.capitalpower.com/About/Leadership/Pages/default.aspx)

## Board of Directors



**From left to right:** Richard Cruickshank, Philip Lachambre, Robert Phillips, Albrecht Bellstedt, Allister McPherson, Donald Lowry, Doyle Beneby, Brian Vaasjo, Hugh Bolton, Peggy Mull Bentz, William Bennett

# Responsible GOVERNANCE

## About the Board of Directors

The board is responsible for our stewardship. It provides independent leadership for overseeing our business so we grow and sustain profits responsibly.

The board is actively engaged, supervises our business and affairs, and is specifically responsible for:

- management oversight and strategic planning
- enterprise risk management
- shareholder engagement.

The board ensures that management's plans and activities are consistent with our values and support our vision to be recognized as one of North America's most respected, reliable and competitive power producers.

In 2012, the board consisted of 12 directors, four of whom were nominated by EPCOR Utilities Inc. (EPCOR) pursuant to rights attached to the Special Voting Shares held by EPCOR, and eight of whom were elected by shareholders at Capital Power's annual meeting in April 2012. The board is led by a non-executive chair, and is comprised of 11 men and one woman.

## Independence

The board is led by a non-executive chair. Ten of our 12 directors (83%) are independent according to the standards of independence established under Canadian securities laws. Brian Vaasjo and Richard Cruickshank are not considered independent because of their positions as Capital Power's President and CEO (Vaasjo), and partner of a law firm that provides us with legal services (Cruickshank).

## Board committees

The board has three standing committees:

- Audit
- Corporate Governance, Compensation and Nominating
- Health, Safety and Environment.

The board can also establish ad-hoc committees as appropriate.

The Corporate Governance, Compensation and Nominating Committee reviews the composition of each committee after each annual meeting. Director independence, director qualifications and individual skills and experience are considered when committees are established. Each committee has its own terms of reference, which it reviews and approves every year. [These are posted on our website \(http://www.capitalpower.com/InvestorRelations/Pages/CorporateGovernance.aspx\)](http://www.capitalpower.com/InvestorRelations/Pages/CorporateGovernance.aspx).

## Board compensation

Our director compensation is designed to attract and retain the most qualified people to serve on our board. It recognizes the size and complexity of the power industry, director compensation paid by a comparator group of companies, and the importance of share ownership to align the interests of directors and shareholders.

Director compensation includes annual retainers, attendance fees and a modest travel allowance if a director cannot travel to or from a board or committee meeting the same day. The annual equity retainer is paid in deferred share units (DSUs) to promote share ownership and align the interests of directors and shareholders.

Brian Vaasjo does not receive any director compensation because he is an employee of Capital Power and is compensated in his role as President and Chief Executive Officer.

Donald Lowry is Chair of the board but does not receive any compensation as a director or board chair because EPCOR is a major shareholder and he is compensated by EPCOR.

## Share ownership

The board believes in aligning the interests of directors and shareholders. In 2009, the Corporate Governance, Compensation and Nominating Committee instituted share ownership guidelines requiring directors to hold at least three times the total value of their annual cash and equity retainer. They must meet the requirement within five years of the date they were appointed or elected to the board. As of March 12, 2013, seven of the nominated directors met the requirement.

More details about our Board of Directors are available in our comprehensive [corporate governance policy \(http://www.capitalpower.com/InvestorRelations/Pages/CorporateGovernance.aspx\)](http://www.capitalpower.com/InvestorRelations/Pages/CorporateGovernance.aspx), our [Board Terms of Reference \(http://www.capitalpower.com/About/leadership/boardofdirectors/Pages/default.aspx\)](http://www.capitalpower.com/About/leadership/boardofdirectors/Pages/default.aspx) and our [Management Proxy Circular \(http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx\)](http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx). Including:

- Terms of Reference for each board committee
- Board committee membership
- Board director profiles
- Compensation and attendance for each board member
- Mechanisms for shareholder input



## Governance



Board Director Hugh Bolton at our blade signing celebration for Quality Wind.

## Responsible GOVERNANCE

We believe that effective governance is a major contributor to long-term performance and investor confidence.

### Governance practices

Our corporate governance practices are consistent with the following, as adopted by the Canadian Securities Administrators:

- National Policy 58-201 — Corporate Governance Guidelines (NP 58-201)
- National Instrument 58-101 — Disclosure of Corporate Governance Practices (NI 58-101)
- National Instrument 52-110 — Audit Committees (NI 52-110)
- National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings (CSox)
- Form 58-101F1 — Corporate Governance Disclosure (58-101F1)

### Governance highlights

- Voting is by individual director. We have a majority voting policy and we disclose the voting results on all items of business within five business days of a shareholder meeting
- We maintain separate chair and CEO positions so the board can function independently and monitor management's decisions and actions and effectively oversee our affairs
- The majority of our board (83%) is independent
- The chair of the board and the chair of the Capital Power nominated directors (chair of the non-EPCOR elected directors) are independent
- The board has developed clear position descriptions for the chair of the board, chair of the non-EPCOR elected directors, each committee and the CEO
- Our Audit Committee is 100% independent
- Four of the five members of our Corporate Governance, Compensation and Nominating Committee are independent

- Directors must meet share ownership requirements within five years of joining the board (three times their annual cash and equity retainer in Capital Power DSUs and/or common shares)
- Our board has a formal, written mandate
- Directors meet regularly without management present (in-camera)
- We expect 100% attendance of our directors. The Corporate Governance, Compensation and Nominating Committee reviews the attendance record to ensure directors have attended at least 80% of board meetings and their respective committee meetings
- The board has adopted a written code of business conduct and ethics, and monitors our compliance with it
- The board oversees strategic planning, risk management, succession planning and leadership development
- We conduct an advisory vote on executive compensation, giving shareholders a "say on pay"
- We adopted an incentive claw back policy and anti-hedging policy, further aligning the interests of executives and shareholders
- We have orientation and continuing education programs for our directors
- We maintain a skills matrix to assist in planning, developing and managing the skills and competencies of the board
- Board, committee and individual director assessments are conducted every year

More Governance details are available in our comprehensive [Corporate Governance Policy](http://www.capitalpower.com/InvestorRelations/Pages/CorporateGovernance.aspx) (<http://www.capitalpower.com/InvestorRelations/Pages/CorporateGovernance.aspx>) and our [Management Proxy Circular](http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx). (<http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx>)

## Awards & Achievements

### Awards

#### **Project of the Year honours –Project Management Institute (Northern Alberta chapter) – 2013**

The Project Management Institute (Northern Alberta chapter) awarded our [Oracle Enterprise Resource Planning \(ERP\) system implementation \(/Our-Culture/Working-Smarter.aspx#erp\)](#) with Project of the Year, recognizing work completed from 2011 to early 2013. The Project Management Institute Project of the Year Award, recognizes, honours, and publicizes a successful project and the achievements of the project team for superior performance of project management.

#### **National Philanthropy Day Award - 2012**

This award is presented by the Association of Fundraising Professionals Foundation for Philanthropy to celebrate the philanthropic achievements of individuals and organizations in the community. Capital Power was [recognized by STARS \(/Communities/Partnerships.aspx#stars\)](#) for our community philanthropy.

#### **Oxford County Local Emergency Planning Committee Facility of the Year - Rumford, Maine - 2012**

Oxford County Local Emergency Planning Committee recognized Capital Power's Rumford facility as the [Facility of the Year \(/Performance/Safety-Performance/Emergency-Preparedness.aspx\)](#) for its emergency plans and approach to handling hazardous substances.

#### **Corporate Knights “Best 50 Corporate Citizens in Canada” - 2011 & 2012**

Corporate Knights magazine ranks the relative impact of companies' carbon, water, waste, and energy use and compiles a list of the Best 50 Corporate Citizens in Canada. Corporate Knights magazine has named Capital Power to its 2012 list of the Best 50 Corporate Citizens in Canada. Capital Power was also named to the list in 2011.

“It's the excellence of our operating and governance practices, combined with the candour of our reporting, that helped Capital Power gain this national recognition,” said Martin Kennedy, Vice President, External & Investor Relations.

The report measures corporations on their publicly-available information in the categories of Environment, Social, Governance and Transparency.

## Capital Awards – International Association of Business Communicators (IABC) – 2012 & 2013

Our 2010 and 2011 corporate responsibility reports received Capital Awards of Excellence two years in a row from IABC Edmonton in 2012 and 2013. [The Halkirk & Quality Wind blade signing events \(/Communities/Initiatives/Quality-Wind-Halkirk-Wind.aspx\)](#) also received an Award of Excellence at the 2013 Capital Awards ceremony.

The Capital Awards recognize communicators in Edmonton and are judged by a panel of communications professionals from across North America.

## Achievements

### Nominations for Awards of Distinction – United Way of the Alberta Capital Region – 2012

The United Way of the Alberta Capital Region nominated Capital Power for two Awards of Distinction for [our United Way campaign \(/Communities/Partnerships.aspx\)](#).



## Contact Us

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# Corporate Responsibility Report 2012

## Performance Overview

## Performance guided by values

We are guided by our values:

- Putting [safety \(/Performance/Safety-Performance/Overview.aspx\)](/Performance/Safety-Performance/Overview.aspx) first for our employees, contractors and surrounding communities  
Building and [operating power \(/Performance/Operating-Performance/Overview.aspx\)](/Performance/Operating-Performance/Overview.aspx) generation facilities that are modern and well-maintained  
[Supporting the local economy \(/Performance/Corporate-Targets--Performance/Economic-Contributions.aspx\)](/Performance/Corporate-Targets--Performance/Economic-Contributions.aspx) by hiring our neighbours and using local businesses and
- [Managing our emissions \(/Performance/Environmental-Performance/Emissions.aspx\)](/Performance/Environmental-Performance/Emissions.aspx).



Inside the Genesee Generating Station, AB

## Corporate Targets and Performance

### Setting and delivering on TARGETS

Our 2012 results met or exceeded the majority of our operational excellence and financial targets.

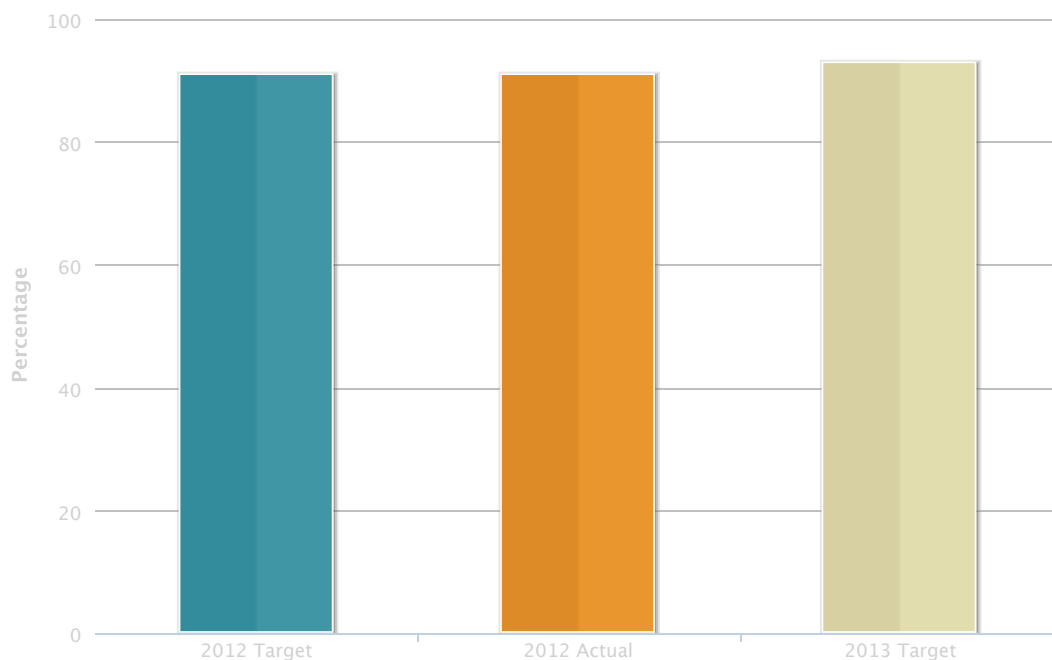


Halkirk Wind, Alberta's largest wind farm, was completed in the fall of 2012, on time and under budget.

# Operational excellence

Plant availability average   **Sustaining capital expenditures**   Maintenance and operating expenses

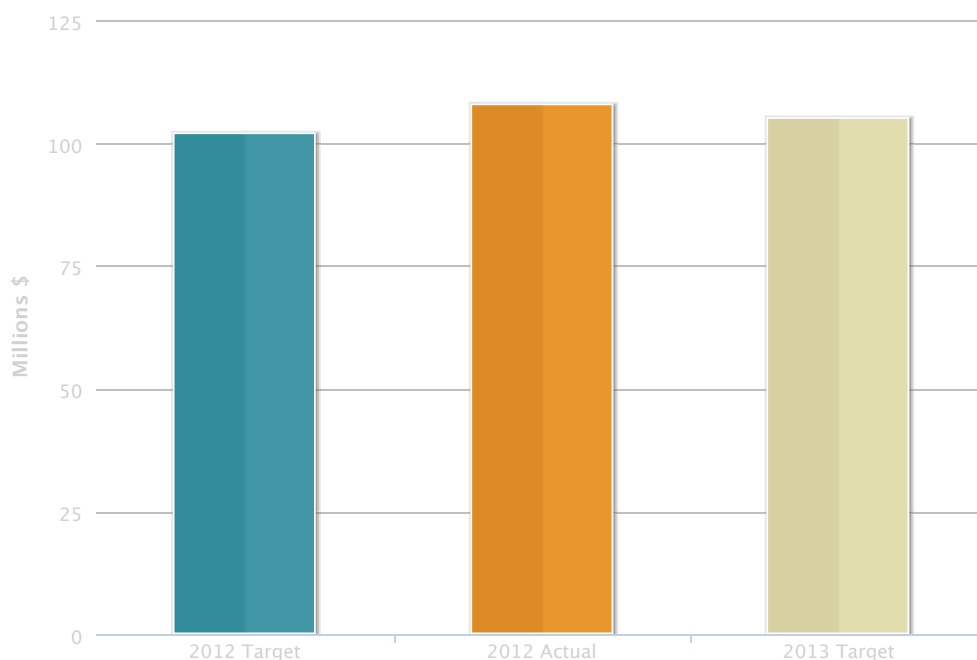
## Plant availability average



	2012	2012	2013
	Target	Actual Results	Target
<b>Operational excellence</b>			
<b>Plant availability average</b>	91% or greater	91%	93% or greater
<b>Capital expenditures for plant maintenance, Genesee mine extension and other</b>	\$108 million or lower	\$102 million	\$105 million or lower
<b>Maintenance and operating expenses</b>	\$215 million to \$235 million	\$208 million	\$225 million to \$245 million

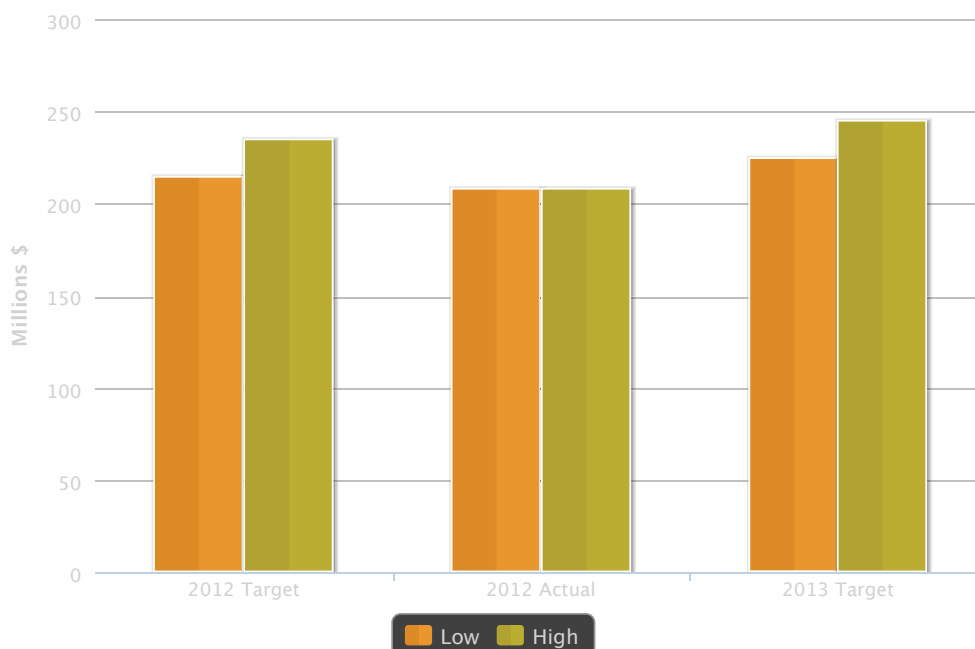


## Sustaining capital expenditures for plant maintenance, Genesee mine extension and other



	2012	2012	2013
	Target	Actual Results	Target
<b>Operational excellence</b>			
<b>Plant availability average</b>	91% or greater	91%	93% or greater
<b>Capital expenditures for plant maintenance, Genesee mine extension and other</b>	\$108 million or lower	\$102 million	\$105 million or lower
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## Maintenance and operating expenses



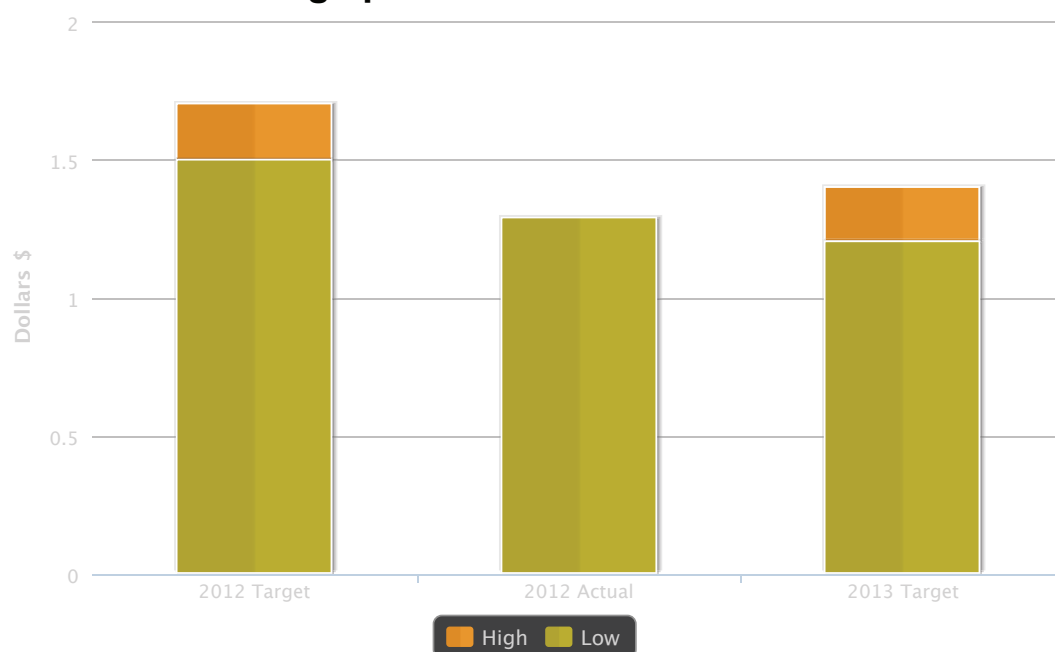
	2012	2012	2013
	Target	Actual Results	Target
<b>Operational excellence</b>			
<b>Plant availability average</b>	91% or greater	91%	93% or greater
<b>Capital expenditures for plant maintenance, Genesee mine extension and other</b>	\$108 million or lower	\$102 million	\$105 million or lower
<b>Maintenance and operating expenses</b>	\$215 million to \$235 million	\$208 million	\$225 million to \$245 million

We achieved our three targets for operational excellence in 2012.

## Financial stability and strength

Normalized earnings per share   Funds from operations   Cash flow per share

### Normalized earnings per share



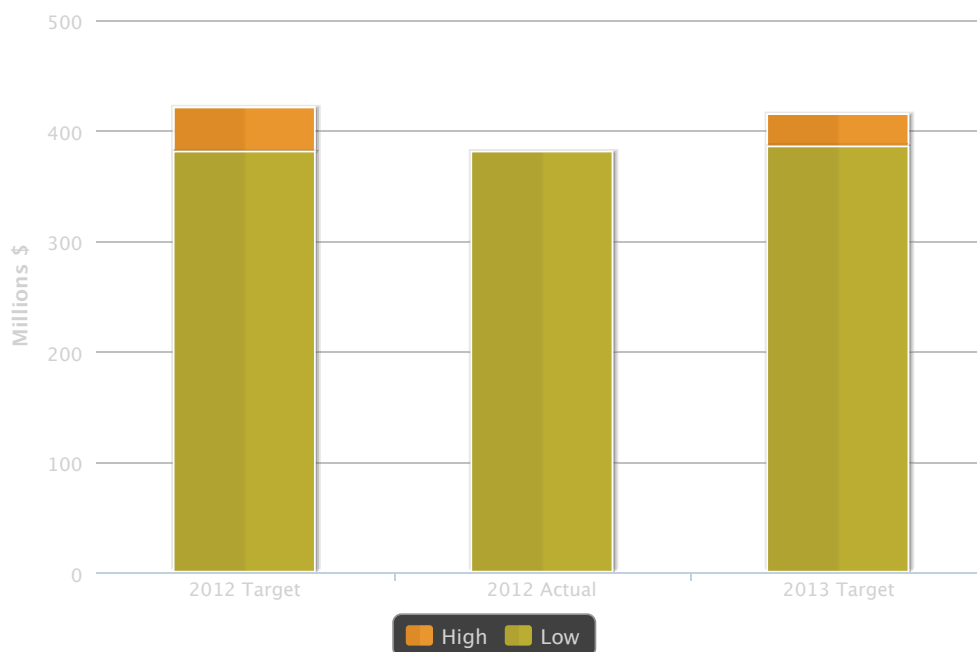
	2012	2012	2013
	Target	Actual Results	Target

#### Financial stability and strength

<b>Normalized earnings per share</b>	\$1.50 to \$1.70	\$1.29	\$1.20 to \$1.40
<b>Funds from operations</b>	\$380 million to \$420 million	\$381 million	\$385 million to \$415 million
<b>Cash flow per share</b>	\$3.90 to \$4.30	\$3.89	\$3.80 to \$4.20

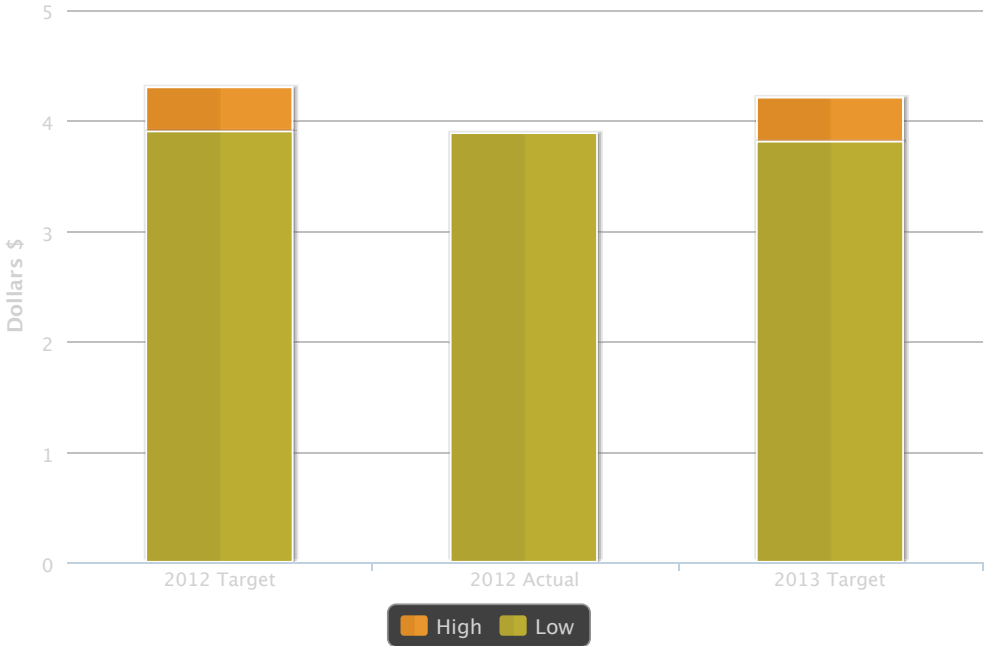
Our normalized earnings per share (EPS) fell below target while our funds from operations and cash flow performance met our targets. Our normalized EPS came in below target primarily due to a lower-than-expected average Alberta electricity pool price, a one-time settlement loss for our Bridgeport facility and lower earnings from our north east U.S. plants.

## Funds from operations



	2012	2012	2013
	Target	Actual Results	Target
<b>Financial stability and strength</b>			
<b>Normalized earnings per share</b>	\$1.50 to \$1.70	\$1.29	\$1.20 to \$1.40
<b>Funds from operations</b>	\$380 million to \$420 million	\$381 million	\$385 million to \$415 million
<b>Cash flow per share</b>	\$3.90 to \$4.30	\$3.89	\$3.80 to \$4.20

# Cash flow per share



	2012	2012	2013
	Target	Actual Results	Target
<b>Financial stability and strength</b>			
<b>Normalized earnings per share</b>	\$1.50 to \$1.70	\$1.29	\$1.20 to \$1.40
<b>Funds from operations</b>	\$380 million to \$420 million	\$381 million	\$385 million to \$415 million
<b>Cash flow per share</b>	\$3.90 to \$4.30	\$3.89	\$3.80 to \$4.20

	2012	2012	2013
	Target	Actual Results	Target
<b>Enhancing shareholder value</b>			
<b>K2 wind project</b>	Full notice to proceed in 2012	Full notice to proceed revised to late 2013 or early 2014	Environmental approvals received in 2013
<b>Port Dover &amp; Nanticoke wind project</b>	Full notice to proceed in 2012	Limited notice to proceed received	Continue on budget of \$340 million and on time with commercial operation date in the fourth quarter of 2013
<b>Shepard Energy Centre</b>	n/a	n/a	Continue on budget of \$860 million
<b>Halkirk Wind</b>	Continue on budget of \$357 million and on time with commercial operation date in the fourth quarter of 2012	Achieved commercial operation date on December 1, 2012 with actual capital costs forecast to be from \$325 to \$335 million	n/a
<b>Quality Wind</b>	Continue on budget of \$455 million and on time with commercial operation date in the fourth quarter of 2012	Achieved commercial operation date on November 6, 2012 with actual capital costs forecast to be from \$405 to \$415 million	n/a

## Financial Highlights

### 2012 Financial Highlights

Financial Highlights <i>(millions of dollars except shares and per share amounts)</i>	2012
Revenues and other income	\$ 1,331
Gross income	\$ 778
Operating income	\$ 146
Net income	\$ 90
Net income attributable to shareholders of the company	\$ 62
Basic and diluted earnings per share	\$ 0.84
Normalized earnings per share <sup>(1)</sup>	\$ 1.29
Dividends declared per common share	\$ 1.26
Net cash flows from operating activities	\$ 242
Funds from operations <sup>(1)</sup>	\$ 381
Capital expenditures	\$ 598

<sup>(1)</sup> Normalized earnings per share and funds from operations are non-GAAP (Generally Accepted Accounting Principles) financial measures and do not have standardized meanings prescribed by GAAP, and are therefore unlikely to be comparable to similar measures used by other enterprises. See 'Non-GAAP Financial Measures' in the company's Management's Discussion and Analysis for the year ended December 31, 2012, which is available on the company's website at [www.capitalpower.com](http://www.capitalpower.com) (<http://www.capitalpower.com>) and on SEDAR at [www.sedar.com](http://www.sedar.com) (<http://www.sedar.com>).

## Economic Contributions

### This is how we contribute to the **ECONOMY**

Economic benefits from our business touch thousands of individuals and companies across North America and beyond, including equity and debt holders, local suppliers, governments, employees, energy producers and investment banks.

The following interactive graphs paint a picture of the economic contributions made (and received) by Capital Power in 2012.

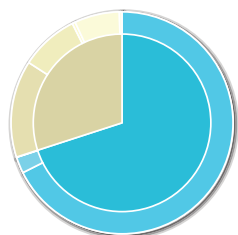


At work at the Rumford plant in Maine

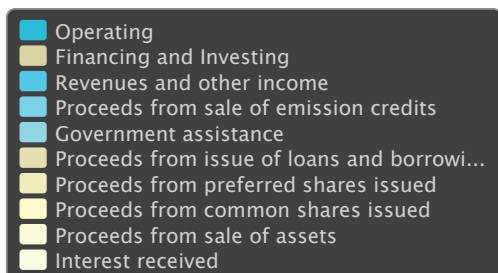
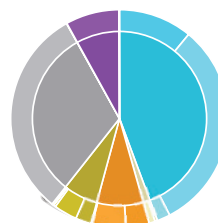


## Cash Inflows and Outflows

Cash Inflows 2012



Cash Outflows 2012



\$millions	2011	2012
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### Cash Inflows:

Operating		
Revenues and other income <sup>(4)</sup>	1,911	1,197
Proceeds from sale of emission credits	20	42
Government assistance <sup>(1)</sup>	1	1
<b>Total</b>	<b>1,932</b>	<b>1,240</b>

<b>\$millions</b>	<b>2011</b>	<b>2012</b>
<b>Financing and Investing</b>		
<b>Proceeds from issue of loans and borrowings</b>	604	250
<b>Proceeds from preferred shares issued</b>	-	150
<b>Proceeds from common shares issued</b>	469	8
<b>Proceeds from sale of assets</b>	131	116
<b>Interest received <sup>(3)</sup></b>	2	7
<b>Total</b>	<b>1,206</b>	<b>531</b>
<b>Cash Inflows to the company</b>	<b>3,138</b>	<b>1,771</b>
<b>Cash Outflows:</b>		
<b>Payments for energy and fuel<sup>(4)</sup></b>	980	560
<b>Suppliers</b>		
<b>Operating expenses</b>	219	196
<b>Invested in property, plant and equipment and other assets</b>	438	563
<b>Purchase of emission credits</b>	21	35
<b>Total</b>	<b>678</b>	<b>794</b>
<b>Community investment</b>	1	1

<b>\$millions</b>	<b>2011</b>	<b>2012</b>
<b>Business acquisitions<sup>(2)</sup></b>	647	-
<b>Employee compensation and benefits<sup>(3)</sup></b>	155	143
<b>Payments to governments</b>		
<b>Income taxes</b>	14	7
<b>Property taxes</b>	21	16
<b>Total</b>	<b>35</b>	<b>23</b>
<b>Financing costs:</b>		
<b>Repayment of long-term debt</b>	293	62
<b>Interest and financing charges<sup>(5)</sup></b>	122	89
<b>Debt issue costs</b>	5	3
<b>Total</b>	<b>420</b>	<b>154</b>
<b>Investors</b>		
<b>Distributions to non-controlling interests<sup>(6)</sup></b>	110	42
<b>Dividends paid to common shareholders</b>	51	62
<b>Dividends paid to preferred shareholders</b>	6	6
<b>Preferred share dividends paid by subsidiary</b>	11	-
<b>Share issue cost</b>	20	5

<b>\$millions</b>	<b>2011</b>	<b>2012</b>
<b>Total</b>	<b>198</b>	<b>115</b>
<b>Foreign exchange and other</b>	7	1
<b>Cash Outflows to the company's stakeholders</b>	<b>3,121</b>	<b>1,791</b>

All data in millions of dollars. This information is based on information from Capital Power's 2012 financial statements but is not a substitute for them. Financial statements can be found online at [www.capitalpower.com](http://www.capitalpower.com) (<http://www.capitalpower.com>) and [www.sedar.com](http://www.sedar.com) (<http://www.sedar.com>).

(1) We receive approximately \$1 million per year from the Government of Canada through the Wind Power Production Incentive program, created to encourage the development of wind energy capacity. The incentive is approximately \$0.01 per kilowatt hour of production from our Kingsbridge Wind Power Project. Eligible recipients can receive the incentive on the first 10 years of production.

(2) Business acquisitions net of acquired cash.

(3) Includes \$5 million (2011 - \$18 million) for share-based equity payments and other pension amounts.

(4) Revenues and other income and payments for energy and fuel in 2012 are lower than 2011 mainly due to the divestiture of Capital Power Income L.P. in November 2011 and lower rate regulated tariff sales to Alberta local distribution companies in 2012.

(5) Interest & financing charges in 2012 are lower than 2011 mainly due to the divestiture of Capital Power Income L.P. in November 2011.

(6) Distributions to non-controlling interests in 2012 are lower than 2011 mainly due to the divestiture of Capital Power Income L.P. in November 2011 and the further reduction of EPCOR's interest in Capital Power in early 2012.

## **We support and hire locally**

We want to contribute to the sustainability of the communities where we operate. In 2012, we spent \$579 million (2011 - \$415 million) with our top 25 suppliers of goods and services. Of this amount, \$75 million or 13% (2011 - \$57 million or 14%) was defined as local spending, where the shipping destination and supplier site were both in the same jurisdiction.



Local ranchers care for cattle that graze on Capital Power owned land near the Genesee Generating Station in Alberta

## Safety Performance Overview



## Safety is more than a priority. It's a value.

### Looking at safety with a "new set of eyes."

"The last thing I want to do is call my wife up or not make it back home because of something that I did here, which looking back at, I could have avoided doing.

If you view safety as a value, that value's incorporated in every aspect of your life. It's like a new set of eyes in which you look at things differently than you used to. Those same set of eyes can keep you safe here, can keep your fellow employees safe, and keep your family safe. Because when you go home with those same set of eyes, you look at things a little bit differently."

Roland Rodriguez, INC Tech, Bridgeport

## Our safety

Zero injuries by 2015 is our target, and top-of-mind safety for everyone is our goal.

Our **approach to safety** includes:

- Establishing clear goals, and monitoring performance

- Working and living a zero-injury culture

- Promoting healthy and balanced lifestyles

- Proactively identifying and managing health, safety and environment-related risks within operations, maintenance and construction activities
- Complying with all applicable laws and regulatory requirements
- Continuous review and improvement of the policy
- Aligning our contractors with company policy

## 2012 Safety Performance

We want every single person who works in our facilities, on our construction sites, and in our offices across North America to return home every day with zero injuries. At Capital Power, "zero" means everything - and everyone. That's why our reporting goes above-and-beyond industry standards, and our metrics now include injuries involving contractors working on our sites and in our facilities.

The impact of our commitment to achieving a zero-injury culture began taking hold in 2012. There were fewer employee injuries compared to 2011, and our safety performance exceeded targets in all but one location. We missed our overall safety target, however, due to the disappointing safety performance of our wind-project contractors. We have learned from these incidents, and changes have been made to our policies and procedures for working with contractors.

Although safety performance on construction projects improved late in the year, our 2012 safety record was worse than our target of 1.05 for Total Recordable Injury Frequency (TRIF). The actual TRIF was 1.45.

We are striving for a 'zero injury' workplace for everyone. A total of 26 individuals, 18 contractors and eight employees were injured seriously enough that they required medical attention in 2012. Four of the eight employee incidents resulted in lost time, for a total of 156 lost days. The number of lost-time injuries declined in 2012 compared to 2011. In addition to fewer lost-time incidents, the severity of injuries was less than the previous year, resulting in fewer days lost to injuries.

## Working, learning, growing

We implemented more than 20 safety lessons from our wind construction projects, and preventative solutions are in place at the Port Dover & Nanticoke Wind Project currently in construction. Our improvements fell into four categories:

1. **Standardization** of contractor, subcontractor and site health and safety personnel pre-qualifications
2. **Improved communication** of expectations, roles and responsibilities
3. **Formal processes** for tracking non-conformances
4. **Stipulation** of specific contract requirements

## Safety improvements implemented

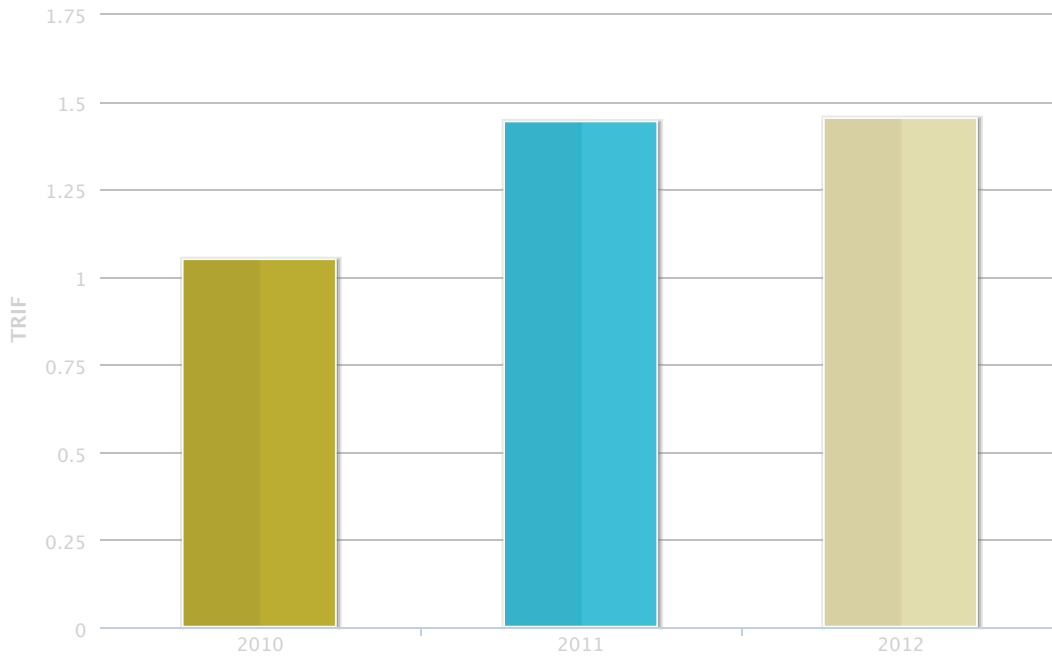
Safety initiatives in 2012 that contributed to our improved performance in the second half of 2012 include:

- [World Class Safety workshops \(/Performance/Safety-Performance/Practices-Initiatives.aspx#workshops\)](#) were held at the majority of our facilities, involving employees at all levels of the organization.

- **Safety Improvement Plans** were implemented at all facilities and for the Construction and Engineering group.
- Implementation of the [Contractor Pre-Qualification Standard \(/Performance/Safety-Performance/Practices-Initiatives.aspx#contractor\)](#) and the corresponding use of ISNetworld as the measurement tool for contractor performance. These tools together continue to give us a better understanding of the risks associated with using certain contractors and implementing solid risk-mitigation plans when needing to use higher-risk contractors.
- We continued the [executive inspection program \(/Performance/Safety-Performance/Practices-Initiatives.aspx#inspection\)](#) and members of the executive team conducted site visits and inspections in 2012. Our executives engage with our employees where they work, and this helps us to better understand the challenges and risks at our worksites.



## Total Recordable Injury/Illness Frequency (TRIF)\*



	2010	2011	2012
<b>Capital Power</b>	1.05	1.44	1.45

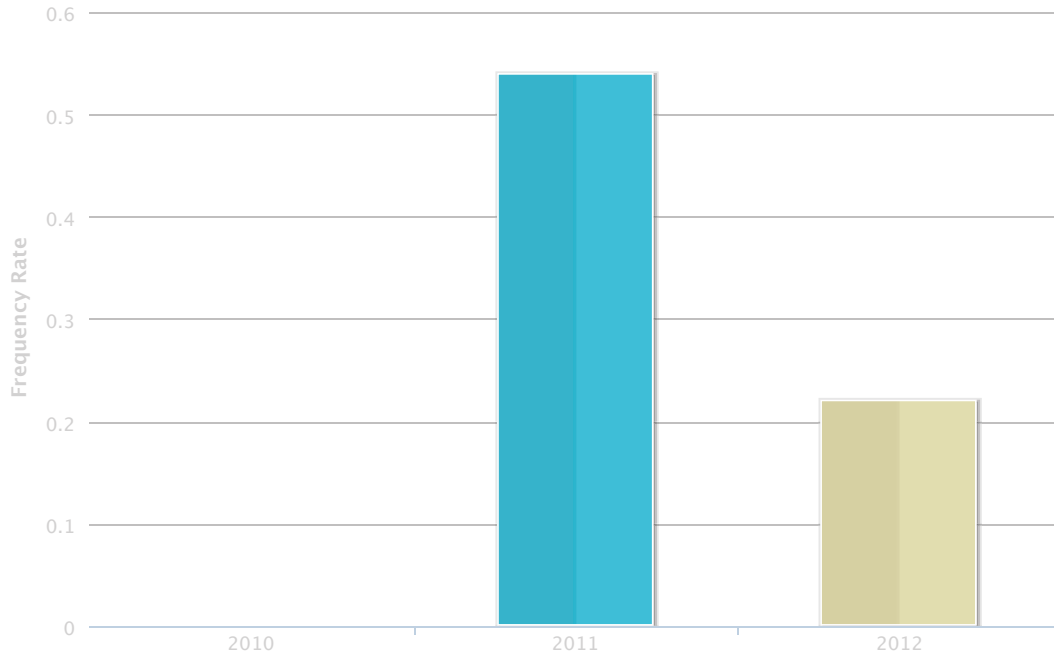
\*TRIF includes contractors and employee. 2010 and 2011 data have been updated from previous reports to reflect the inclusion of contractors.

**Footnote:** TRIF = (total recordable injuries x 200,000) / total exposure hours, where recordable injuries include medical treatment, lost time injury, and restricted work.

The industry standard of calculating a normalized injury/illness rate is used to compare our safety performance year-over-year. TRIF normalizes rates based on the number of hours worked and allows an 'apples-to-apples' comparison to other companies and industry sources, such as the Canadian Electricity Association. The formula uses 200,000 work hours as a normalizing factor, representing a hypothetical workforce of 100 full-time employees who work 40 hours per week for 50 weeks (assuming two weeks for vacation and holidays).

In both 2011 and 2012, we had fewer employee than contractor injuries. To ensure the best safety at our sites, we extended our safety targets and reporting to include contractors in 2012. In this first year of including contractor numbers in our targets, our 2012 safety record did not meet our target.

## Lost Time Injury Frequency (LTIF)\*

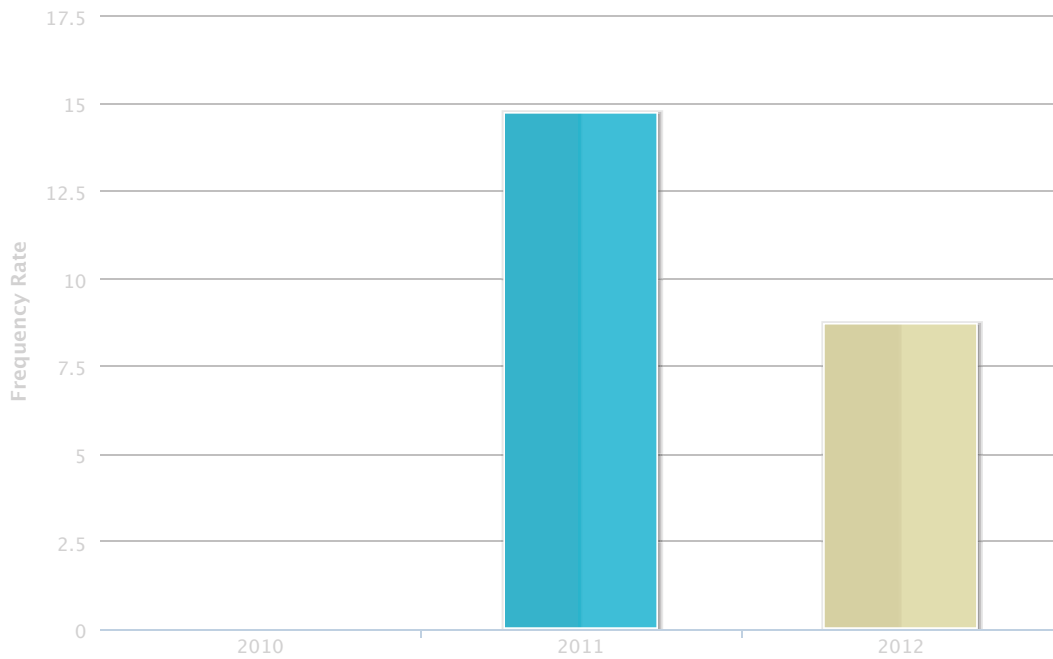


	2010	2011	2012
<b>Capital Power</b>	0.00	0.54	0.22

**Footnote:** The injury rate is commonly referred to as the “frequency rate”. The frequency rate is limited because it gives equal weighting to both major and minor injuries.

*LTIF = (number of lost time injuries x 200,000) / total exposure hours. The Capital Power Income Limited Partnership was divested in 2011, so the safety statistics do not include the LP for 2010 and 2011.*

## Lost Time Injury Severity (LTIS)\*



	2010	2011	2012
<b>Capital Power</b>	0.00	14.7	8.70

*\*2012 number includes contractors and employees. 2011 data includes employees only.*

**Footnote:** The lost work-day rate is commonly referred to as the “severity rate”. The severity rate measures the more serious injuries involving lost work days.

*LTIS = (total number of calendar days lost x 200,000) / total exposure hours*

## Construction Safety Performance

More than 805,000 construction hours were recorded in 2012; equivalent to 437 full-time employees.

All contractors must comply with our safety policies and procedures by managing their health, safety, and environment risks in a manner consistent with our policy. We monitor safety performance as part of contractor selection and approval to perform or continue work.

Contractors at Capital Power construction sites reported eight restricted work incidents, five medical treatments and zero lost time injuries in 2012.

## Celebrating safety - The President's Safety Award

In 2012, we implemented the President's Safety Awards (for 2011 achievements) to recognize and celebrate those plants, projects and support services that achieve exceptional safety performance each year as well as recognize consecutive years of achievement. (First year achievements is bronze, second year silver, and gold for three or more years of exceptional performance.) Six awards were celebrated for 2012 achievement.

### President's Safety Award 2012 Recipients

- Kingsbridge I – Silver
- Rumford – Silver
- Tiverton – Silver
- Clover Bar – Bronze
- Sustaining Capital – Bronze
- Corporate/Commercial Offices Combined – Silver



Constructing a wind turbine site for Halkirk Wind in Alberta.

## Practices & Initiatives

### Every day starts with safety.

#### Keeping safety top of mind

We want everyday to start and end with safety – at work and at home. To keep safety top of mind:

- We have robust safety programs and procedures
- We plan to be safe. The process of safe work planning facilitates hazard identification, actions and controls for the noted hazard, and a process for hazard mitigation
- We set and continuously monitor safety targets
- Crews hold daily safety planning meetings
- Steps are taken to ensure that:
  - equipment is in safe working order
  - employees receive the necessary safety training with mandatory ongoing safety training for employees in field and operating positions
  - employees have the right tools and protective equipment to complete their work in a safe manner

#### World class safety

The Corporate Safety Program, developed in 2012 and being implemented in 2013, is built to the World Class Safety Standard, which includes 15 key elements outlined in our policy document. These elements are the framework to a fully functional and effective safety program that includes life critical standards such as Incident Management, Hazard Assessment, and Personal Protective Equipment. In 2012, 246 employees at our operating facilities and construction projects participated in an eight-hour workshop called World Class Safety.

#### Health and safety committees in 2012

Our plants and offices have health and safety committees. One hundred and ten Capital Power employees served on 15 committees in 2012, an increase from nine committees in 2011.

## **Safety walkabouts**

In addition to regular inspections conducted throughout the year at all operational and construction sites, safety inspections are conducted by executives with the assistance of a site employee and health and safety team member. In addition, office health and safety committees began conducting monthly inspections of their offices and reporting areas for improvement.

## **Choosing smarter - Contractor Safety Prequalification standard**

In October 2012, after more than six months of development and stakeholder review, the Contractor Safety Prequalification standard was approved and is being implemented in 2013.

Using a third-party international company, ISNetwork, to support our internal standard, ensures all contractors are evaluated and graded on the same scale in determining if they are a safe organization. The tool and process have been effective in several circumstances where process and statistical data showed that additional requirements were needed to ensure the health and safety of our employees and contractors on site.

## **Health and safety on and off the job – ongoing communication**

We want our employees safe - everywhere. Throughout 2012, we increased communication with employees on health and safety well-being to increase awareness and reduce occurrences. Many communications were the result of our internal data and trending of near misses (near injuries) and incidents.

We sent over 20 safety communications in 2012 on a range of topics for at work and at home. Some examples include:

- Slips, Trips, Falls
- Stay safe on Halloween
- First Aid month – Why take a first-aid course
- Tiverton recognizes 10 years without a recordable incident
- Safety Matters – Carbon Monoxide, Winter driving (ice and snow) and safe sledding.

## **Solving problems together**

"Anytime during the day if we're faced with a situation that could possibly be a safety issue, you can bring your manager, your boss, your supervisor into it and you can ask them their opinion and come up with a path moving forward so you can negate that possible safety problem that might occur. And that, to me, is an appreciation of how they feel about me, and likewise, how they feel about my family."

Roland Rodriguez, Lead I&C Tech, Bridgeport

## Living and working safely

### Safety training for employees

Employees were required to complete specific courses by the end of 2012:

Course	Completion Rate
Alcohol and Drug Training for Canadian Supervisors and Managers	98%
Managing for World Class Safety for all facilities	87%
Office Safety for all Capital Power office employees	97%
Workplace Hazardous Materials Information System (WHMIS) for all Canadian employees	97%
Hazard Communication for all U.S. employees	99%

### Mandatory first aid training at our facilities

Our facilities have a legislative requirement to have a specific number of employees trained in first aid, depending on the number of employees at each location. In 2012, 143 site-employees were trained in first aid.

### First Aid for employees and their families

Starting in 2012, we conducted (and paid for) eleven optional first aid courses:

- Standard First Aid – Level C CPR & AED training for employees
- Emergency First Aid – Level A CPR & AED for families of employees in Alberta
- The Babysitter course to employees' children in Alberta

## Babysitter first aid training helps a citizen in distress

When **Ahmed**, a senior advisor at Capital Power, directed his daughter Zahra to the Babysitter First Aid Training course Capital Power offered last year, neither had an idea how quickly it would pay off.

On her way to school one morning, Zahra and her friend stepped off their train to discover a crowd gathered by the platform elevators. A female passenger had collapsed, and although she was clearly in medical distress, none of the people in the crowd were stepping in to assist. Zahra remembered her training and immediately called 911, and waited at the woman's side until help arrived. When another commuter stepped in to check the woman's vitals, Zahra was able to concentrate on being the contact for the ambulance and staying online with the 911 operator until the situation was resolved. One of the local TV stations in Edmonton, Alberta profiled their efforts.

"I think this was a great course for Zahra," Ahmed said. "It gave her a real appreciation for the kinds of situations she might face. We're both really glad she took it – and I guess now there's someone else out there who feels that way, too."





## Emergency Preparedness

### Keeping people safe

#### Award-winning emergency preparedness

In Rumford, Maine, we received the Oxford County Local Emergency Planning Commission of the Year Award in 2012 (for 2011 performance). We were recognized for "outstanding efforts in reporting, planning and exercising" our Emergency Response program.

Anhydrous Ammonia is used in our chiller system for power augmentation, and every year we have either table top or actual mock exercises with the Maine Emergency Management Agency and local emergency responders. We also meet quarterly with the Local Emergency Planning Commission.

#### Full-scale drills

For the tabletop exercise, we get together and discuss a particular scenario. In our mock exercise, we've had full-scale drills where we spray people down for decontamination. (Participants are not actually contaminated but the full-blown exercise includes putting them in an ambulance and taking them to the hospital.

#### Working together to improve community safety

"We have Aqueous Ammonia on site. It's protected by a berm. We thought that we could provide some better protection, and as a result of that tabletop exercise, we commissioned a project team and worked with local vendors, suppliers, contractors, and engineers to design a better containment system for the Aqueous Ammonia. And that's why we received the award for 2011."

Scott Fortuna, Plant Manager, Rumford



Our Rumford plant was awarded 'Facility of the Year' in 2012.

# This is how we prepare

Company-wide and site-specific contingency planning is designed to prepare our people, offices and facilities for emergencies. Ensuring the safety of our team and surrounding communities, contributes to our plants being able to operate responsibly during and after an emergency.

Our contingency planning includes:

**Emergency Management Program**, which was revamped and approved in 2012, includes:

- **Crisis Management**, which engages our senior executive at times of crisis, where our operations, profitability or reputation is at significant risk due to a real or perceived threat to our employees, the environment, the community, our contractors, our assets (offices, facilities and systems) and/or our industry and partners. A Crisis Management Plan was created and 19 people from our executive and senior management team committed to a full-day of initial training in 2012.
- **Emergency Response** includes activities, tasks, programs, and systems addressing all efforts to preserve life, protect property and the environment. In 2012, an Emergency Response Plan Standardization Project was completed, which resulted in a standard template and methodology being implemented across our fleet and offices. On-site emergency kits were distributed to all our locations to enhance availability of responding staff - for use both at work and at home in threat of a disaster.
- **Threat Response** facilitates the orderly application of security measures for critical infrastructure facilities in response to changing threat alert levels.
- **Disaster Recovery** ensure strategies and plans are in place for the recovery of technology based infrastructure and products.
- **Business Continuity** provides timely, targeted recovery of business critical services after life, health, safety, property and environment issues are resolved.

## Bridgeport weathers Hurricane Sandy

Our Emergency Management program was activated in response to Hurricane Sandy in October 2012. Our Bridgeport facility in Connecticut effectively executed its Emergency Response Plan while our corporate Crisis Management Team successfully executed the Crisis Management Plan.

The site team safely weathered the storm. Diligent planning, continuous monitoring as the storm drew near, and the dedication of our plant operators minimized the flood damage to the facility and kept the plant operational after a brief shut down as directed by the ISO-New England due to transmission constraints.

Our Bridgeport facility was presented the **2013 Best Practices Award for natural disaster preparedness and recovery** by *COMBINED CYCLE Journal*, being recognized for the valuable contributions made by plant staff—and headquarters personnel—to ensure reliable, efficient, and safe operation of gas-turbine-based generating facilities.

## Operating Performance Overview

### This is our fleet

Our power generation fleet of 16 facilities is well-maintained and modern with an average age of 12 years. Our young fleet helps deliver high plant availability and reduces the risk of unplanned outages.

We continue to focus on our geographic footprint and target markets in North America, and we're building on our history of bringing leading technology to Alberta.

We undertook some significant activities in 2012, including:

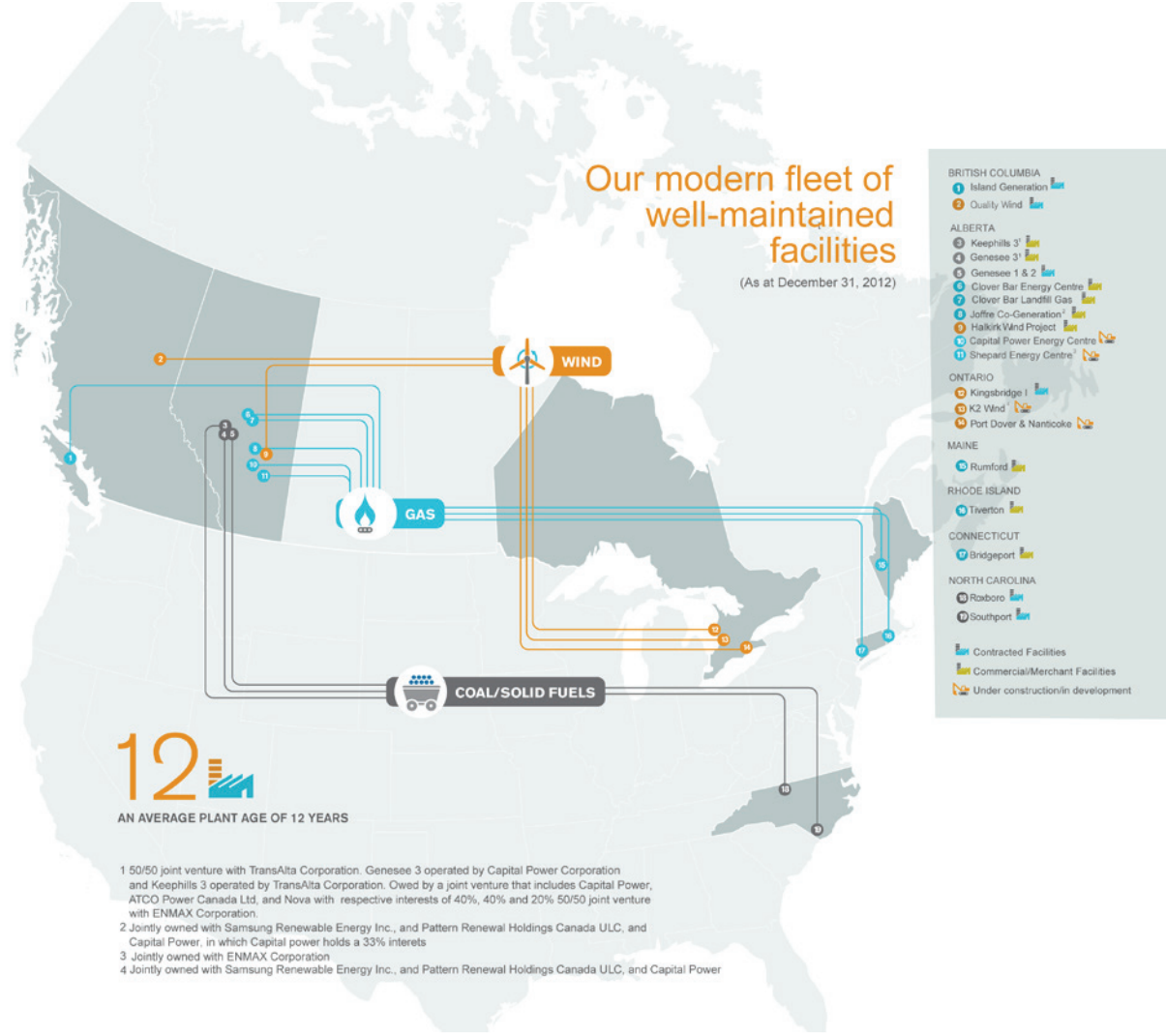
**Adding 292 megawatts to our fleet**, with the successful commissioning of the Quality Wind and Halkirk Wind projects, on time and under budget.

**Acquiring a 50% ownership in the 800-MW Shepard Energy Centre.** This modern and highly efficient natural-gas-fueled facility, co-owned with Enmax, is scheduled for completion in the first quarter of 2015. It will be the most efficient combined-cycle facility in Canada.

**Announcing plans to develop Capital Power Energy Centre**, a state-of-the-art natural-gas-fueled facility with up to 900 MW of capacity. We expect this facility to be built within the 2017 to 2020 timeframe, when additional generation will be needed to meet growing demand in Alberta and replace the older coal-fired units of other power producers. This facility will provide the best peaking responsiveness, the best coal reliability, the lowest environmental impact and cost, and be the most competitive natural gas combined cycle facility in Alberta.

**Starting construction of the Port Dover & Nanticoke wind project** in Southern Ontario. This 105-MW project is expected to reach commercial operation in the fourth quarter of 2013.

**Completing the sale of our two remaining small hydro assets** in B.C. as the last step in sharpening our operational focus.



## Plant Availability



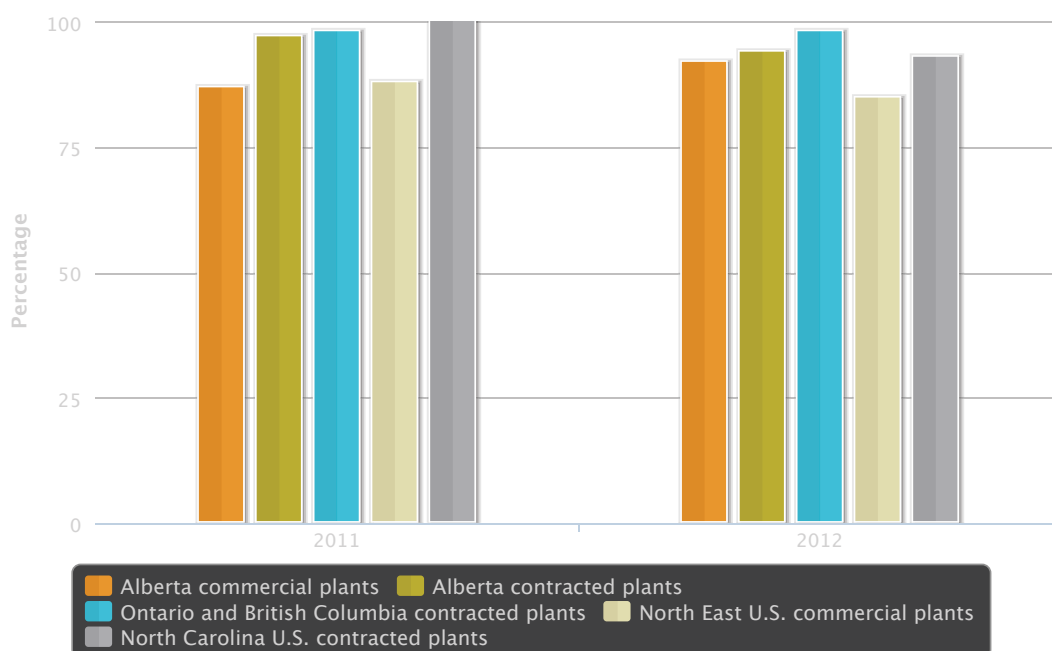
Bridgeport Energy, Connecticut

## Operational excellence

Our high operating availability has been maintained, even during a time when our fleet is growing and our production volumes are greater. Our average plant availability was 91% in 2012, and it has averaged 92% during the past four years – a period when our actual megawatt production has nearly doubled. In 2013, we are targeting 93% average plant availability.

**Operating performance** – Plant availability represents the percentage of time in the period that the plant was available to generate power regardless of whether or not it was running. Plant availability by plant category was:

## Plant Availability



	Year ended December 31	
	2011	2012
<b>Alberta commercial plants</b>	87%	92%
<b>Alberta contracted plants</b>	97%	94%
<b>Ontario and British Columbia contracted plants</b>	98%	98%
<b>North East U.S. commercial plants</b>	88%	85%
<b>North Carolina U.S. contracted plants</b>	100%	93%

Our average plant availability was 91% in 2012 and we've averaged 92% over the past four years.

## Improving reliability - Across the fleet, plant-by-plant

In 2012, we embarked upon a five-year journey to optimize fleet reliability through the development of our Asset Reliability Program to bring more effective maintenance and operational practices to our fleet.

The program started with the one-year **Reliability Improvement Project**, which involved reliability assessments by a core team at each of our facilities. There was an opportunity to share knowledge and success between our plants but still have each operation plot their own course to reach our common long-term goals.

**The goal:** To get the fleet's maintenance processes all moving in the right direction and establish a rock-solid framework for continuous improvement.

**The work:** Evaluate the strength of our plant maintenance and reliability processes at each site as compared to recognized industry Best Practices, and identify gaps and create individual plant action plans to be the primary drivers of maintenance process improvements. Based on yearly assessment results, subsequent improvements will be implemented through both plant specific and fleet-wide initiatives.

**The planned outcome:** With more effective maintenance processes (like thorough job planning and the correct application of component maintenance strategies), freed-up resources can be redirected to avoid future failures. The premise: if you execute the basic maintenance processes better and better, asset reliability will follow. With improved asset reliability comes increased generating unit availability and a distinct competitive advantage.

**The result:** As of January, 2013, all generating facilities had completed their Reliability Practices Assessments. The assessment phase was transitioned into a living reliability program embedded in day-to-day practices at most plants. The individual plant reliability action plan developed from the assessment is now the base of each plant's improvement activities. Workshops and sub-committee meetings will continue throughout 2013.

## Routine maintenance led to a record-breaking engine swap at Clover Bar Energy Centre

During a planned routine maintenance at our Clover Bar Energy Centre, a cracked turbine blade was discovered on the high-pressure turbine, which required an engine swap to address the blade cracks. This maintenance identified early on what could have led to a much more costly problem.

Clover Bar 2 was back online within five days. It was completed three-and-a-half days sooner than scheduled. The Shutdown Safety Management Plan at the heart of Clover Bar Energy Centre's revised and more formal safety processes meant this fast work was done with safety top of mind.

"Solid procedures and support from contractors are crucial," CBEC Plant Manager **Michael Taylor** notes, "but without the cross-functional team effort we couldn't have been as successful as we were, on all fronts. These people are incredible resources for our company – they really know their stuff. We're very fortunate to have them on board."

The success also shines a bright light on CBEC's GE LMS100 turbines, an important consideration if the company runs these units in other facilities. "We swapped a lease engine in only four-and-a-half days," Taylor continued. "Prior to this, the fastest this had been done was six days."





## Energy Production

### This is how we're producing power.

In 2012, we continued to deliver on strategy by sharpening our operational focus on three fuel types - natural gas, coal/solid fuels and wind. We completed construction on two of our four new wind projects, Quality Wind in British Columbia, and Halkirk Wind in Alberta, adding 292 MWs to our fleet. We also completed the sale of our two remaining hydro facilities. Our fleet has grown to more than 3,600 MWs of owned generation – almost double the generation capacity compared to three years ago.

### Our power generation in 2012

- 60% was from coal generation
- 35% was from natural gas
- 5% was from renewables (wind, biomass, landfill gas, tire-derived fuel)

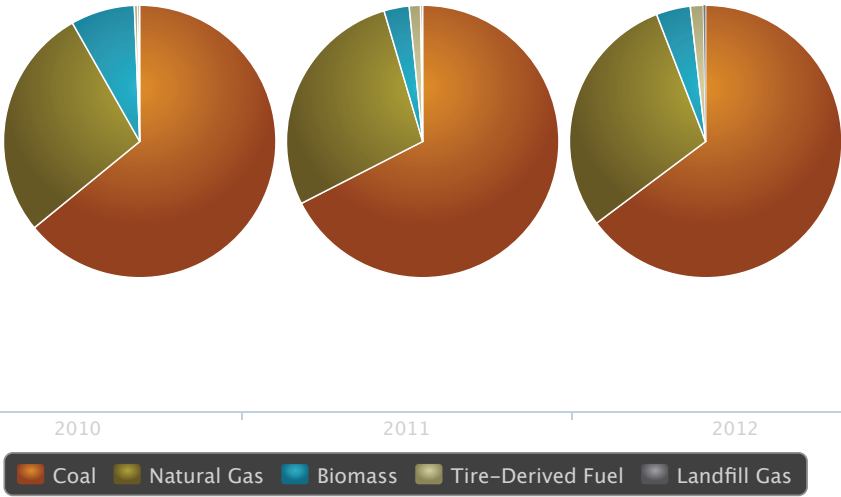
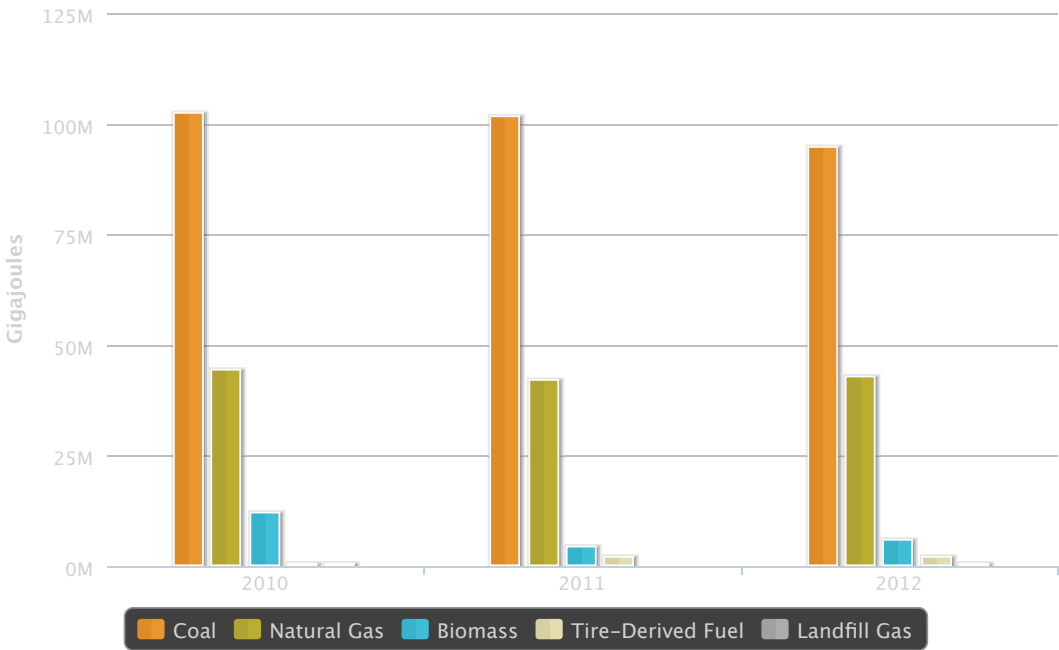
### Our fuel in 2012

- **Coal consumption declined by 6%** between 2011 and 2012, mainly due to the length of maintenance outages at our Genesee 3 facility in Alberta.
- From 2011, **natural gas consumption increased by 2%** due to the higher gas to coal ratio during maintenance outages at Genesee and increased consumption at Clover Bar Energy Centre.
- **Biomass consumption increased by 35%** from 2011 due to higher availability at our two North Carolina facilities.
- **Tire-derived fuel consumption increased by 24%** due to higher availability at our two North Carolina facilities. Higher availability gave us the opportunity to optimize our fuel mix.



Genesee Generating Station, Warburg, Alberta

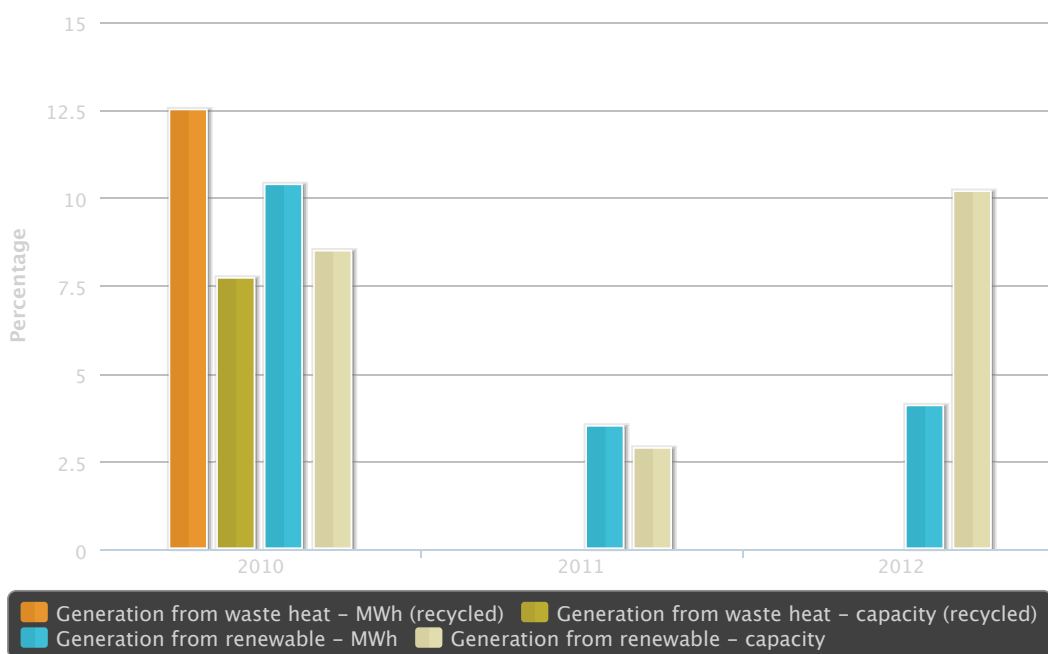
# Energy Consumption (Gigajoules)



	2010*	2011	2012
<b>Coal</b>	102,617,000	101,776,000	94,917,000
<b>Natural Gas</b>	44,366,000	42,096,000	43,021,000
<b>Biomass</b>	12,147,000	4,514,000	5,952,000
<b>Tire-Derived Fuel</b>	602,500	2,030,000	2,279,000
<b>Landfill Gas</b>	402,000	360,000	371,000

\* 2010 data includes Capital Power Income L.P. (CPILP) facilities which were divested and are not included in the 2011 and 2012 data.

## Energy Saved Due to Conservation & Efficiency

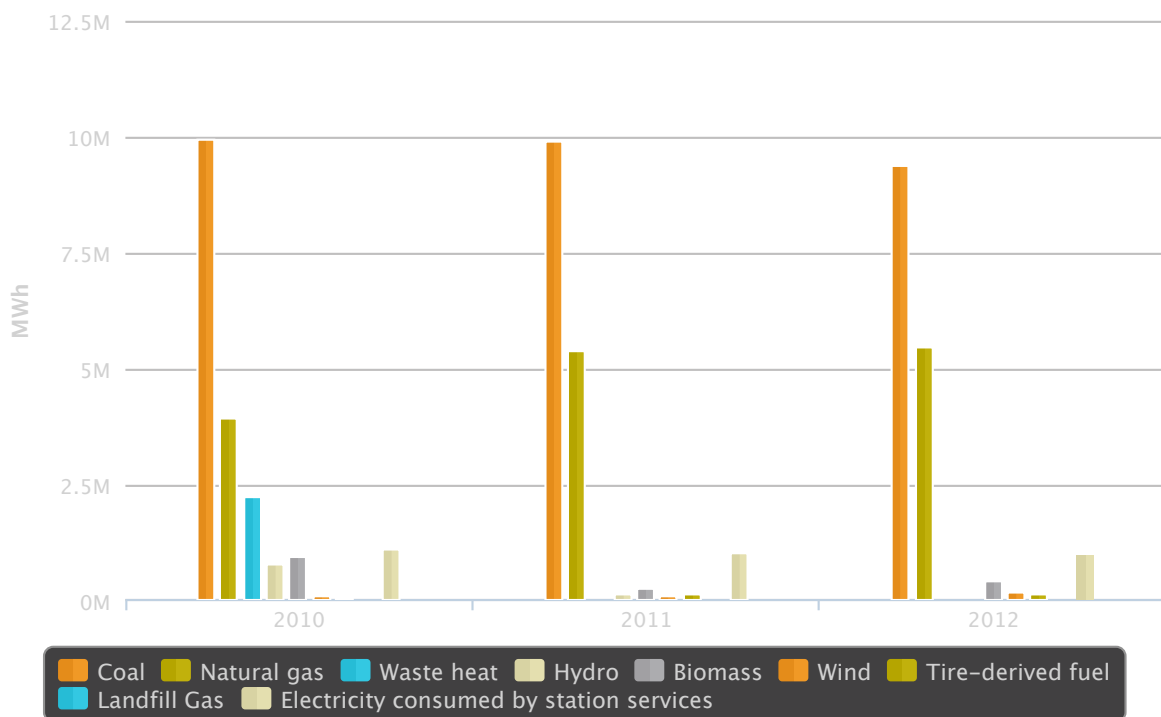


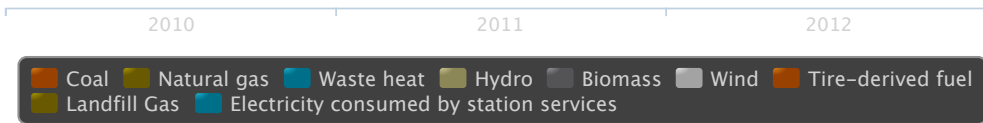
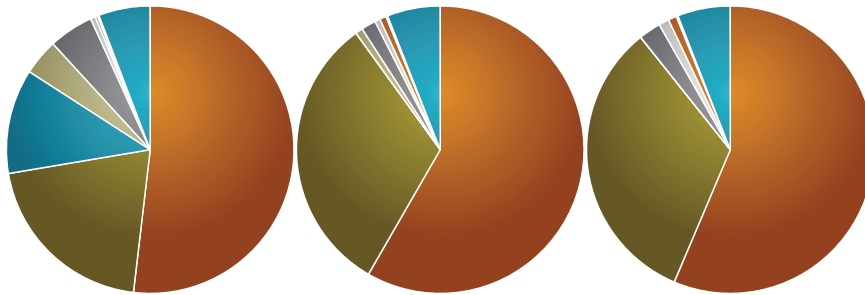
	2010	2011	2012
<b>Generation from waste heat – % MWh (recycled)</b>	12.5%	0%	0%
<b>Generation from waste heat – % capacity (recycled)</b>	7.7%	0%	0%
<b>Generation from renewable - % MWh</b>	10.4%	3.5%	4.1%

	2010	2011	2012
<b>Generation from renewable - % capacity</b>	8.5%	2.9%	10.2%

Due to the sale of Capital Power Income L.P. we no longer generate electricity from waste heat.

### Net Production by Energy Source





	2010	2011	2012
<b>Coal (MWh)</b>	9,929,000	9,887,000	9,366,000
<b>Natural gas (MWh)</b>	3,922,000	5,375,000	5,468,000
<b>Waste heat (MWh)</b>	2,256,000	0	0
<b>Hydro (MWh)</b>	776,000	139,000	0
<b>Biomass (MWh)</b>	965,000	279,000	412,000
<b>Wind (MWh)</b>	105,000	102,000	192,000
<b>Tire-derived fuel (MWh)</b>	48,000	125,000	157,000
<b>Landfill Gas (MWh)</b>	36,000	32,000	32,000
<b>Net production (MWh)</b>	18,037,000	15,939,000	15,626,000
<b>Gross production (MWh)</b>	19,145,000	16,949,000	16,610,000
<b>Electricity consumed by station services (MWh)</b>	1,109,000	1,010,000	984,000

*The conversion of steam (GJ) to an electricity equivalent (MWh equivalent) assumes several ideal conditions, which results in an approximate number. Production statistics differ from other published statistics due to differences in reporting scope.*

Due to the sale of Capital Power Income L.P. we no longer generate electricity from waste heat.

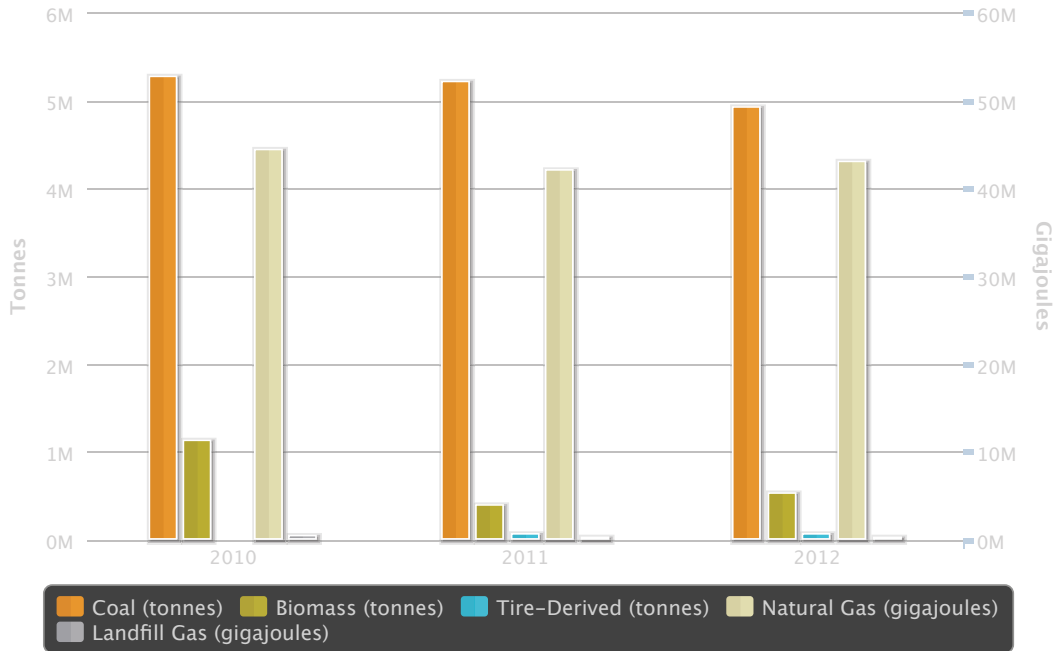


Island Generation, British Columbia

# Fuel

Materials used    Net generation by energy source

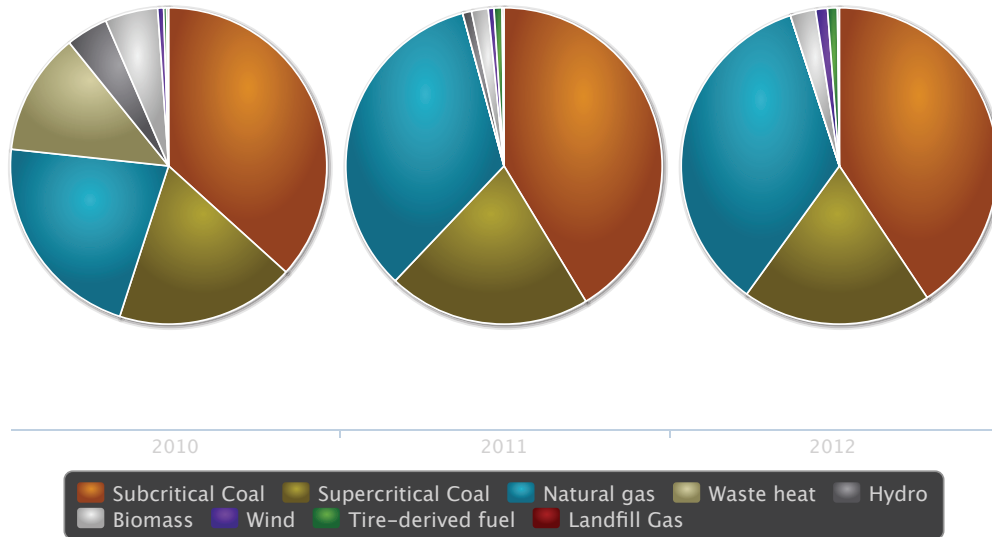
## Materials used



	2010	2011	2012
<b>Coal (tonnes)</b>	5,265,000	5,215,000	4,916,000
<b>Natural Gas (gigajoules)</b>	44,366,000	42,096,000	43,021,000
<b>Biomass (tonnes)</b>	1,125,000	395,000	532,000
<b>Tire-Derived Fuel (tonnes)</b>	17,800	58,400	72,400
<b>Landfill Gas (gigajoules)</b>	402,000	360,000	371,000

- Subcritical coal and supercritical coal are the fuel types for Genesee 1 & 2 and Genesee 3, respectively. The percentage of subcritical and supercritical coal has stayed relatively constant over the past three years.
- Natural gas and wind energy have increased due to adding our New England assets, Quality Wind and Halkirk Wind.
- Our biomass and hydro has decreased due to the sale of the Capital Power Income L.P.

## Net generation by energy source (%)



	2010	2011	2012
<b>Subcritical Coal</b>	36.7%	41.3%	40.6%
<b>Supercritical Coal</b>	18.3%	20.7%	19.3%
<b>Natural gas</b>	21.7%	33.7%	35.0%
<b>Waste heat</b>	12.5%	0%	0%
<b>Hydro</b>	4.3%	0.9%	0%
<b>Biomass</b>	5.4%	1.7%	2.6%
<b>Wind</b>	0.6%	0.6%	1.2%
<b>Tire-derived fuel</b>	0.3%	0.8%	1.0%
<b>Landfill Gas</b>	0.2%	0.2%	0.2%

*Production (%) includes both electricity and exported steam. Steam production was converted from GJ to MWh using a conversion factor of 3.6 GJ/MWh to allow aggregation. Production statistics differ from other published statistics due to differences in reporting scope.*



- Subcritical coal and supercritical coal are the fuel types for Genesee 1, 2 and 3, respectively. The percentage of subcritical and supercritical coal has stayed relatively constant over the past three years.
- Natural gas and wind energy have increased due to adding our New England assets, Quality Wind and Halkirk Wind.
- Our biomass and hydro has decreased due to the sale of the Capital Power L.P.

For information on the production capacity, energy source, location, and ownership interests for Capital Power's 16 facilities, please see the tables provided in Capital Power's [2012 Annual Information Form \(http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx\)](http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx), and the [2012 Annual Report \(http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx\)](http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx).

### ***Thermal efficiency from fossil-fuel facilities***

<b>Genesee 1 &amp; 2 (subcritical coal)</b>	34.3%
<b>Genesee 3 (supercritical coal)</b>	39.3%
<b>Bridgeport (combined cycle)</b>	47.7%
<b>Tiverton (combined cycle)</b>	47.2%
<b>Rumford (combined cycle)</b>	44.1%
<b>Island Generation (combined cycle)</b>	47.2%
<b>Clover Bar Energy Centre (simple cycle)</b>	34.6%

Measuring the thermal efficiency of a power plant provides a way to benchmark against other power plants. It compares how much energy an operator gets out of a plant to how much energy is put in. The average thermal efficiency for our gas plants is 46% and 38% for coal-fired generation at our three solid fuel facilities: Genesee, Roxboro and Southport.

## **Market contraventions in 2012**

Our energy-trading operations in Alberta are monitored by the Market Surveillance Administrator (MSA). We report on potential contraventions of market rules based on the date the MSA makes a determination and issues a fine.

Two specified penalties for contraventions of AESO ISO Rules were issued to Capital Power. The incidents occurred at Genesee 3 on June 17, 2012, and at the Clover Bar Energy Centre on November 13, 2012. The penalties for both incidents were \$500, for total fines paid of \$1,000. These incidents were primarily a result of human error, although operational issues contributed to the contravention.

The Corporate Ethics and Compliance team is active in working with our operations staff and other internal stakeholders to identify opportunities for process improvements. Incidents, non-compliance, or potential non-compliance, are taken very seriously. We continue to be diligent in adhering to the spirit, as well as the letter of the law.

## **Product responsibility**

Our employees are required to be aware of and comply with all legal and regulatory requirements applicable to their jobs. In 2012, the company reports:

- Zero incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services;
- Zero incidents of non-compliance with labelling requirements;
- Zero customer satisfaction practices or survey results as we do not have a retail power business and, therefore, no retail customer accounts;
- Zero legal actions for anti-competitive or monopolistic behaviour;
- Zero complaints to a Human Rights Commission;
- Zero incidents of non-compliance marketing and advertising codes;
- Zero injuries or fatalities to members of the public due to incidents involving our facilities; and
- Zero substantiated complaints regarding breaches of customer privacy or losses of customer data.

## Environmental management principles

### Managing environmental risk

We consider greenhouse gases (GHGs) and other environmental issues within the context of a broader risk management framework. Our approach to risk management is to identify, monitor, and manage the key controllable risks we face, and consider appropriate actions to respond to uncontrollable risks.

We use an Enterprise Risk Management (ERM) Program to identify, evaluate, report and monitor key risks. The ERM Program aligns with the International Organization for Standardization's standard for risk management, ISO 31000. Management is carried out at three levels, with risk assessments carried out in conjunction with core corporate processes.

Our principal risk factors – including environmental risks – are described in detail on pages 45 to 54 of our [2012 Annual Report \(http://www.capitalpower.com/InvestorRelations/FinancialReporting/Documents/2012-cpc-annual-report.pdf#page=46\)](http://www.capitalpower.com/InvestorRelations/FinancialReporting/Documents/2012-cpc-annual-report.pdf#page=46). While each of the principal risks is discussed individually, we also make clear our view that risks should be considered as interdependent, and both understood and managed holistically.

We consider environmental risk from many perspectives: political, legislative and regulatory implications; impacts on technology; physical dimension – such as impacts from weather; and the potential for environmental matters to give rise to litigation or changes in reputation.

### The Role of Governments and Regulators

Our operations are subject to extensive laws, regulations and guidelines relating to the following: generation and transmission of electricity; pollution, and protection of the environment; health and safety; air emissions; water usage; wastewater discharges; hazardous material handling and storage; treatment and disposal of waste and other materials; remediation of sites; and land-use responsibility.

We believe that a fundamental responsibility of governments and regulators is to establish policy targets and regulatory requirements that protect the physical environment and human health and reflect society's consensus about its priorities. We look to corporations, scientists and civil society to advise decision makers about their targets and the best policies and regulations through which they can be achieved.

Once enacted, our duty as a corporation is to comply with the laws, regulations and guidelines – and, by doing so, help achieve national, provincial and state environmental and health objectives. We also can, and do, take action that goes beyond existing legal requirements, and we take into account the [Precautionary Principle \(/Strategy--Risk-Management/Risks-Challenges.aspx#precautionary\)](#) when appropriate.

## **Strategies for Managing Environmental Risk**

### **Comply**

We work to comply with all applicable laws, regulations and guidelines, and we monitor compliance by performing environmental compliance audits with corrective actions as necessary.

### **Consult**

We consult with all levels of government regarding policy development and current and potential legislation.

### **Proactively identify**

We proactively identify environmental risks within operations, maintenance and construction activities and we promote awareness throughout the company.

### **Ensure**

We ensure that employees and contractors align with our environmental policies and procedures.



## Greenhouse Gas Emissions

### Taking action to reduce greenhouse gas emissions

We are managing GHG emissions for the near, medium and long term. Near-term practices focus on:

- **Compliance:** Many of our facilities are already required to reduce or offset their greenhouse gas emissions. In Alberta, nearly 700,000 tonnes of Capital Power's GHG emissions were offset in 2012, and our U.S. facilities participated in regional emission licensing schemes that are reducing electricity sector emissions 10% by 2018. Capital Power is also developing new sources of power generation to replace coal-fired units that will be closed due to new Canadian federal regulations. By capacity, the regulation will close 14% of Alberta's coal fleet by 2019, rising to 28% in 2027 and 59% by 2029.
- **Offsets:** We are investing in a portfolio of carbon offset projects and participating in the development of carbon markets to meet current and future requirements. More than \$22 million was invested in offsets in 2012. Since 2007, Capital Power has registered nearly 10 million tonnes of carbon offsets for the Alberta market.
- **Efficiency:** We seek continuous improvement in the efficiency of our power generation fleet.
- **Renewables:** We are investing in the development of renewable power sources. In 2012 we completed two wind farm projects, including the largest wind farm in Alberta. Two other wind facilities are under construction in Ontario. Our facilities in Southport and Roxboro, North Carolina have Renewable Energy Certificates (RECs), and blend a fuel made from recycled tires, biomass, wood waste and coal. Our North Carolina RECs are generated from a portion



of the tire-derived fuel and all of the biomass. North Carolina has a mandatory renewable portfolio standard, and the RECs are marketed to state compliance buyers.

To lay the groundwork for medium- and long-term transition to lower-emission and zero-emission technologies, we also pursue:

- **Technology commercialization:** We invest in the development and commercialization of new technologies, including Front End Engineering Design work for the construction of both zero emission and carbon capture technologies.
- **Scientific and engineering research:** We support university scientists and engineers in both basic and applied research, including through our partnership in the University of Alberta's Canadian Centre for Clean Coal/Carbon and Mineral Processing Technologies.

## Capital Power's Greenhouse Gas Emissions

Across our North American operations, greenhouse gas (GHG) emissions were 11.40 million tonnes (MT) in 2012, compared to 11.98 MT in 2011. Emission volumes and emission intensity were slightly lower year-over-year, due to a higher gas to coal ratio across the fleet in 2012 compared to 2011. Gas-fired generation has about half the greenhouse gas intensity of coal-fired generation.

Year-over-year changes in GHG emissions, emission intensity, and offsets are generally caused by:

- Changes in power production volume (the length of maintenance outages at thermal facilities can have a significant impact on single-year results from individual facilities);
- The introduction of new technologies that increase efficiency or decrease emissions;
- Changes in emission reduction or offset requirements; and
- Changes in our generating fleet (the development and acquisition of cleaner facilities add to emission volumes while decreasing emission intensity, while the addition of non-emitting sources leaves emission volumes unchanged and decrease emission intensity).

Our fleet is significantly different today than it was in 2010 when we owned Capital Power Income L.P. (CPILP), which consisted of three hydro facilities, two biomass facilities, 13 natural gas facilities, and Roxboro and Southport, which use a combination of coal, biomass and tire-derived fuel. Therefore, our 2010 data shows higher net generation, lower greenhouse gases, and a lower intensity when compared to 2012 performance.

### Our emissions profile

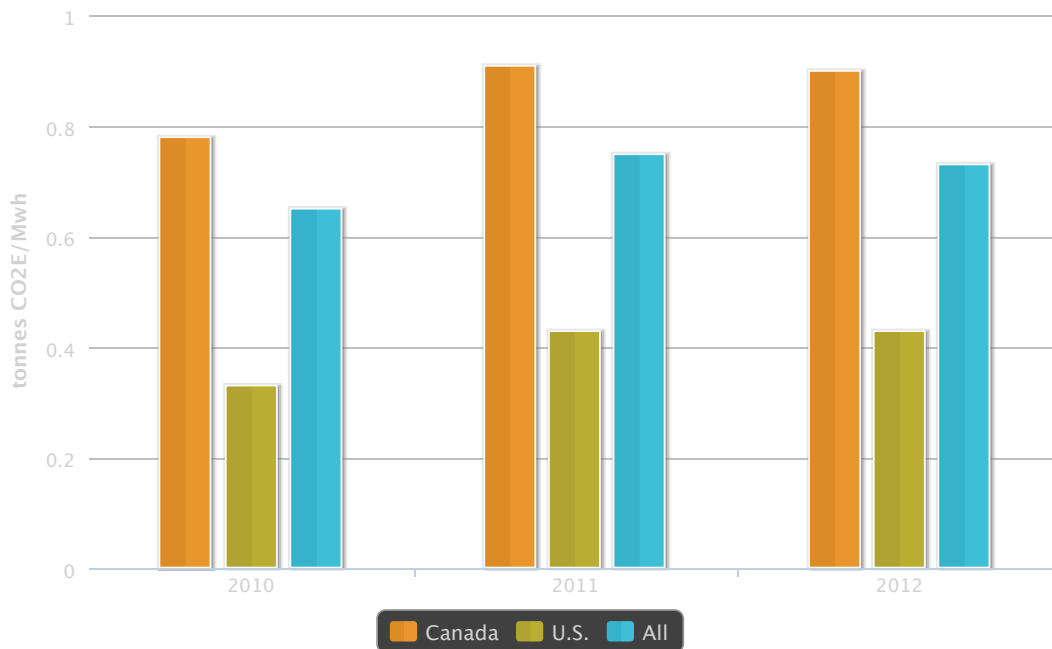
The fuel mix of our fleet includes coal/solid fuel, natural gas, and wind. Solid fuel generation creates higher and more types of emissions than natural gas, while wind has zero emissions. The most obvious determinant of emissions is the generation output, or how many hours per year the facilities operate.

## Greenhouse gases

Our fleet is significantly different today than it was in 2010 when we owned Capital Power Income L.P. (CPILP), which consisted of three hydro facilities, two biomass facilities, 13 natural gas facilities, and Roxboro and Southport, which use a combination of coal, biomass and tire-derived fuel.

Therefore, our 2010 data shows higher net generation, lower greenhouse gases, and a lower intensity. In 2012, our greenhouse gas emissions were 11.40 million tCO<sub>2</sub>e, compared to 11.98 million tCO<sub>2</sub>e in 2011. Emission volumes and emission intensity were slightly lower than in 2011 due to a higher gas to coal ratio in 2012 compared to 2011. Gas-fired generation has about half the greenhouse gas intensity of coal-fired generation.

## Emissions Intensities<sup>1</sup> - Greenhouse Gases



	<b>Year</b>	<b>Canada</b>	<b>U.S.</b>	<b>All</b>
<b>Greenhouse Gases</b> <sup>2,3</sup> <b>(tonnes CO<sub>2</sub>E/MWh)</b> <sup>(2)</sup>	<b>2010</b>	0.78	0.33	0.65
	<b>2011</b>	0.91	0.43	0.75
	<b>2012</b>	0.90	0.43	0.73

*1. Emissions intensities include only power generation operations. Emissions intensities do not include emissions from indirect sources, such as those resulting from electricity usage at our offices. Intensity is calculated using the net production (MWh) from all Capital Power facilities, including all renewable, waste heat and fossil fuel facilities.*

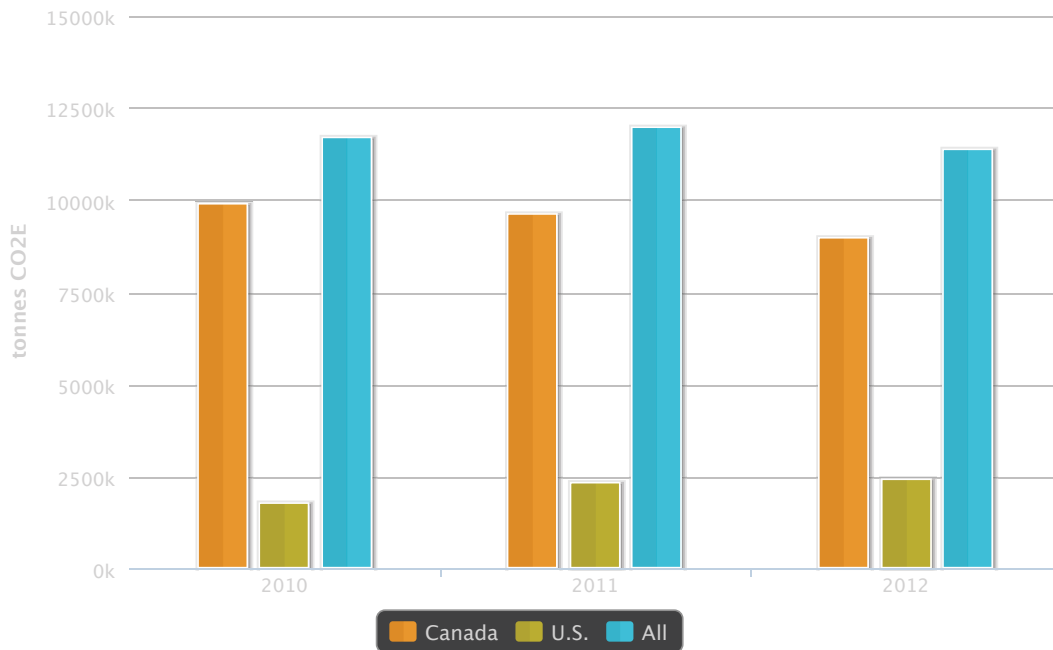
*2. In accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard [World Resources Institute and World Business Council for Sustainable Development (2004)], carbon dioxide released at facilities from combustion of biomass and landfill gas are not included in emissions totals and intensities.*

*3. GHG emission intensities are stack emissions only, and do not reflect the impact of offsets.*

Year-over-year variance is primarily due to the sale of the Capital Power Income L.P. in 2010 and acquisitions and developments in 2011 and 2012.



## Total Air Emissions - Greenhouse Gases



	Year	Canada	U.S.	All
<b>Greenhouse Gases (tonnes CO2E)</b>	<b>2010</b>	9,915,000	1,762,000	11,677,000
	<b>2011</b>	9,626,000	2,351,000	11,977,000
	<b>2012</b>	8,997,000	2,400,000	11,397,000

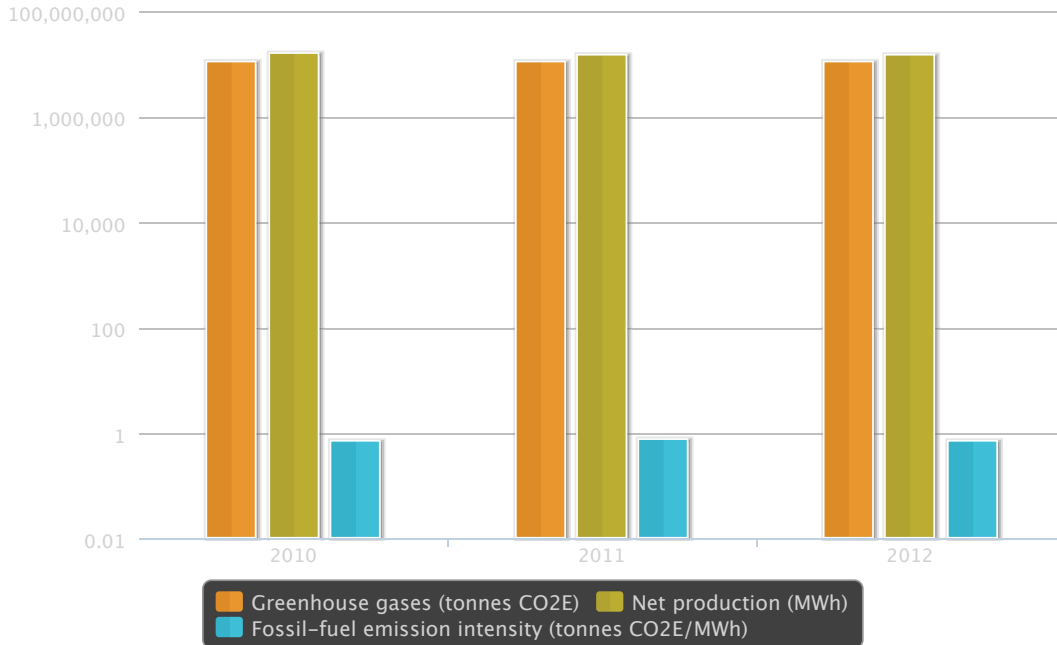
Values represent direct emissions from power generation operations.

Year-over-year variance is primarily due to the sale of the Capital Power Income L.P. in 2010 and acquisitions and developments in 2011 and 2012.

# Greenhouse gas emissions

Fossil Fuel    Fleet-Wide

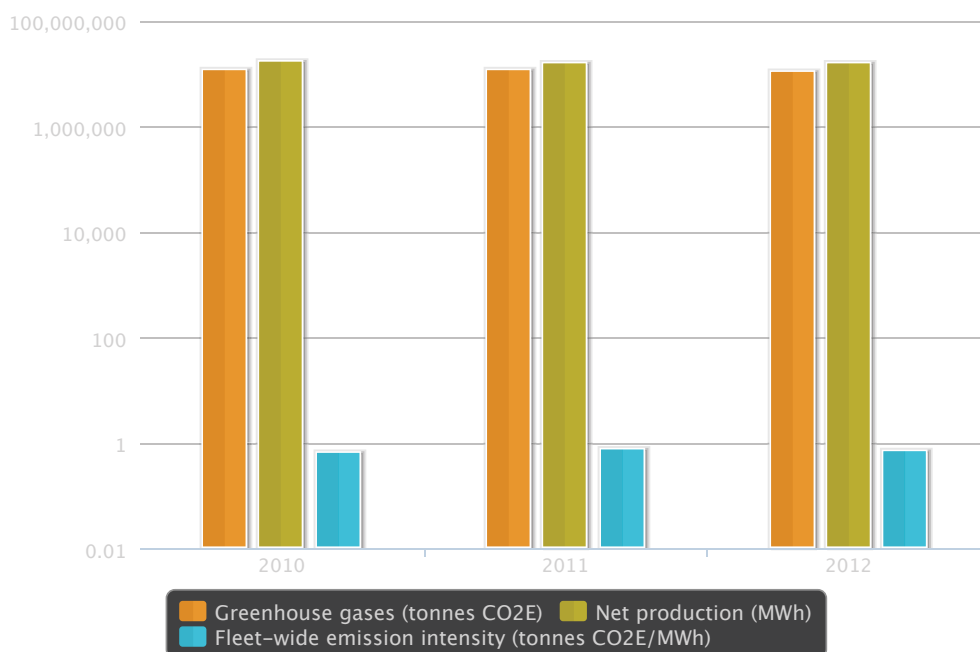
## Greenhouse gas emissions and intensity from FOSSIL FUEL facilities



	2010	2011	2012
<b>Greenhouse gases (tonnes CO2E)</b>	11,320,000	11,529,000	10,906,000
<b>Net production (MWh)</b>	15,777,000	15,108,000	14,663,000
<b>Fossil-fuel emission intensity (tonnes CO2E/MWh)</b>	<b>0.72</b>	<b>0.76</b>	<b>0.74</b>

The following graph only includes the emissions and generation from Island Generation, CBEC, Genesee, Bridgeport, Rumford and Tiverton.

## Greenhouse gas emissions FLEET-WIDE and intensity from Canadian and U.S. facilities



	2010	2011	2012
<b>Greenhouse gases (tonnes CO2E)</b>	11,677,000	11,977,000	11,397,000
<b>Net production (MWh)</b>	18,037,000	15,939,000	15,626,000
<b>Fleet emission intensity (tonnes CO2E/MWh)</b>	<b>0.65</b>	<b>0.75</b>	<b>0.73</b>

# Reducing Emissions Through Offsets and Licensing

## Offsetting emissions in Alberta

- In 2012, Capital Power retired 699,076 tonnes of GHG offsets in Alberta, which were created primarily from a variety of agricultural, fuel switching and coal mine methane projects.

Our Alberta plants are subject to the Specified Gas Emitters Regulation (SGER) under the Climate Change and Emissions Management Act (Alberta). SGER requires companies that emit more than 100,000 MT of carbon dioxide to reduce the emission intensity of a facility by 2% per year to a maximum of 12%, compared to the calculated baseline intensity for the specific facility. These companies may choose to purchase carbon offsets equal to their reduction requirements as one of four compliance mechanisms. Alternative compliance strategies would be to physically reduce production, purchase Emission Performance Credits from other companies or pay \$15/tonne into the Climate Change and Emissions Management Corporation's Technology Fund, widely referred to as the "Tech Fund". As the risk-free compliance option, the price of a Tech Fund contribution sets a cap on the market price for SGER reductions.

Capital Power uses offsets as a primary means for meeting compliance obligations under SGER.

The baseline emission intensity for Genesee 1 and Genesee 2 is the average emissions intensity from 2003-2005. However, for new facilities, such as our Clover Bar Energy Centre, the baseline emission intensity is based on the facility's third full year of commercial operation. In 2012, under SGER, Genesee 1 and Genesee 2 were subjected to a CO<sub>2</sub>e intensity reduction target of 12%, and Genesee 3 had a CO<sub>2</sub>e intensity reduction target of 8%. 2012 was the first year that our Clover Bar Energy Centre was subjected to SGER GHG reduction targets starting at 2%. We retired 83,167 tonnes of Alberta SGER GHG offsets in 2012. These reductions came from a variety of Alberta-based No-/Low-Till Agriculture and Conservation Cropping offset projects.

In addition to SGER, we are also required to reduce our share of Genesee 3's GHG emissions by approximately 53%, which is to the level of a combined-cycle natural gas plant. Offsets have been retired every year since commissioning in 2005 and will continue to be retired to meet future obligations. In 2012 Capital Power retired 615,909 tonnes of offsets from a variety of agricultural, fuel switching and coal mine methane projects on behalf of Genesee 3, in addition to the offsets already retired under the abovementioned SGER program.

## Leading Emission Offset Practices

- In 2012, Capital Power invested \$22.5 million in emission offsets. Since 2007, Capital Power has registered nearly 10 million tonnes of carbon offsets for the Alberta market.

We have been acquiring offsets for almost a decade and have entered into more than 35 offset purchase agreements. Approximately \$22.5 million was invested in offsets in 2012, which is slightly higher than our investment in 2011.

We have expertise in the origination, purchase, and sale of verified emission offsets. We also developed two of the Alberta Offset System Quantification Protocols.

Our early, active and responsible participation in emission offset practices has delivered nearly six million tonnes of Alberta SGER offsets since 2007, and approximately four million Natural Gas Combined Cycle (NGCC) offsets from 2007 to 2012. Emission offsets are audited and verified by independent third parties.

We continue to invest in emission offset markets and have become an active buyer of Climate Reserve Tonnes (CRT) offsets. We are also an active member of the International Emissions Trading Association.

We have purchased offsets from a variety of Alberta and CRT projects in 2012. Some of these project types include composting, ozone depleting substances, forestry, agricultural methane, no-tillage agriculture and landfill gas.

## **Licensing emissions in the United States**

Our facilities in Connecticut, Maine, and Rhode Island are subject to the Regional Greenhouse Gas Initiative (RGGI). RGGI is a co-operative effort by nine states that have capped CO<sub>2</sub> emissions from the power sector and mandated an emissions reduction of 10% by 2018. A limited number of allowances are available for purchase each year, and facilities are required to hold sufficient allowances to equal their CO<sub>2</sub> emissions over a three-year control period. Facilities may also meet a portion of their requirement by applying certified offsets from qualifying GHG-reduction projects that are located within one of the RGGI states.

To date, our New England assets have complied with the RGGI regulations through the procurement of allowances in auctions or secondary markets. In 2012, we transferred 2,101,940 tonnes of emissions allowances into asset compliance accounts for the second compliance period, which runs from January 1, 2012 to December 31, 2014.

## **Future emission reductions from coal unit retirements**

- New Canadian regulations will close 14% of Alberta's coal fired generation by 2019, rising to 28% in 2027 and 59% by 2029, significantly reducing future greenhouse gas emissions.

Capital Power has long supported Canadian targets and regulations to mandate emission reductions from coal-fired power generation, including national and provincial regulations that would significantly reduce GHG and air emissions from coal-fired electricity plants, helping Canada achieve its Copenhagen commitment to lower GHGs.

In 2012, Canadian federal regulations were finalized which will permanently reduce emissions from coal-fired power generation. The regulation mandates the closure of coal-fired generation facilities in Canada once they have reached a defined end of life and prohibits new coal-fired generation after 2015, unless units are either retrofitted or constructed to achieve carbon capture and storage. In the near to medium term, it is anticipated that units will be retired and replaced with alternative forms of generation, including natural-gas fired generation.

The Canadian regulation mandating orderly coal unit retirements provide certainty for generators, accelerates carbon reduction, avoids stranded investment, and facilitates planning of cleaner replacement generation.

In Alberta, for example, the regulation signals the timing and volumes of replacement baseload generation that will be required and provides certainty about greenhouse gas reduction. By capacity, the regulation will close 14% of Alberta's coal fleet by 2019, rising to 28% in 2027 and 59% by 2029.

Replacement generation for all the pre-2025 coal unit retirements is already in development, and includes the proposed Capital Power Energy Centre at Genesee, a baseload gas-fired facility.

1. See [Report Scope \(/About-This-Report/Overview.aspx#scope\)](#) for an explanation of which facilities and offsets are included in these totals. For example, no emissions or offsets are included with respect to Capital Power's 50% ownership interest in Keephills 3 because Capital Power does not hold the operating permit; however, 100% of emissions and offsets are included from Genesee 3, where Capital Power is the operator, despite Capital Power owning only 50% of Genesee 3. This approach also aligns with Canadian federal reporting requirements, where operators report 100% of facility emissions rather than emissions based on their proportional ownership interest.
2. For 2012, offsets by facility and compliance regime were CBEC 22,000 SGER (2012 first year of compliance); Genesee 3 SGER: 100,062 (85,912 in 2011); Genesee 3 Natural Gas Combined Cycle (NGCC): 665,940 (703,841 in 2011); Genesee 1 and 2 SGER: 11,136 (13,489 in 2011); New England facilities under Regional Greenhouse Gas Initiative (RGGI): 2,101,940 (2,096,254 in 2011).

## Other Air Emissions

### Our emissions profile

The fuel mix of our fleet includes coal/solid fuel, natural gas, and wind. Solid fuel generation creates higher and more types of emissions than natural gas, while wind has zero emissions. The most obvious determinant of emissions is the generation output, or how many hours per year the facilities operate.

The relative size of each generation facility makes it challenging to compare our facilities across the fleet. Specifically, Genesee dominates both generation output and emissions.

Ninety-eight percent of our generation comes from natural gas and solid fuel-fired generation. The combustion of any fuel emits greenhouse gas (GHG) and oxides of nitrogen (NOx). The combustion of solid fuels such as coal, biomass, or tire-derived fuel (TDF) releases sulphur dioxide (SO<sub>2</sub>), metals, and other compounds to the atmosphere. Additionally, a byproduct of solid fuel is ash, which depending on the fuel type can include metals.

The most significant emissions from fuel-fired generation, excluding GHG, include NOx, SO<sub>2</sub>, particulate matter (PM), and mercury.



Halkirk Wind, AB

## **Mercury emissions decreased**

Genesee Units 1, 2 and 3 completed its second year with the Activated Carbon Injection (ACI) system, which is used to lower mercury concentration in flue-gas emissions. Since the system has been installed, we achieved a 73% decrease in Genesee mercury emissions compared to 2010.

In 2012, Genesee 1 and Genesee 2 had a capture rate of 77.71% and Genesee 3 had a capture rate of 75.20% versus a 2012 requirement of 70% capture. We will continue to monitor and adjust injection rates to meet future targets.

## **Oxides of nitrogen, sulphur dioxide and particulate matter**

Our Genesee 1 and 2 facilities are the main contributors of NO<sub>x</sub>, SO<sub>2</sub> and PM emissions in our fleet. Genesee 3, co-owned with TransAlta, has much lower NO<sub>x</sub> and SO<sub>2</sub> emissions due to the addition of pollution control equipment such as low NO<sub>x</sub> burners and flue-gas desulfurization.

- NO<sub>x</sub> emissions: In 2012, NO<sub>x</sub> emissions were 15,000 tonnes with Genesee 1 and Genesee 2 contributing approximately 77% of the NO<sub>x</sub> emissions. Genesee 1 and 2's NO<sub>x</sub> emissions were higher in 2011 than 2012 due to production challenges including quality of coal.
- SO<sub>2</sub> emissions: In 2012, SO<sub>2</sub> emissions were 20,000 tonnes with Genesee 1 and Genesee 2 contributing to 66% of the SO<sub>2</sub> emissions. Genesee 1 and 2's SO<sub>2</sub> emissions were higher in 2011 than 2012 due to production challenges including quality of coal.
- Particulate Matter emissions: In 2012, PM emissions were 1,560 tonnes with Genesee 1 and Genesee 2 contributing to 83% of the PM emissions. The solid fuel facilities are the main contributors of PM.

## **Biomonitoring Program**

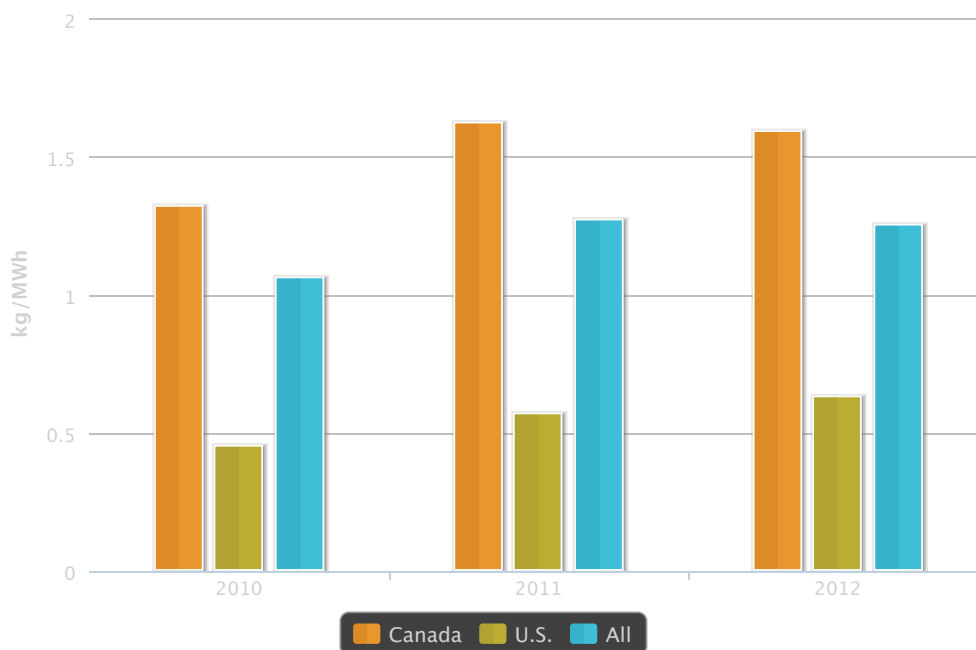
The environmental biomonitoring in the Genesee Wabamun region in west-central Alberta determines what environmental impacts, if any, have occurred as a result of power generation. The results collected from 2004 to present show no appreciable trends associated with contaminant concentrations in the majority of the sampled media across all of the sampling locations. Various activities make up the [Genesee biomonitoring program \(/Performance/Environmental-Performance/Genesee-Biomonitoring.aspx\)](#).



# Emissions Intensities

Oxides of nitrogen   **Sulphur dioxide**   Total particulate matter   Mercury

## Emissions Intensities<sup>1</sup> - Sulphur dioxide



	Year	Canada	U.S.	All
<b>Sulphur dioxide (kg/MWh)</b>	<b>2010</b>	1.32	0.45	1.06
	<b>2011</b>	1.62	0.57	1.27
	<b>2012</b>	1.59	0.63	1.25

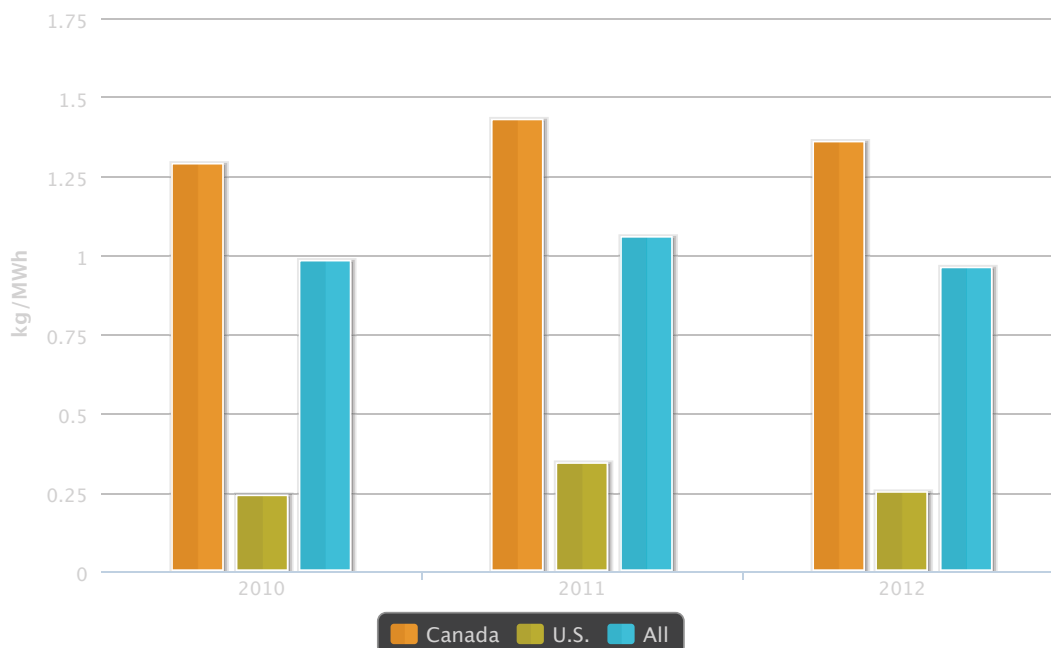
1. Emissions intensities include only power generation operations. Emissions intensities do not include emissions from indirect sources, such as those resulting from electricity usage at our offices. Intensity is calculated using the net production (MWh) from all Capital Power facilities, including all renewable, waste heat and fossil fuel facilities.

2. In accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard [World Resources Institute and World Business Council for Sustainable Development (2004)], carbon dioxide released at facilities from combustion of biomass and landfill gas are not included in emissions totals and intensities.

3. GHG emission intensities are stack emissions only, and do not reflect the impact of offsets.

Year-over-year variance is primarily due to the sale of the Capital Power Income L.P. in 2010 and acquisitions and developments in 2011 and 2012.

## Emissions Intensities<sup>1</sup> - Oxides of nitrogen



## Emissions Intensities<sup>1</sup>

	Year	Canada	U.S.	All
<b>Oxides of nitrogen (kg/MWh)</b>	<b>2010</b>	1.29	0.24	0.98
	<b>2011</b>	1.43	0.34	1.06
	<b>2012</b>	1.36	0.25	0.96

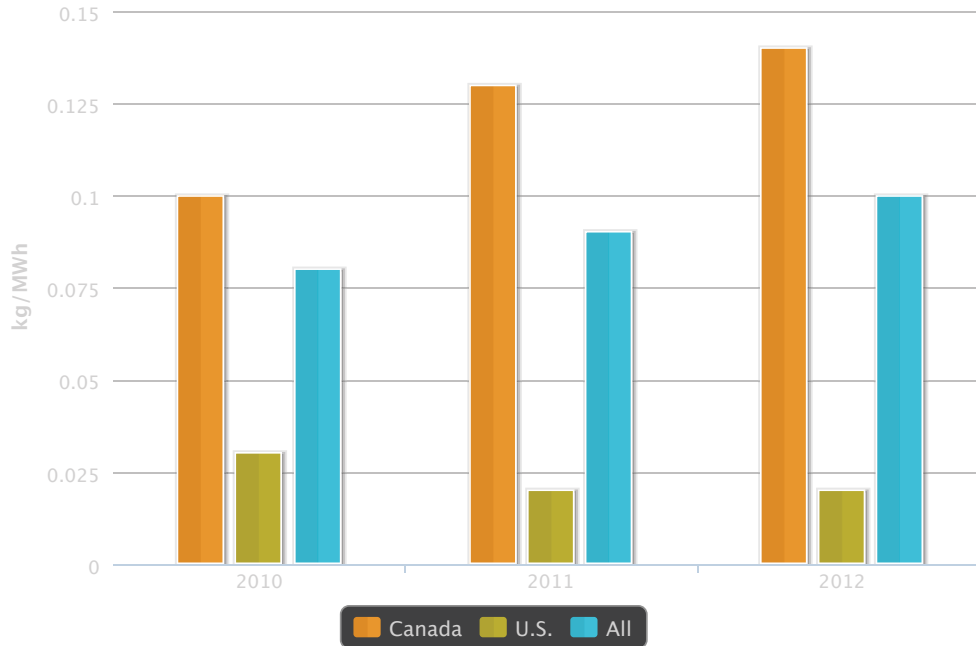
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3. GHG emission intensities are stack emissions only, and do not reflect the impact of offsets.

Year-over-year variance is primarily due to the sale of the Capital Power Income L.P. in 2010 and acquisitions and developments in 2011 and 2012.

## Emissions Intensities<sup>1</sup> - Total particulate matter



	Year	Canada	U.S.	All
<b>Total</b>	<b>2010</b>	0.10	0.03	0.08
<b>particulate matter (kg/MWh)</b>	<b>2011</b>	0.13	0.02	0.09
	<b>2012</b>	0.14	0.02	0.10

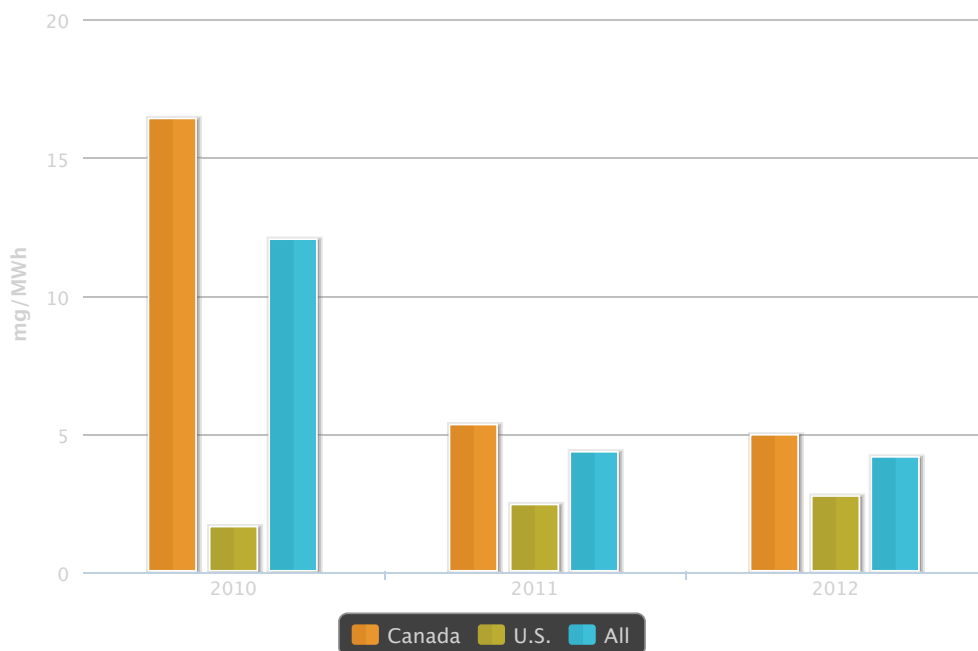
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2. In accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard [World Resources Institute and World Business Council for Sustainable Development (2004)], carbon dioxide released at facilities from combustion of biomass and landfill gas are not included in emissions totals and intensities.

3. GHG emission intensities are stack emissions only, and do not reflect the impact of offsets.

Year-over-year variance is primarily due to the sale of the Capital Power Income L.P. in 2010 and acquisitions and developments in 2011 and 2012.

## Emissions Intensities<sup>1</sup> - Mercury



	Year	Canada	U.S.	All
<b>Mercury (mg/MWh)</b>	<b>2010</b>	16.40	1.64	12.04
	<b>2011</b>	5.33	2.42	4.34
	<b>2012</b>	4.98	2.71	4.16

1. Emissions intensities include only power generation operations. Emissions intensities do not include emissions from indirect sources, such as those resulting from electricity usage at our offices. Intensity is calculated using the net production (MWh) from all Capital Power facilities, including all renewable, waste heat and fossil fuel facilities.

2. In accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard [World Resources Institute and World Business Council for Sustainable Development (2004)], carbon dioxide released at facilities from combustion of biomass and landfill gas are not included in emissions totals and intensities.

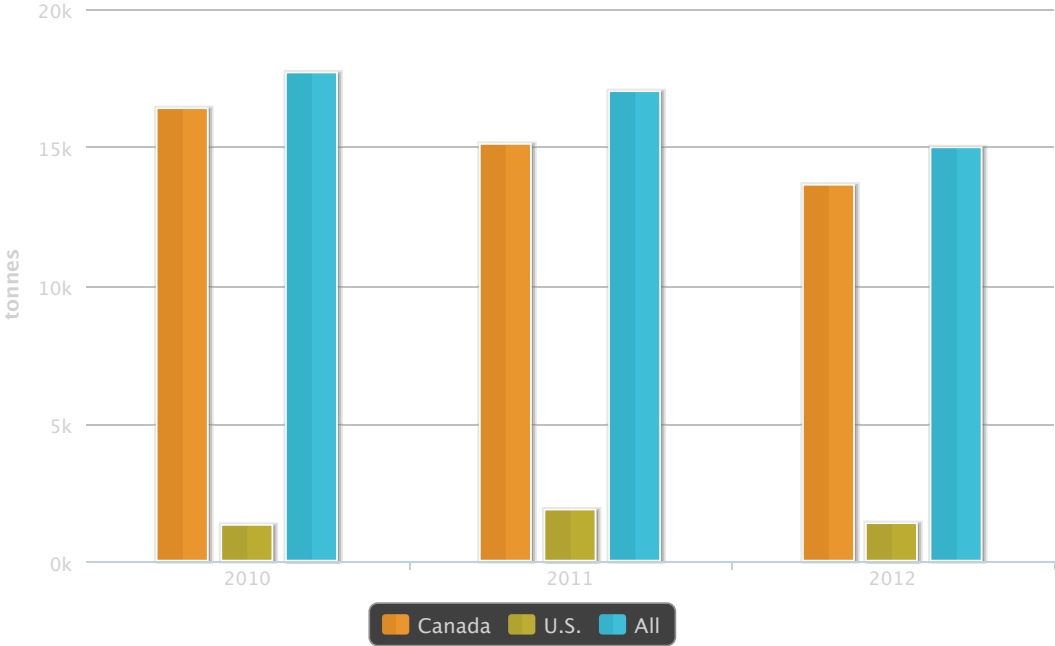
3. GHG emission intensities are stack emissions only, and do not reflect the impact of offsets.

Year-over-year mercury decrease is due to the installation of new emissions control technology to capture mercury at our Genesee facility.

# Total Air Emissions

Oxides of nitrogen   Sulphur dioxide   Total particulate matter   Mercury

## Total Air Emissions - Oxides of nitrogen

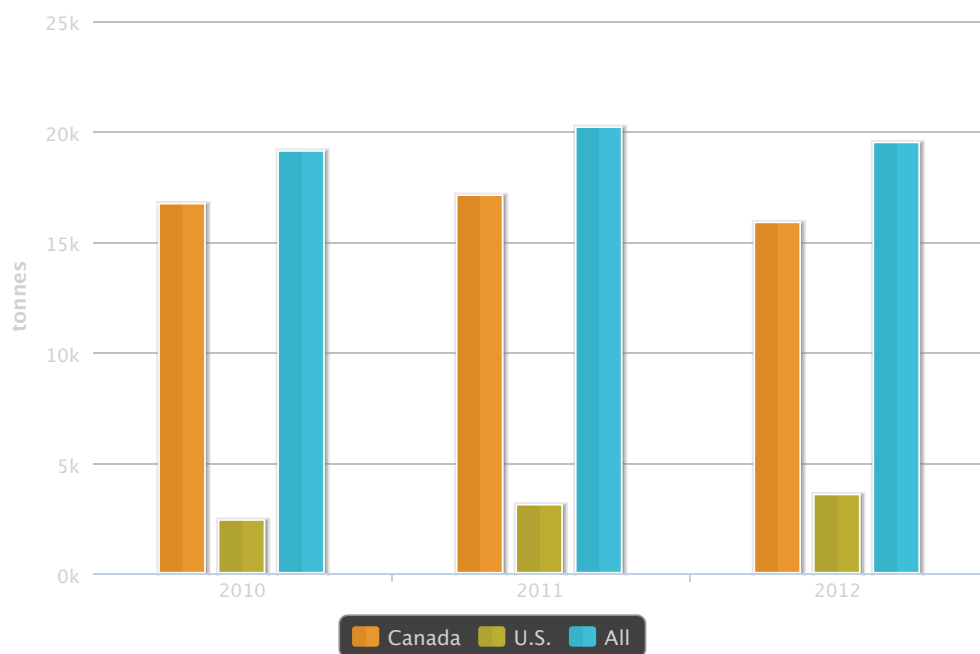


	Year	Canada	U.S.	All
<b>Oxides of nitrogen (tonnes)</b>	<b>2010</b>	16,400	1,300	17,700
	<b>2011</b>	15,100	1,900	17,000
	<b>2012</b>	13,600	1,400	15,000

Values represent direct emissions from power generation operations.

Year-over-year variance is primarily due to the sale of the Capital Power Income L.P. in 2010 and acquisitions and developments in 2011 and 2012.

## Total Air Emissions - Sulphur dioxide

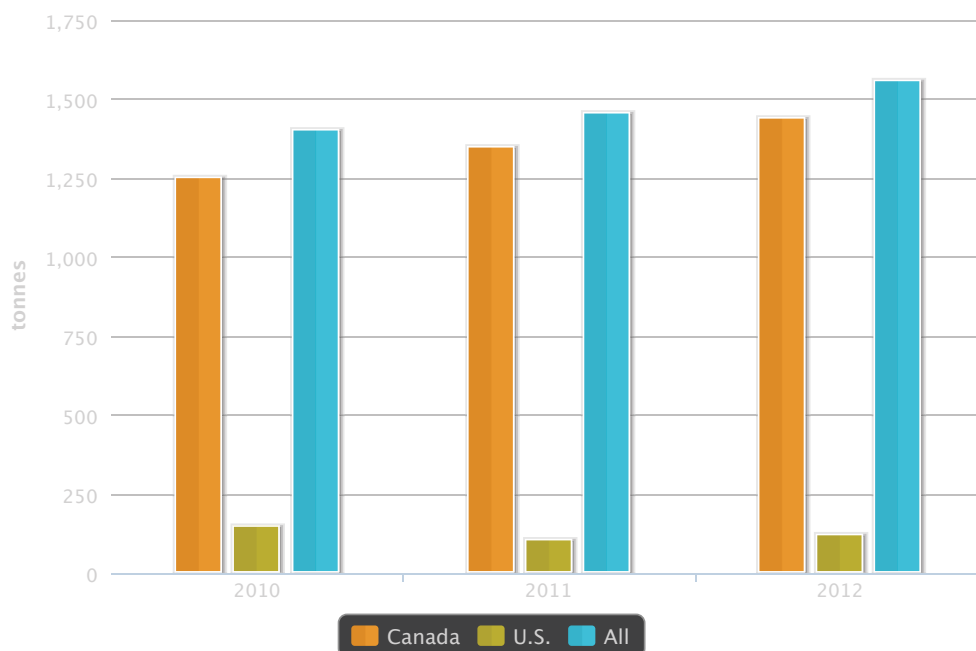


	Year	Canada	U.S.	All
<b>Sulphur dioxide (tonnes)</b>	<b>2010</b>	16,700	2,400	19,100
	<b>2011</b>	17,100	3,100	20,200
	<b>2012</b>	15,900	3,600	19,500

Values represent direct emissions from power generation operations.

Year-over-year variance is primarily due to the sale of the Capital Power Income L.P. in 2010 and acquisitions and developments in 2011 and 2012.

## Total Air Emissions - Total particulate matter

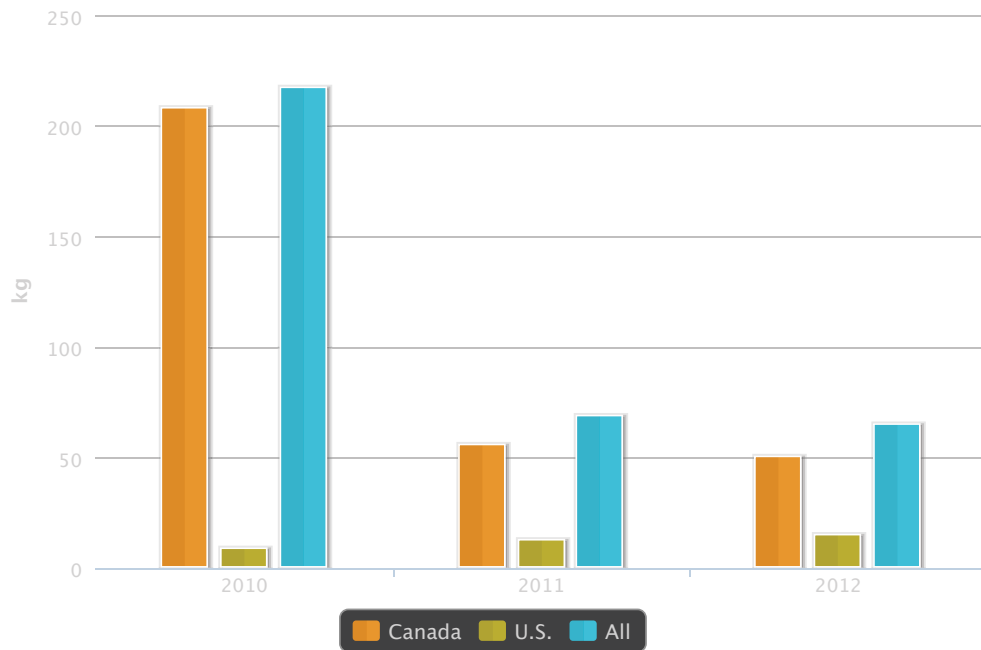


	Year	Canada	U.S.	All
<b>Total particulate matter (tonnes)</b>	<b>2010</b>	1,250	150	1,400
	<b>2011</b>	1,350	105	1,455
	<b>2012</b>	1,440	120	1,560

Values represent direct emissions from power generation operations.

Year-over-year variance is primarily due to the sale of the Capital Power Income L.P. in 2010 and acquisitions and developments in 2011 and 2012.

## Total Air Emissions - Mercury



	Year	Canada	U.S.	All
<b>Mercury (kg)</b>	<b>2010</b>	208	9	217
	<b>2011</b>	56	13	69
	<b>2012</b>	50	15	65

Values represent direct emissions from power generation operations.

Year-over-year mercury decrease is due to the installation of new emissions control technology to capture mercury at our Genesee facility.



## Water Use

### Sustaining water like this.

Water use at our generation facilities serves two major purposes: making steam and cooling. For the most part, steam systems are close-looped, i.e. the water is heated into steam, and subsequently condensed back into water and reused. Cooling water systems are similar but may draw from an external source and discharge back into that source. Some water is lost in the process through natural evaporation into the atmosphere, remaining in the water cycle.

Approximately 95% of Capital Power's water is drawn from the North Saskatchewan River in Alberta and over 80% is returned back to the river. Other water sources include groundwater, municipal water and recycled water. Most facilities return water to their source in relatively the same quantity and quality as it was when taken from that source.

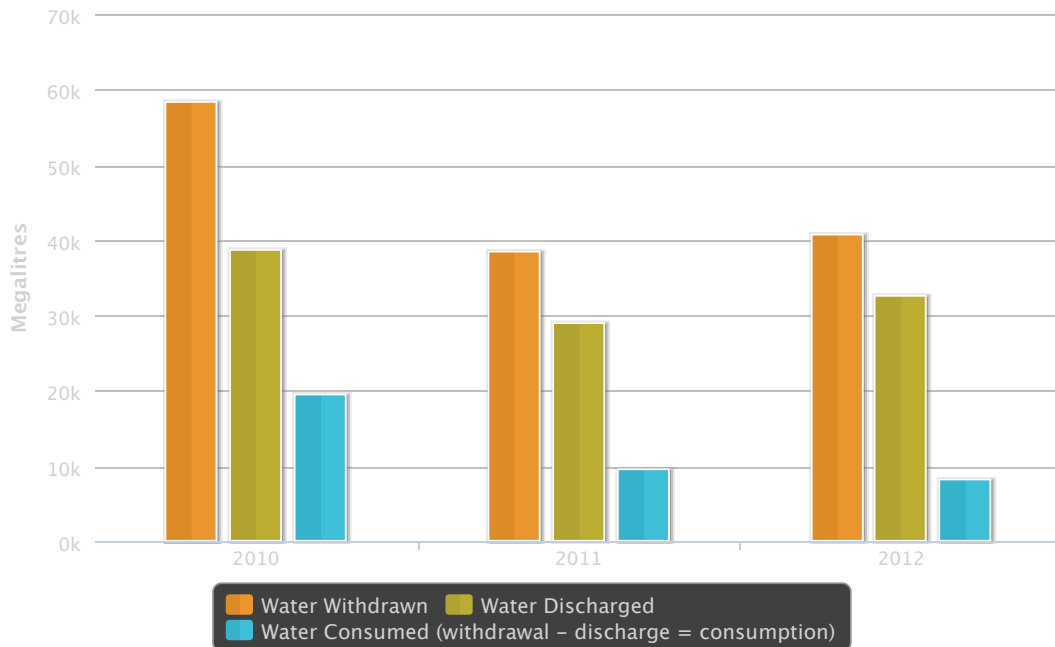
We are a member of the North Saskatchewan Watershed Alliance, part of the Alberta Government's Water for Life initiative. The alliance finalized an Integrated Watershed Management Plan in June 2012 that will guide the protection, maintenance and restoration of the North Saskatchewan River watershed, in a way that balances environmental, social and economic needs.

### Water withdrawals for plant operations

Our water withdrawals increased in 2012 as a result of increased generation and the installation of a wet bottom ash system at our Southport facility.



## Approximate Water Withdrawals and Discharges (Megalitres)



	2010	2011	2012
<b>Water Withdrawn</b>	58,276	38,585	40,751
<b>Water Discharged</b>	38,652	29,021	32,575
<b>Water consumed (withdrawal-discharge=consumption)</b>	19,624	9,563	8,176

*2011 and 2010 water withdrawal and discharge statistics do not include water displaced by hydroelectric facilities. As of December 31, 2012 Capital Power did not own or operate any hydroelectric facilities.*

## Environmental Indicators

### Tracking our environmental indicators

#### Ozone-depleting substances

No ozone-depleting substances were released in 2012.

#### Hazardous waste

We did not transport hazardous waste in 2012.

#### Clean air alliance

We are participating with industry, government and non-government organizations in the five-year review of the Clean Air Strategic Alliance Alberta Electricity Framework.

## Environmental compliance

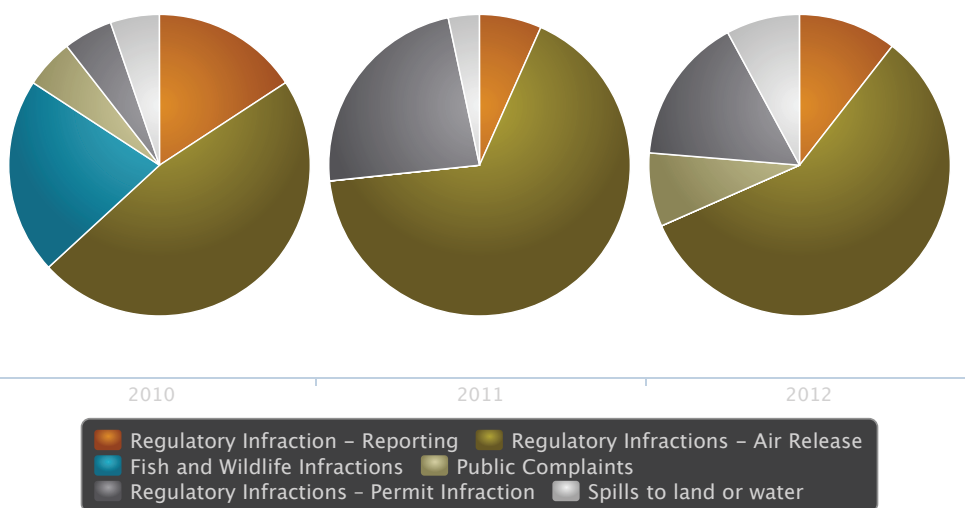
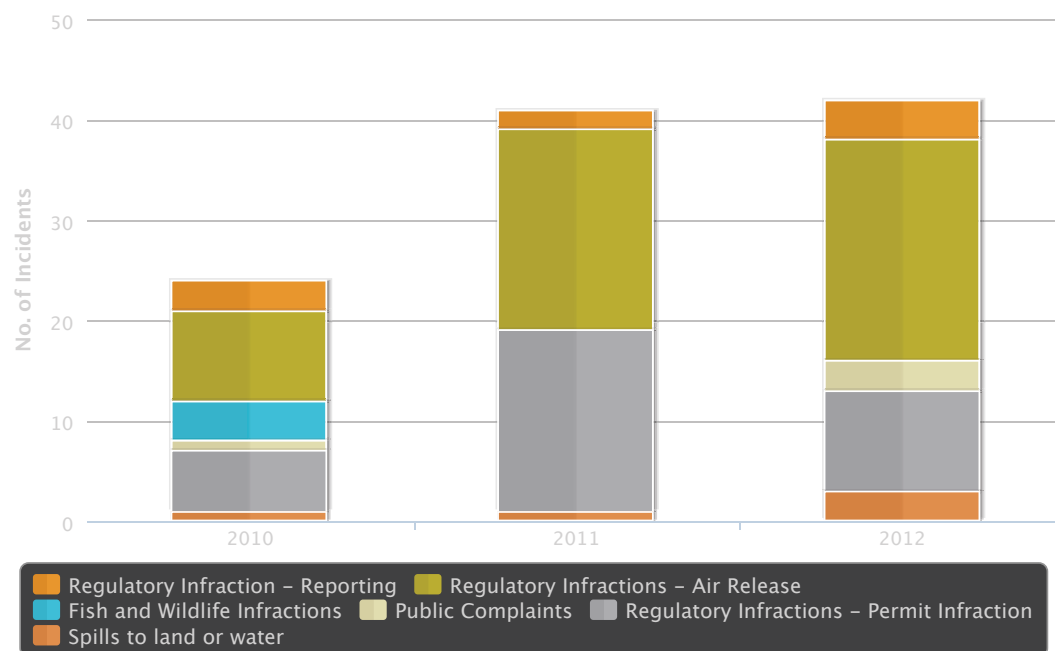
We experienced 42 reportable environmental incidents in 2012. Eleven of the 42 incidents, four regulatory infractions-reporting, three public complaints and four regulatory infraction-permit infractions, had no environmental impact. Just over half of the environmental incidents are regulatory infractions-air releases. These numbers have increased due to improved internal reporting processes.

Our Southport facility received a \$6,331 fine in 2012 for exceeding the 24-hour SO<sub>2</sub> permit limit on three occasions in September 2011. A Notice of Violation (NOV) was issued to Bridgeport for exceeding permitted air limits and a NOV was issued in 2013 to Roxboro for SO<sub>2</sub> equipment availability in the fourth quarter of 2012.



Southport, North Carolina

## Reportable Environmental Incidents



	2010	2011	2012
<b>Regulatory Infraction - Reporting<sup>1</sup></b>	3	2	4
<b>Regulatory Infractions - Air Release<sup>2</sup></b>	9	20	22
<b>Fish and Wildlife Infractions</b>	4	0	0

	2010	2011	2012
<b>Public Complaints<sup>3</sup></b>	1	0	3
<b>Regulatory Infractions – Permit Infraction<sup>4</sup></b>	6	18	10
<b>Spills to land or water</b>	1	1	3
<b>TOTAL</b>	<b>24</b>	<b>41</b>	<b>42</b>

<sup>1</sup>Incidents which are administrative in nature such as unauthorized late report submissions, lapsed certifications, or failures to report

<sup>2</sup>Regulatory Infractions - Air Releases are incidents which contravene a regulation or other applicable law, a site permit/licence or site operating approval specifically to air emissions(i.e. opacity, NOx, CO,SO2).

<sup>3</sup>Public Complaint incidents are those which are attributable to Capital Power operations.

<sup>4</sup>Regulatory Infractions – Permit Infractions are incidents which contravene a regulation or other applicable law, a site permit/licence or site operating approval (i.e. exceed temperature Total Suspended Solids (TSS), pH limit, or failure to collect required samples)

## Genesee Biomonitoring

# This is how we're caring for the land.

## Genesee Wabamun Region Biomonitoring Program

The environmental biomonitoring in the Genesee Wabamun region in west-central Alberta determines what environmental impacts, if any, have occurred as a result of power generation. We have been working with TransAlta Generation Partnership (TGP) on this comprehensive biomonitoring program since 2004.

**The results collected to date show no appreciable trends associated with contaminant concentrations in the majority of the sampled media across all of the sampling locations.**

The biomonitoring program measures and assesses potential changes in environmental concentrations of several chemicals of potential concern (COPC) associated with aerial and water emissions from the generating plants, in addition to the monitoring of wildlife populations and habitat. The program uses ten designated terrestrial sampling locations across the geographic area, four air monitoring stations, and obtains surface water samples from three local lakes, the cooling ponds and three locations on the North Saskatchewan River.

The COPC chosen for this biomonitoring program are relatively stable, have the potential to accumulate, and are measurable in environmental media, such as water, soil, sediment and biota (plant and animal life of a region). We test for COPC such as arsenic, barium, cadmium, lead, manganese, mercury and selenium.

Results of air monitoring of power plant emissions, including nitrogen dioxide, sulphur dioxide, PM2.5, ozone and mercury, are monitored through an Acid Deposition, a Mercury Assessment and an Ambient Air Monitoring Program.

## Monitoring Mercury

We have been working with the Mercury Deposition Network of North America in establishing, at the Genesee Air Monitoring Station, One of only two mercury wet deposition monitors in Alberta. We have also worked with Environment Canada to reconstruct a multi-species mercury deposition assessment.

Expert environmental consultants complete routine monitoring of environmental media, including air, soil, vegetation, small mammals, fish, lake and river water, groundwater, sediment and benthic invertebrates.

## Wildlife Surveys

Wildlife biologists survey local bird, ungulate and amphibian populations. Our 2012 annual wildlife report included a vehicle-wildlife collision count, a peregrine falcon study and overwintering waterbirds surveys to monitor the population of ducks and geese on the Genesee Cooling Pond. Specific programs have also been designed for the sampling of traditionally used vegetation and the monitoring of rare mosses and lichens. The result of all sampling and monitoring are submitted to Alberta Environment and Sustainable Resource Development, and the results of the Ambient Air Monitoring Program are posted on the website of the west Central Airshed Society.

- **Data collected from wildlife surveys by biologists compared the ungulate populations at Genesee to the surrounding Provincial Wildlife Management Units. The deer, elk and moose populations were found to be at comparable levels to those elsewhere in the region.**
- **The overwintering waterbirds program followed similar patterns as noted since 2001 with high numbers of waterbirds in fall and spring and relatively low numbers during the winters. Fewer than 2,000 waterbirds have been present overwintering on the cooling pond since 2004.**
- **Three ungulate and three 'other wildlife' vehicle collisions were reported in 2012.**

We continue working with regulators to maximize the scientific impact of this extensive biomonitoring program.

## Falcons in the valley

As land services manager at our Genesee operations, George Greenhough is very familiar with the interplay of people and the environment.

George grew up on a farm near the Genesee facility, so he knows the land and its animals. One of these, the Peregrine falcon, was close to extinction; a breeding pair had not been seen in the North Saskatchewan river valley near Genesee since 1969.

Today, the Genesee Generating Station now has resident falcons that return each year and breed. Many factors contributed to their successful return; one of these has been the partnerships George and Genesee crews have cultivated with provincial wildlife experts. What started as the construction of a safe nesting area on the Genesee station's south stack has grown to include tracking, egg incubation and, in the summer of 2012, an opportunity to introduce chicks to two nearby river valleys. In 2012, four eggs were laid and hatched.

The story was captured for TV viewers by a crew from the Let's Go Outdoors program, featured [here](http://www.youtube.com/watch?v=3sxr8hk8l50&feature=youtu.be&t=23m58s) (<http://www.youtube.com/watch?v=3sxr8hk8l50&feature=youtu.be&t=23m58s>).

During nesting season, the Peregrine falcons can be followed live on our Genesee [falcon cam](http://www.capitalpower.com/corporateresponsibility/environment/perergrinefalcons/Pages/default.aspx) (<http://www.capitalpower.com/corporateresponsibility/environment/perergrinefalcons/Pages/default.aspx>).

## Wildlife monitoring

We monitor wildlife species composition and relative abundance, including species of management concern to assist us in the responsible management of lands. Our operations do not affect any wildlife on the International Union for Conservation of Nature and Natural Resources Red List species list.



Protecting Peregrine falcons - four chicks hatched in 2012 at the Genesee Generating Station, AB



# Reclamation

## Returning land back

### Innovative land reclamation

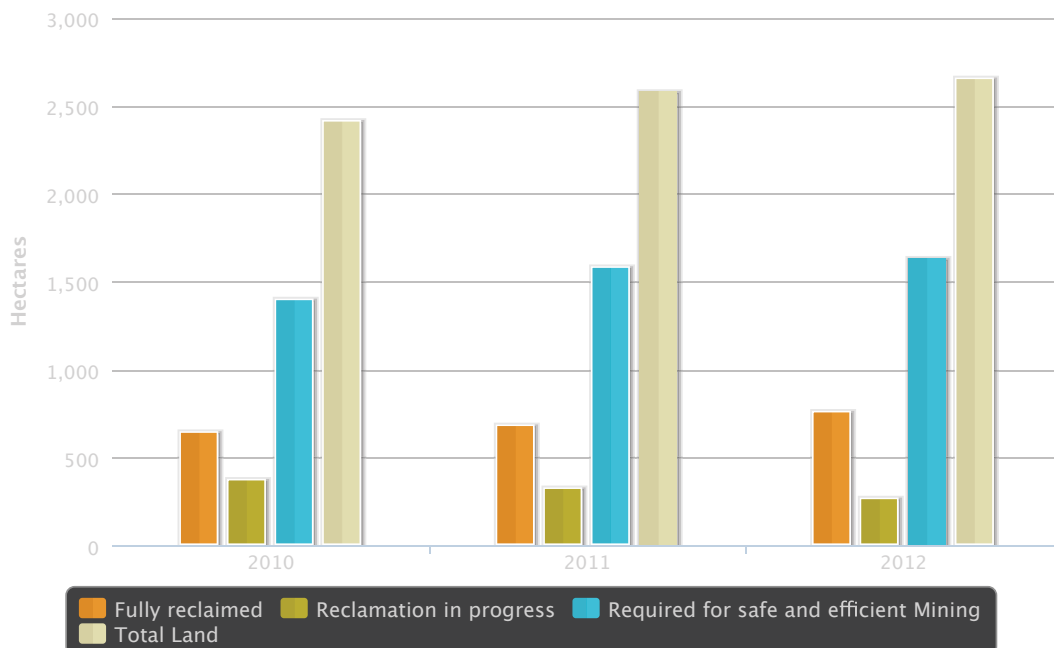
We protect and enhance biodiversity by diversifying natural landscapes in ways that can sustain multiple land uses, such as wetlands, cattle and farming.

Land in the Genesee area is primarily farmland and, as such, reclamation efforts over the past 26 years have primarily focused on reclaiming mined land back into farmland. In recent years, reclamation efforts and research have also included reforestation techniques and wetland development. This will help create a balance and diversity of landscape and land uses, and provides habitat for the many species that populate the area.



Genesee Generating Station, AB

### Genesee Mine area & reclamation summary (hectares)



	2010	2011	2012
<b>Fully reclaimed*</b>	646 (26.8%)	680 (26.3 %)	763 (28.73%)
<b>Reclamation in progress*</b>	368 (15.2%)	320 (12.4%)	264 (9.94%)
<b>Required for safe and efficient mining</b>	1,398 (58.0%)	1,581 (61.3%)	1,629 (61.33%)
<b>Total land</b>	2,412 (100%)	2,581 (100%)	2,656 (100%)

\* *Fully reclaimed* refers to land that is fully certified and land parcels that have been applied for and awaiting final certification from Alberta Environment and Sustainable Resource Development. *Reclamation in Progress* means reclamation activities are started but not finished – and no application for certification has been filed yet.

83 hectares reached fully reclaimed status in 2012.

## Funding research

We continued our partnership with Syncrude, Suncor, Shell and Natural Sciences and Engineering Research Council (NSERC) to fund a University of Alberta aspen tree research project. Under Dr. Simon Landhausser's direction, one student completed and defended their master's thesis in 2012.

## Local cattle graze on Genesee land

There were 1,640 cattle belonging to 10 local farmers that grazed the community pasture at Genesee in 2012.

Reclaimed land and company-owned land not yet used for operations is leased to local farmers to bring their cattle to a well-managed grassland operated by professional range managers.

Native tree stands were protected from grazing cattle through the installation of cattle fences on approximately 100 acres of land in 2012.

The annual cattle drive at our Genesee station is just the last step in a long journey. It's a tradition that pre-dates the plant itself. What's different now from those early days is that portions the cattle now graze on are reclaimed from early mining activity.

Roger Gunsch has led the cattle drive for over 25 years. He also manages the herds throughout the grazing season -- roughly May to October every year.

For a fee, the cattle are free to graze, are moved from field to field throughout the growing season, and are checked for general health. If there are signs of trouble, medication is provided and the owners are alerted. The grazing cattle help to control weeds in the pasture land surrounding our plant.

Having taken over the family farm near Genesee station, Roger's son Jimmy has been helping out for many years now. Both have spent time on rodeo circuits before this.

"This job has been a good fit for me," Roger says. "When I farmed, it gave me more time with my horses. As a rodeo rider, that's obviously something I really love."

Roger and Jimmy are never alone in their travels. Throughout the grazing season, Genesee's famous falcons are a regular feature in the skies overhead. Eagles are also common, but Roger is happy to report that coyotes have never been a problem in his 25+ years on the job.

Round-up time -- when owners pick-up their herd for wintering at home -- means many hands make light work. "Any excuse to bring my horse to work," says Jennifer Linder, a member of the Genesee Land Management team.

## **Man-made Wetland**

Initial steps were taken to create a man-made wetland in the reclaimed areas of the mine. In 2012 topsoil was placed on preparation for tree planting in 2014. This project will be a template for future wetland creation at Genesee.



Rounding up cattle that graze on the land at Genesee Generating Station, AB

## Fly Ash

### Recycling fly ash at Genesee

Fly ash is produced as a byproduct from our facilities at Genesee, Roxboro and Southport. Fly ash from Genesee 1 and Genesee 2 can be used as an environmentally - friendly component in manufacturing concrete. Using one tonne of fly ash as a substitute for one tonne of Portland Cement in concrete, reduces carbon dioxide emissions (a greenhouse gas) by approximately one tonne in the manufacture of Portland Cement.

In 2012, the amount of ash produced slightly decreased due to the length of maintenance outages at our Genesee 3 facility.

At Genesee in 2012, just under 50% of the fly ash captured from Units 1 and 2 was sold to concrete companies to use in concrete production across western North America.

There was no demand for Genesee 3 fly ash as cementing product in 2012. The concrete setting time is not adequate when using Genesee 3 fly ash due to the lime injection scrubber technology used at Genesee 3 to remove sulfur compounds. We are working with labs to find a solution to this challenge.

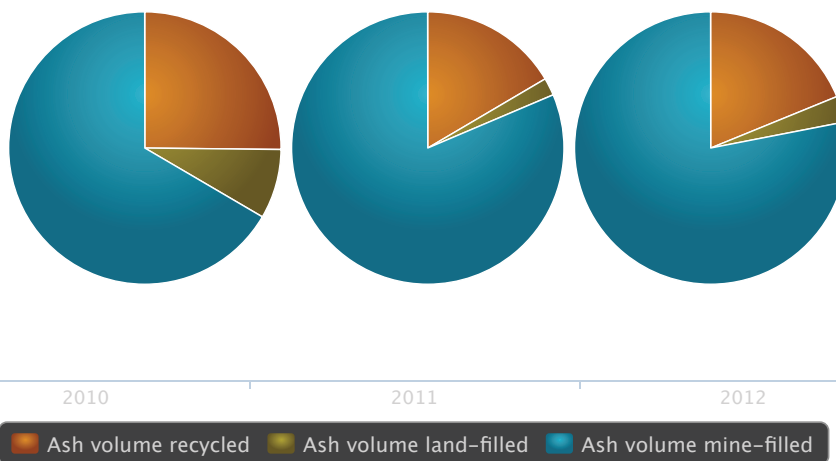
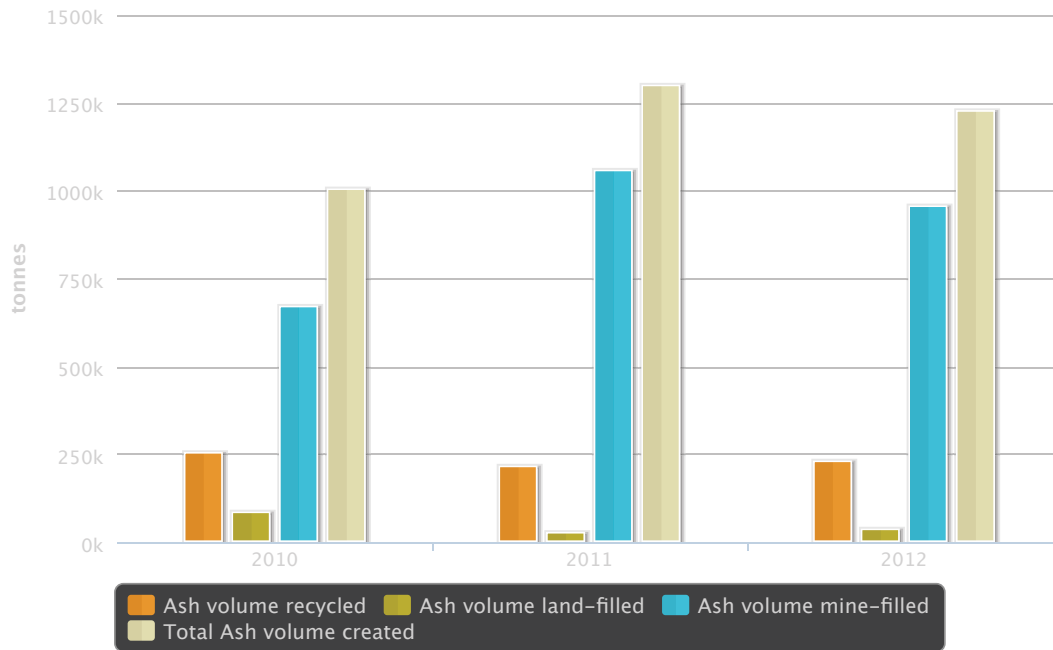
Our goal is to sell 60% of the fly ash from Units 1 and 2 in 2013.



# Ash Recycling and Disposal

Ash Volume    Ash Sold

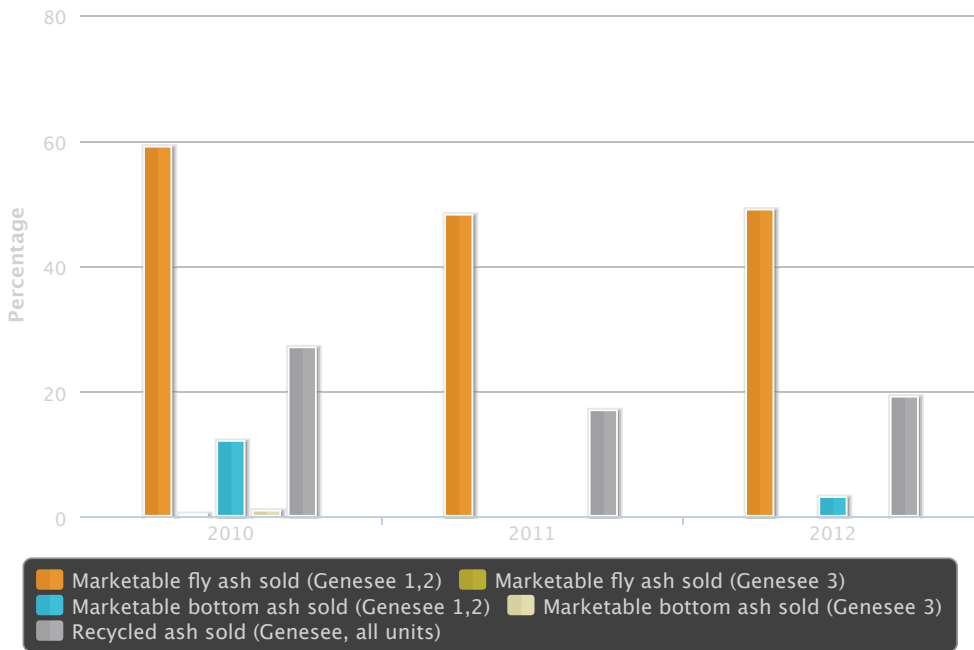
## Ash Recycling and Disposal (tonnes) - Ash volume

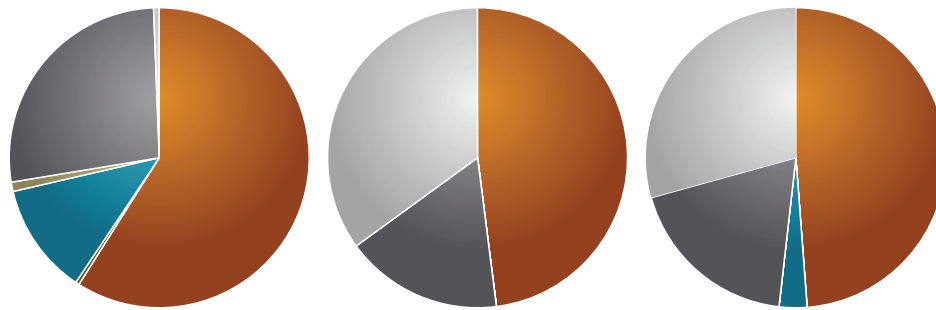


	2010	2011	2012
<b>Ash volume created</b>	1,005,000	1,300,000	1,226,000
<b>Ash volume recycled</b>	253,000	215,000	231,000
<b>Ash volume land-filled</b>	83,000	27,000	38,000
<b>Ash volume mine-filled</b>	669,000	1,058,000	957,000

In 2012, just under 50% of the fly ash captured from Genesee 1 and 2 was sold to concrete companies for cement production.

### Ash Recycling and Disposal (%) - Ash sold





2010

2011

2012



	2010	2011	2012
<b>Marketable fly ash sold (Genesee 1,2)</b>	59%	48%	49%
<b>Marketable fly ash sold (Genesee 3)</b>	0.4%	0%	0%
<b>Marketable bottom ash sold (Genesee 1,2)</b>	12%	0%	3%
<b>Marketable bottom ash sold (Genesee 3)</b>	1%	0%	0%
<b>Recycled ash sold (Genesee, all units)</b>	27%	17%	19%

In 2012, just under 50% of the fly ash captured from Genesee 1 and 2 was sold to concrete companies for cement production.

# Corporate Responsibility Report 2012

## Our Culture



## Our values guide our behaviour

- Passionate about our business and safety
- Acting with integrity
- Working together
- Accountable
- Creating and enhancing shareholder value



## Passing on the values

"Our plant is spotless. I've been in other combined cycle power plants – and they do not look like this one. A lot of the original gentleman still work here, and these guys take a lot of pride in this place. I try to pick up that pride and try to keep this place like it was new."

Derek Dawson, B Operator, Rumford



## Learning & Development

### Investing in our people



Developed by participants at an iLead course, Capital Power School of Business

"Our drive is to create an exciting work environment, one where people will recommend us to their friends and one where we're recognized by word of mouth as an excellent employer."

Brian Vaasjo, President & CEO

## Learning and Development

We align our Learning and Development programs with our business strategies, which include *making our people & culture a competitive advantage*, and *being an employer of choice*. Our goal is to be recognized as a top organization for developing and retaining our talent.

- We offer *ongoing training throughout the organization*, starting with our on-boarding program for new employees. Our senior executives participate in our iLead Leadership Development program, which is offered to managers.
- We *continue to develop, pilot and offer training programs to build the skill sets* that are essential for the success of our organization.
- We *evaluate our courses for improvement*, and in 2012 we implemented a more robust course evaluation methodology to measure the impact of training on our employees' learning application and performance improvement.

### Capital Power School of Business

Capital Power School of Business is designed to create a strong learning and development culture. Core programs and courses, such as leadership development and professional business skills, are offered. A total of 345 employees went through Capital Power School of Business training in 2012.

## New courses in 2012

The following new courses were offered in 2012:

- Two **Career Compass** pilots to increase employee engagement by supporting and encouraging employees to set goals for their long-term career growth.
- Two sessions of **Effective Business Writing** (a pilot followed by the inaugural session) to help employees communicate clearly.
- Seven customized **team effectiveness workshops**, covering topics such as managing conflict, and effective communication.

## Strong Start Orientation and on-boarding program

Our interactive Strong Start orientation and on-boarding program welcomes new employees and gives them a foot forward in their first 100 days on the job. New employees complete an online e-learning course within their first week of employment, followed by a 1½-day classroom orientation session and tour of the Genesee plant.

In 2012, 117 participants completed one of six classroom sessions that were held throughout the year, and 58 employees completed the web-based Strong Start e-learning modules.

## Training to the top – iLead program

Our executive development program is designed to build a talent pipeline for senior leadership roles. Candidates are nominated by their manager, through the company's succession planning process, and/or have identified leadership development as a learning objective in their customized individual development plan.

The custom **iLead Leadership Development Program** is a key business objective to establish a rich, broad, bench-strength around the theory and practice of leadership. Through distinct courses, iLead offers an interactive learning opportunity for leaders to share learning, insights, and to grow with others in a similar role. A total of 182 employees attended 13 iLead courses in 2012.

## MORE: Mentorship supporting women to succeed

We had another successful year of the MORE program (Mentoring, Opportunities & Real Experience), with 32 women participating in the 2012-2013 program year. Developed by Capital Power, the MORE program emerged to inspire up-and-coming professional women in Edmonton by connecting them with some of the most successful women in the city's business community. Capital Power joined with other companies to inspire young professionals by providing individual mentorship relationships and six interactive group sessions (an increase from five group sessions in 2011) for both mentees and mentors throughout the year.

## Technical, apprenticeships and health and safety training

Technical training, apprenticeships, and health and safety training are managed and budgeted within each department or business unit based on occupational requirements.

## First-hand learning

"My first experience here at Rumford was as a co-op, or internship, from Maine Maritime Academy. I did two summer co-ops here and learned a lot. Every time I went back to school from this place, there was always something big that I'd learned. They exposed me to things that a lot of other people don't see."

Derek Dawson, B Operator, Rumford

## Self-development

The After Hours Personal Development Program helps employees to fund their certificates, diplomas and degrees, and individual courses. We provide up to \$3,000 per year for full-time employees and \$1,500 per year for part-time permanent employees.

In 2012, 57 employees took advantage of after hours learning opportunities with reimbursements totalling more than \$81,000, an average of \$1,430 per employee.

## Bring your grade-niner to work

Grade nine can be tough. You're on top in your school, but you know you've got big challenges ahead. What better time than this for some life lessons outside the classroom? Capital Power employees certainly agreed with the idea. For participants in the "Take Your Grade Nine Student to Work" event, it's a chance to expose kids to a positive work culture – a way to show pride in the place these parents call home five days a week. By sitting together through the same presentations and discussions throughout the day, it's also a way to demonstrate the importance of life-long learning.



Nine moms and dads from the Edmonton office along with their grade niners visited our Clover Bar Energy Centre, learning about its state-of-the art turbine technology. The tour was hosted by the plant manager and plant operator followed by lunch with our vice president of Health, Safety and Environment, **Allan Danroth**. The students had a chance to talk about their own goals and ambitions in response to the colorful lessons from Allan's career. The group also heard from **Steve Owens**, the senior project manager who led our recent wind farm construction projects, and **Darcy Trufyn**, Senior Vice President of Operations, Engineering and Construction. The students' day wrapped-up with some time to sit alongside their parents, giving them a feel for the dynamics of an office environment.

## Ethics & Integrity

We work with honesty and integrity. We stand behind our word. We treat each other and our neighbours with respect. We openly report on our performance.

- We investigate all ethical complaints thoroughly and promptly
- We will not allow or pursue retaliation of any kind against an employee who reports a violation or ethical concern
- Every employee is required to certify that he or she has received, read, understands and will comply with our Ethics Policy upon hiring and biennially thereafter
- All employees received training on the Ethics Policy in Q4 2011 and training is planned for all employees in 2013
- All new employees are required to sign the policy
- Managers are accountable for ensuring their employees are aware of, understand and adhere to our Ethics policy

Employees are encouraged to raise potential violations of our ethics policies, laws or regulations

To report a concern, employees can:

- Speak with their manager or any member of senior management;
- Anonymously report a concern by contacting the company's **Integrity Hotline**, which operates 24 hours, seven days a week and is staffed by an independent third party under strict confidentiality obligations.

## We ACT on our word

In 2012, we reviewed 14 complaints on topics such as conflicts of interest, respectful workplace and misuse of company resources.

Investigations and actions resulted in the dismissal of 10 employees and six temporary workers, the cancellation and non-reward of three contracts with suppliers and coaching being given to one employee.



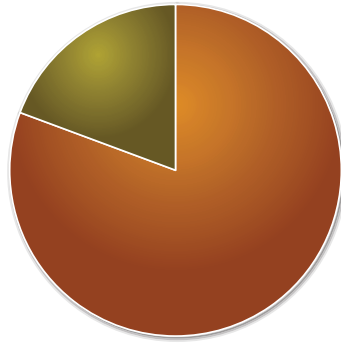
# Workforce & Compensation

## Workforce

Employees Company-wide  Age



## Workforce - Employees Company-wide



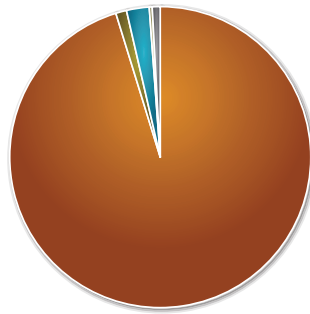
2012

■ # of employees in Canada ■ # of employees in USA

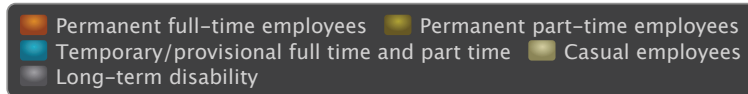
<b>WORKFORCE</b>	<b>2012</b>
<b>Total number of employees Company-wide</b>	910
<b># of employees in Canada</b>	734
<b># of employees in USA</b>	176



## Workforce - Status

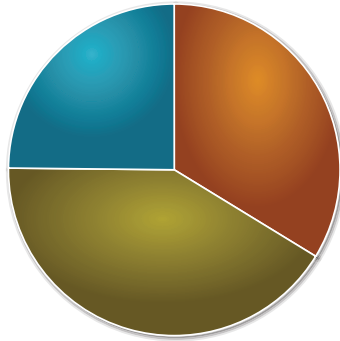


2012



<b>WORKFORCE</b>	<b>2012</b>
<b>Permanent full-time employees</b>	899
<b>Permanent part-time employees</b>	11
<b>Temporary/provisional full time and part time</b>	23
<b>Casual (not included in above) employees</b>	3
<b>Long-term disability (not included in above)</b>	8

## Age



2012

# of employees under 35   Age 35-49   Age 50-plus

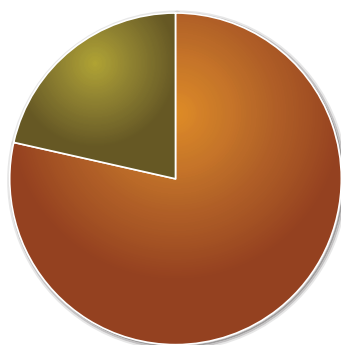
Age	2012
# of employees under 35	307
Age 35-49	377
Age 50-plus	226

Employee Volunteer Hours	2012
# of hours that employees reported volunteering in their communities	15,000 hours

# Employee New Hires

Location  Age

## Employee New Hires - Location

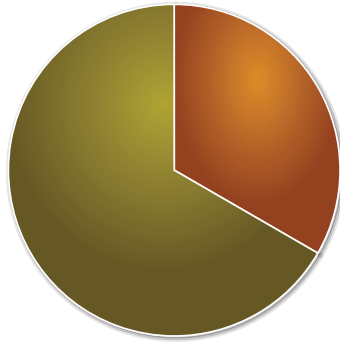


2012



EMPLOYEE NEW HIRES	2012
Canada new hires (%)	106 (79%)
U.S. new hires (%)	29 (21%)

## Employee New Hires - Gender

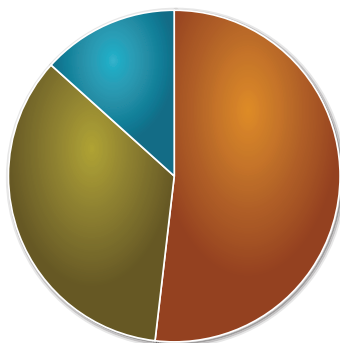


2012

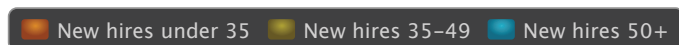
■ Women new hires
 ■ Men new hires

<b>EMPLOYEE NEW HIRES</b>	<b>2012</b>
<b>Women new hires (%)</b>	45 (33%)
<b>Men new hires (%)</b>	90 (67%)

## Employee New Hires - Age



2012

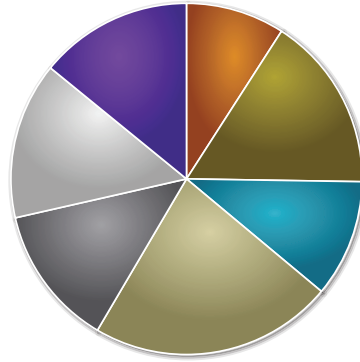


<b>EMPLOYEE NEW HIRES</b>	<b>2012</b>
<b>New hires under 35 (%)</b>	70 (52%)
<b>New hires 35-49 (%)</b>	47 (35%)
<b>New hires 50+ (%)</b>	18 (13%)

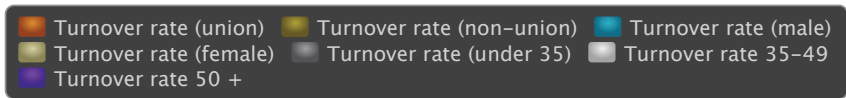
# Workforce Turnover

Rate Reason

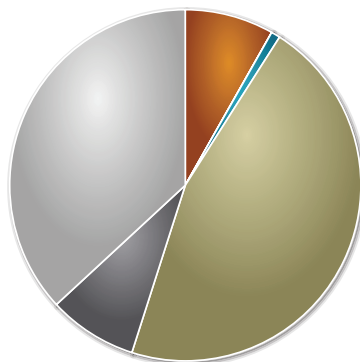
## Workforce Turnover Rate



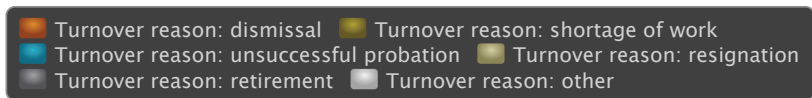
2012



## Workforce Turnover Reason



2012



<b>EMPLOYEE TURNOVER</b>	<b>2012</b>
<b>Company-wide turnover rate (%)</b>	12.2%
<b>Turnover rate (union) (%)</b>	8.0%
<b>Turnover rate (non-union) (%)</b>	14.2%
<b>Turnover rate (male) (%)</b>	9.5%
<b>Turnover rate (female) (%)</b>	19.7%
<b>Turnover rate (under 35) (%)</b>	11.4%
<b>Turnover rate 35-49 (%)</b>	12.7%
<b>Turnover rate 50 + (%)</b>	12.4%
<b>Turnover reason: dismissal (%)</b>	1.0%
<b>Turnover reason: shortage of work (%)</b>	0.0%
<b>Turnover reason: unsuccessful probation (%)</b>	0.1%
<b>Turnover reason: resignation (%)</b>	5.6%
<b>Turnover reason: retirement (%)</b>	1.0%
<b>Turnover reason: other (%)</b>	4.5%

Employee turnover reason shows the contribution of each cause of turnover to the overall turnover rate on an additive basis. The employee turnover rate shows turnover rates within different segments of employees.<sup>3,9</sup>

The 2012 company-wide turnover rate was 12.2% compared to 11.5% in 2011. See table for footnotes.

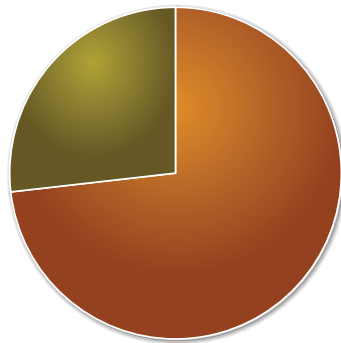
<b>ABSENTEEISM</b>	<b>2012</b>
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**Rates of absenteeism by region (%):** 1.6% or less in all regions

## Gender Diversity

Totals   Management in Canada   Management in U.S.   Entry-Level Management   Mid-Level Management  
Upper Management

### Gender Diversity - Totals



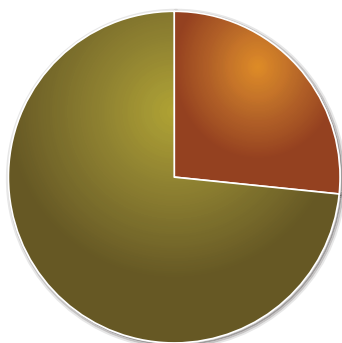
2012

■ # of male employees   ■ # of female employees

<b>GENDER DIVERSITY</b>	<b>2012</b>
<b>Number of male employees (include total percentage)</b>	666 (73%)
<b>Number of female employees (include total percentage)</b>	244 (27%)



## Gender Diversity - Management Positions overall in Canada

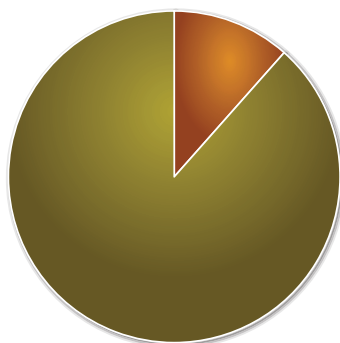


2012

■ # of woman in management ■ # of men in management

<b>GENDER DIVERSITY</b>	<b>2012</b>
<b>Number of employees in management positions overall in Canada</b>	169
<b>- Number of women in management</b>	45 (27%)
<b>- Number of men in management</b>	124 (73%)

## Gender Diversity - Management Positions overall in U.S.

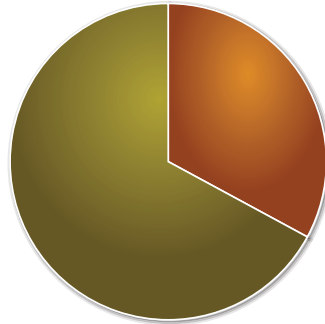


2012

■ # of woman in management ■ # of men in management

<b>GENDER DIVERSITY</b>	<b>2012</b>
<b>Number of employees in management positions overall in US</b>	26
<b>- Number of women in management</b>	3 (12%)
<b>- Number of men in management</b>	23 (88%)

## Gender Diversity - Entry-Level Management

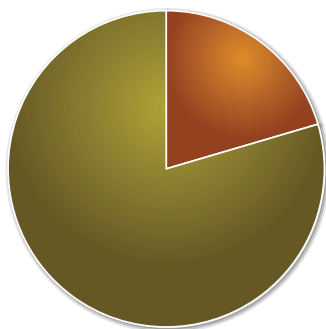


2012

■ \$82 earned per \$100 earned by men  
■ # of men in entry-level management  
■ # of woman in entry-level management

GENDER DIVERSITY	2012
# of and salary comparison of women in entry-level management	25 women: \$82 earned per \$100 earned by men
# of and salary comparison of men in entry-level management	51 men

## Gender Diversity - Mid-Level Management

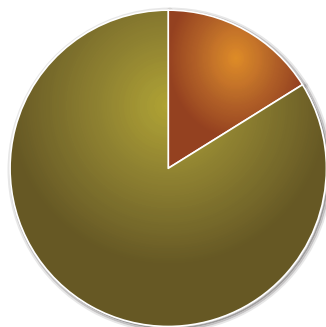


2012

■ \$95 earned per \$100 earned by men   
 ■ # of men in mid-level management  
 # of woman in mid-level management

GENDER DIVERSITY	2012
# of and salary comparison of women in mid-level management	18 women: \$95 earned per \$100 earned by men
# of and salary comparison of men in mid-level management	70 men

## Gender Diversity - Upper Management

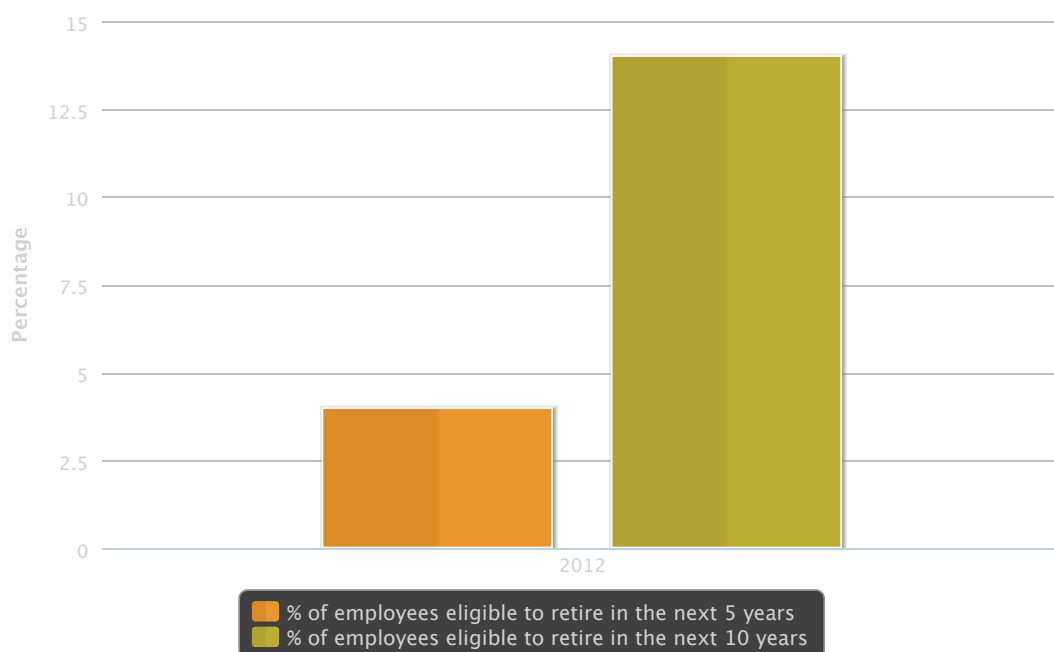


2012

■ \$87 earned per \$100 earned by men   
 ■ # of men in upper management  
■ # of woman in upper management

GENDER DIVERSITY	2012
<b># of and salary comparison of women in upper management</b>	5 women: \$87 earned per \$100 earned by men
<b># of and salary comparison of men in upper management</b>	26 men

## Retirement



Retirement	2012
<b>Percentage of employees eligible to retire in the <i>next 5 years</i></b>	
<b>TOTAL CPC</b>	4%
<b>Percentage of employees eligible to retire in the <i>next 10 years</i></b>	
<b>TOTAL CPC</b>	14%

## Collective Agreements

We have positive work relations with six labour unions, four Canadian and two American, which together represented approximately 32% of our labour force in 2012. In Canada, this represents approximately 37% of our overall workforce and 15% of our overall workforce in the United States.

Zero days were lost to strikes in 2012. However, we experienced a 52-day lockout at our Island Generation facility in British Columbia. Production at the facility was not impacted by the lockout, and the company and union engaged in mediation which ultimately led to ratification of a new Collective agreement and the end of the lockout. Six grievances were filed in 2012; two due to policy, and four were individual grievances.

The three bargaining units in Alberta are:

Civic Service Union (CSU) 52;

International Brotherhood of Electrical Workers (IBEW) Local 1007; and

Communication, Energy and Paperworkers (CEP) Union of Canada Local 829.

Outside of Alberta, we have agreements with three unions:

Communication, Energy and Paperworkers (CEP) Union of Canada Local 1123 in Campbell River, British Columbia;

Utility Workers Union of America (UWUA) Local 470-1 in Bridgeport, Connecticut; and

Utility Workers Union of America (UWUA) Local 310 in Tiverton, Rhode Island.

In 2013, Capital Power will be bargaining one new collective agreement with UWUA 310 –Tiverton, Rhode Island.

At the date of publication, Capital Power's collective agreements were:

- IBEW 1007 - Oct 21, 2012 to Dec 12, 2015
- CEP 829 - Aug 2, 2011 to Dec 14, 2013
- CSU 52 - Nov 18, 2012 to Dec 13, 2014
- UWUA 470-1 - June 7, 2011 to June 6, 2016
- CEP 1123 - May 1, 2012 to Apr 30, 2015
- UWUA 310 - currently negotiating first agreement

The minimum notice period for operational changes varies among the collective agreements. On average, employees receive a minimum of 24 hours notice for a change in shift. The company can, however, direct employees with minimal notice during emergent situations.

Further information about our collective agreements can be found in our AIF at [www.sedar.com](http://www.sedar.com) (<http://www.sedar.com>).

## This is our compensation.

WAGES & COMPENSATION	2012
Employee wages and benefits (in \$)	\$117,543,101 CDN; \$20,147,549 US
Canada Only	13.56% that accessed the Employee and Family Assistance Program (EFAP)
Employees that are members of registered defined contribution plan	CDN - 317 (44.1%) US - 145 (81.5%)
Canadian Employees that are members of Local Authority Pension plan (LAPP), a multi-employer defined benefit plan	402





<b>COMPARISONS – WAGES</b>	<b>2012</b>
<b>% workforce paid more than minimum wage (national)</b>	
- Company-wide	100%
- Canada only	100%
- USA only	100%
<b>Difference between Capital Power’s lowest starting wage and local minimum wage (Alberta)</b>	\$10.44
<b># of employees earning lowest starting wage (national)</b>	
- Company-wide	6
- Canada only	3
- USA only	3

## **Benefits & Recognition**

### **Our BENEFITS**

We provide employees with a benefits package that includes:

- health and wellness;
- family-friendly benefits;
- retirement/savings plans; and
- educational support.

## Employee and family assistance

Employees may seek assistance through several formal options, including:

- their immediate supervisor;
- the Human Resources department; and
- a confidential support service with counseling services offered by phone, online, in-person, and text-based (e.g. self-care, self-learning).

Our Employee and Family Assistance Program helps individuals, couples and families access short-term counseling to assist with life challenges. This includes help with anxiety, depression, career enhancement and workplace issues, family issues, bereavement, addictions, and other health issues.

## Health and welfare

Program elements are reviewed regularly and customized by region to ensure they are competitive and typical of the regions in which we operate. Coverage includes medical, dental and vision care for employees and their families, and income protection in the form of short- and long-term disability for employees.

A basic amount of life insurance is provided for all employees, with the option to increase coverage for themselves and their dependents.

Health spending, personal spending, health care and flexible spending accounts provide flexibility and allow employees to make tax-effective choices.

## Retirement savings plans

We offer a variety of retirement and savings plans. Depending on eligibility (e.g. permanent versus temporary or union versus non-union employees) and location, employees participate in pension, 401(k), and registered and non-registered savings plans.

Educational resources are also available, including advice from external investment advisors.

## Incentive pay

Employees are eligible for a short-term incentive award. Non-union employees participate in a plan, which is based on the achievement of corporate, group, and individual performance objectives. Incentive targets vary by position, generally increasing as the employee moves up in the organization. The incentive target is a percentage of base salary, and now ranges from 2.5% to 25% or more. Union employees participating in the plan have a target incentive identified in their collective agreement.

For more information on our compensation philosophy and programs, see the 2013 Capital Power Corporation Management Proxy Circular available at [www.capitalpower.com](http://www.capitalpower.com) (<http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx>).

## **Paid time off**

We believe in work-life balance and encourage employees to take time away from the workplace. Employees are offered various paid-time-off options based on eligibility and region. Paid holidays, personal leave days, paid time off, vacation, and scheduled days off allow for flexibility in their time away from work.

## **Free flu shots and clinics**

We provided employees (company-wide) and their immediate family members with free immunization for seasonal flu in 2012.

## **Milestone achievement award program**

We launched an enhanced Milestone Achievement Awards Program in 2012 that recognizes employees for service ranging from 5 to 35 years with pre-paid credit cards ranging in value from \$300 to \$2,500.

Employees reaching milestones of 10 years and above are invited to a special recognition event that is hosted by our President and CEO Brian Vaasjo, to personally thank employees for their long-term commitment and contributions.

"This event was the greatest event I have been to. I have never felt so comfortable and so recognized. It makes a person feel special."

Cheryl Ducharme



## Working Smarter

### This is how we're working smarter.

We are creating a culture where we think outside the box, question the way we do the things we do, and look for innovative ways to work smarter and spend smarter.

#### Vendor optimization achieves \$5.3M in savings

Since late 2009, we've increased the value we receive from our vendors. In 2012, we achieved \$5.3 million in savings on the purchase of goods and services; primarily through creating greater competition in the marketplace for the money we spend and negotiating lower prices for goods and services purchased across the organization.

We call our teamwork approach 'the culture of negotiation,' and it's something we're always striving to grow. The success of one group encourages the success of others, and ultimately, the program itself.

This is more than negotiating lower prices with current vendors. We're looking to find savings by exploring new ways of doing things, building relationships with new vendors and making better decisions.

Some examples of optimized spending include:

- Being creative and finding vendors in different parts of the world, states or provinces that provide similar products at lower prices than an original equipment manufacturer
- Developing lists of material and products that can be purchased from one vendor for multiple locations rather than multiple vendors (spend aggregation)
- Negotiating lower pricing for goods and services and establishing annual rebate programs from vendors

"What I find particularly encouraging about Vendor Optimization is that these savings are all driven by our employees," says Darcy Trufyn, Senior Vice-President, Operations, Engineering and Construction. "Every dollar we realize comes from someone taking the initiative to ask for more, to explore new approaches, and not settling for what might be easiest. That's the ultimate testament to our people strength."



## Our largest cross-functional project - successfully implementing our Enterprise Resource Planning system

At the beginning of 2013, we overhauled and implemented our Oracle Enterprise Resource Planning (ERP) system, which is management software that allows our organization to integrate various aspects of our business (e.g. Finance, Human Resources, Procurement) into one system. After 15 months of planning, implementing and targeted training, we had a successful 'go live.'

A dedicated cross-functional team throughout the organization was responsible for the successful launch of this new system. In addition to team leads responsible for each core process, an executive steering committee, a leadership team and a stakeholder committee assisted with the change management and company-wide communication. Over 35 courses were delivered to more than 600 employees.

We now have a Centre of Excellence to support and sustain the ERP system and process changes.

In May 2013, the team was awarded the '**Project of the Year**' by the Project Management Institute (Northern Alberta chapter).

"Over the past 15 years, Impac has been working in the ERP industry, and the project at Capital Power is one of the most successful that we have been a part of. In spite of a very aggressive schedule and complex changes to business processes, the project was completed on schedule and is delivering the planned business benefits. The Capital Power team, from the executive to the project team members, were exceptionally capable and delivered their work in an energetic and professional manner."

Impac, a vendor that worked on the project

## Decreasing paper waste by changing the way we print

We moved our Alberta offices to centralized 'follow me' printing – a system where employees access their print jobs from any printer in any office with a swipe of their ID card. This change saved over 185,000 printed sheets per month and decreased the average monthly printing by approximately 35% in 2012.

All our sites, except two plants that will be completed in 2013, have moved to 'follow me' printing as a result of the success in our Alberta offices.

# Corporate Responsibility Report 2012

## Communities

### THIS is how we GIVE

"We went to visit a couple of families during the Christmas season, which is always hard. And we were able to help them out and get them through a little bit of a tough time. It always makes you feel good to give back to the community that you're in."

Scott Sargent, production manager, Bridgeport, CT

## Our Giving



**In 2012, we contributed \$1.15 million to charitable organizations and programs in communities where we do business.**

We help to preserve and strengthen **community character, ecology, and cultural heritage** in the communities where we do business.

Community investment in 2012 included the following:

- Art Gallery of Alberta, AB
- Bridgeport Hospital Foundation, CT
- Campbell River Salmon Festival, BC
- Castor & District Rodeo, AB
- Citadel Theatre, AB
- Dungannon Truck & Tractor Pull, ON
- East Bay Community Action Program, RI
- Goderich Children's Festival, ON
- GRID Alternatives Solarthon, CA
- Grizfest Music Festival, BC
- Halkirk Elks Bullarama, AB
- Lucknow's Music in the Fields, ON
- Mercy Learning Center of Bridgeport, CT
- Roxboro Area Chamber of Commerce Personality Festival, NC
- The Barnum Museum Foundation, CT

- The Free Store - Santa's Helpers Program, ME
- Thorsby Elementary Parents Association - Arrival & Dreams Concert, AB
- Tiverton Lions Charities, RI
- Tumbler Ridge Children's Centre Society, BC
- University of Alberta, AB
- Warburg Cultural Society - Art Gala, AB

## Supporting festivals and community events

- Our sponsorship of the annual **SalmonFest** Celebrations in Campbell River provided free activities and rides for children while supporting the community's heritage sport of logging.
- As a sponsor of **Bullarama** in Halkirk, we helped bring the rodeo and family activities to the community.
- In Ontario, near our Kingsbridge I wind-power facility, we supported the **Dungannon Truck & Tractor Super Pull**. Thousands of community members came together for this popular event.
- For the third year in a row, we were part of the **Grizfest Music Festival** in Tumbler Ridge. The 2012 summer festival welcomed more than 2,000 people to enjoy the talents of local musicians and artists.
- In the Ontario community of Goderich we supported the annual **Goderich Children's Festival**, which offers free activities and programming for elementary school children.
- As presenting sponsor of **Race Week Edmonton's** Go Kit Derby, we helped 30 kids race their homemade cars down a 60-metre course. Our employees volunteered by assisting with setup and takedown and by acting as race marshals.

In 2012, we assisted inner-city programs in the following ways:

- Provided in-kind expertise to upgrade software for the Hope Mission's client intake and reporting process. **Hope Mission** cares for Edmontonians who are homeless. We also donated a cash contribution on behalf of our Board of Directors, in lieu of the board receiving Christmas gifts.
- Collected more than 350 toys and cash gifts donated by employees in support of Edmonton's **Boyle Street Community's** children program, which also received a donation from Capital Power.
- Sponsored the **Bissell Centre's** Memorial Round Dance, a traditional Aboriginal ceremony that honours deceased community members.
- Supported the "Hope for the Holidays" program through the **Tiverton Lions Club Charities** serving families in need.
- Contributed to the **Huron County Christmas Bureau**, together with our partners in the K2 Wind project in Ontario.
- Supported the Literacy, Life, and Employability Skills Program at Connecticut's **Mercy Learning Center**, which aims to eliminate poverty and illiteracy in the greater Bridgeport area. A record-breaking 626 women were helped in 2012.
- Donated to the Santa's Helpers program at **The Free Store** in Rumford, Maine, which provides clothing and toys for Christmas presents to children of needy families in the community.



## Campaigns & Sponsorships

### This is community spirit.

Our passion for improving quality of life in the communities where we live and work pushes us to find new and creative ways of strengthening the community.

#### For communities across North America – United Way

**Employee generosity and company-matched contributions have raised more than one million dollars for United Way in the past three years.** During our third annual United Way campaign, employees contributed more than \$170,000 through personal pledges, which were matched dollar-for-dollar by the company.

Employee-led fundraising events boosted the amount of money raised, bringing the 2012 campaign total to more than \$374,000.

United Way of the Alberta Capital Region nominated Capital Power for two Awards of Distinction in the categories of Campaign Special Event of the Year (for the Oktoberfest Kickoff), and Employee Campaign Chair of the Year, Private Sector.

#### In appreciation of our military

For the second consecutive year, we sponsored ***Military Appreciation Night*** at an Edmonton Eskimos home game. Funds raised were donated to Valour Place, which supports injured soldiers and veterans (and their families) who need a place to stay while receiving rehabilitation and medical care in Edmonton.

**Over the past two years, Capital Power and Edmonton Eskimos' fans have raised more than \$111,000 for Valour Place. Employees were also able to use their time towards the EmPowering Communities Employee Volunteer Grant.**

Our employees and their families, together with volunteers from Valour Place and the Canadian Military, gave away limited edition 'Support Our Troops' t-shirts in exchange for a donation. The 4,000 t-shirts were gone by game time, and nearly \$36,000 was raised. We matched these funds, for a total contribution of \$71,000 to Valour Place. Major Mark Campbell, who lost both legs from injuries suffered in Afghanistan, accepted the donation from Senior Vice President Bryan DeNeve. "Valour Place is going to go a long way to supporting our troops and their families when they need it the most" said Major Campbell.

# Our sponsorships

## Arts and Culture

### For the love of art - Art Gallery of Alberta

The Art Gallery of Alberta (AGA), the National Gallery of Canada, and Capital Power have been working together since 2009 to bring important works of art to Alberta. The Capital Powered Art Program helped to bring 10 exhibits from the National Gallery to the AGA between 2009 and 2012.

Capital Power was nominated by the AGA for Innovative Support by a Business for the Arts, through the annual Mayor's Celebration of the Arts in Edmonton.

### The power of performance – Citadel Theatre

We were thrilled to sponsor the Citadel Theatre's production of the beloved musical, *The Sound of Music* when it returned to the Edmonton stage in 2012. The production played to 97% capacity for a five-week run, and was performed for more than 25,000 people.

### Generating new ways of thinking – Festival of Ideas

The University of Alberta's Festival of Ideas is an interactive and inclusive forum that facilitates creative thinking. As the festival's founding sponsor, we help sustain this biennial festival, with a commitment to multi-year funding until 2014.

In 2012, we were presenting sponsor of the signature lecture by Dr. Steven Pinker, Harvard Professor, award-winning novelist, and one of *Time Magazine's* "100 Most Influential People in the World Today." Dr. Pinker's lecture was centred on his latest book, *The Better Angels of our Nature: Why Violence Has Declined*.

During the five-day festival in November, 6,000 guests attended the Festival's 16 events in Edmonton, Camrose and Calgary.

### Connecting people, places and community – Pecha Kucha Nights

Edmonton's NextGen is a group of young, passionate, community-minded citizens working together to connect people, places, community and ideas. We supported NextGen's three Pecha Kucha Nights in 2012, and each event attracted more than 500 people. The concept originated in Tokyo as a platform for young designers to meet, network, exchange ideas and show their work in public. By supporting Pecha Kucha Nights, we are helping the next generation of leaders contribute to the growth of Edmonton's vibrant community.

### Restoring Heritage - The Barnum Museum Foundation

After suffering damage during a tornado that ripped through downtown Bridgeport in 2010, the landmark Barnum Museum has been undergoing restoration efforts of the 119 year-old building. Capital Power was pleased to once again sponsor the annual Barnum Museum Gala which raised over \$46,000 in support of the ongoing restoration work. The gala took place in the new "Recovery in Action" exhibit where guests can view artifacts in various stages of restoration while watching conservators at work.

## Health and safety

### Saving lives with critical emergency response - STARS

“Capital Power believes in the value of STARS’ life-saving capabilities and its ability to provide critical emergency medical transportation and care to communities — including those locations where Capital Power has operations and where Capital Power employees and families live.”

Brian Vaasjo, Capital Power President & CEO.

We continued our three-year partnership with **STARS** (Shock Trauma Air Rescue Society) to support the Critical Care and Transport Medicine Academy. STARS is an integral part of our emergency response plan at the Genesee Generating Station in the Village of Warburg, Alberta.

Vital health-care education is delivered to rural and urban medical professionals through this innovative education and training opportunity. Between 2009 and 2012, the Academy graduated 99 emergency-care professionals who now have a uniquely and highly specialized skill set.

Following a nomination by STARS for our support of the Academy, our company was recognized at the 14th annual National Philanthropy Awards in Edmonton

### Saving children’s lives – Stollery Children’s Hospital Foundation

As a first-time sponsor of the **Stollery Children’s Hospital Snowflake Gala**, we joined Edmonton's only kid-friendly holiday gala offering entertainment for the whole family. The 2012 event raised \$630,000, which will be used towards the purchase of the newest and best technologies as well as educating children's health professionals and supporting leading-edge research in pediatrics.

### A safe and welcoming place to play - Brookside public school playground

In the community of Lucknow, Ontario, Capital Power and the K2 Wind partners helped improve a playground area at the Brookside Public School. The donation makes the playground more accessible to children with disabilities, while further developing the green space.

### Supporting fitness - Maine Maritime Academy

We supported an event for the **Maine Maritime Academy** near our Rumford facility which raised funds for the Athletic department at the school. Funds raised enabled the renovation and upgrade to the Academy’s fitness center and weight rooms further promoting healthy lifestyles of staff, faculty and students.

### A new Gazebo for Tiverton Bulgarmarsh Park

At one time, **Bulgarmarsh Park** in Tiverton, Rhode Island was a great place for Tiverton youth, but wear and tear over the years has made the park virtually unusable. In 2012, we contributed to the development of a gazebo in the park, where community groups can present concerts and town events, and families can hold personal celebrations and gatherings.

## **Suspension bridge and trail development in Campbell River**

As a major sponsor of the Campbell River Rotary Club's TV auction, we supported the organization in raising nearly \$95,000 for the completion of a suspension bridge over Elk Falls, located in a provincial park just outside of Campbell River. The Elk Falls project also includes the development of two new viewing platforms and expansion to the trail system around the Falls. The project will showcase one of Campbell River's most spectacular natural wonders by providing a clear, unobstructed view of the falls and canyon.

## **Learning and Development**

### **Growing careers – Young Professionals in Energy**

"There is tremendous value to be had in young professionals coming together to develop, grow, share information and gain greater understanding of the energy industry and we are proud to support the Edmonton Chapter."

Brian Vaasjo, Capital Power President & CEO

In 2012, we began a three-year commitment as a Founding Partner of the Edmonton Chapter of **Young Professionals in Energy (YPE)**. YPE has more than 20,000 members worldwide and provides networking and career development for energy-industry professionals.

### **Rumford Power Scholarship**

In Rumford, Maine, we awarded scholarships to two graduating high-school students to assist with their post-secondary education in the field of Engineering or Business. The merit of the awards is in recognition of academic achievement, community involvement and participation in extracurricular activities.

### **Welding at Warburg School**

**Warburg School** in Alberta approached us in 2012 to ask for support in bringing back a welding program that was discontinued 10 years ago. We are pleased to contribute to an even better version of this program, in which students learn about the welding trade while receiving high school credit for welding courses. We helped with the purchase of new safety equipment in the training areas to help students to maintain a safe work environment.

### **A career in Trades – Alberta Apprenticeship and Industry Trades Scholarship**

We funded two **Alberta Apprenticeship and Industry Trades Scholarships in 2012**:

The Capital Power Aboriginal Scholarship and The Capital Power Genesee-Keephills Scholarship-Instrument Technician.

### **Improving classroom technology – Tiverton Education Foundation**

Classrooms in Tiverton High School now have interactive whiteboards and LCD projectors thanks to our contribution to the **Tiverton Education Foundation** in Rhode Island.



## Volunteerism

### This is how we're giving back.

#### **EmPowering Communities - the power of volunteers**

EmPowering Communities encourages employee volunteerism and recognizes the valuable gifts of time, skill and knowledge that employees give to the community.

***Employees and their families who volunteer a combined minimum of 35 hours in a calendar year can apply for a \$500 grant to be donated by Capital Power to a non-profit organization of the employee's choice.***

Employees who refer co-workers to participate in the program for the first time are eligible to direct a referral grant of \$250 to a non-profit or charitable service organization.

In 2012, **155 employees** were involved in the program and 34 employees participated for the first time after being referred by a colleague. More than **15,000 hours in volunteer time** were reported by employees and their families. In recognition of this dedication, we **contributed \$86,000 to non-profit organizations** across North America.

## **2012 EmPowering Communities**

Grants were provided to a wide variety of organizations, including:

- Alberta Ballet Company, AB
- Boy Scouts of America, MA, NC, ME
- Breton Minor Soccer, AB
- Community Concepts Incorporated - Head Start, ME
- Covenant House, BC
- Gilmore Park Community League, AB
- Heart and Stroke Foundation of Alberta, NWT & Nunavut
- Howth Society of Irish Dancing, AB
- Inn From the Cold Society, AB
- Londonderry Child Development Society, AB
- Mountaineer Avian Rescue Society, BC
- Multiple Sclerosis Society of Canada, ON
- Open Shelves Food Pantry, RI
- San Diego Humane Society & SPCA, CA
- Turner Athletic Association, ME
- Wellesley Youth Football, MA

## **Celebrating volunteerism – Volunteer Calgary Leadership Awards**

As a first-time sponsor of Volunteer Calgary's Leadership Awards, we helped recognize the extraordinary efforts of volunteers who demonstrate exceptional community support.

## **Team building by volunteering**

Eleven teams involving 96 employees lent their support to various community organizations in need of volunteers. Employees worked together to build camaraderie with their colleagues and connections with the community.

## The Solarthon for GRID Alternatives, San Diego, California

A group of Capital Power employees teamed up with nearly 150 other volunteers for the GRID Alternatives **2012 Solarthon**, which installs solar PV systems for low-income families. People from all walks of life worked side-by-side to partner on a common mission to help others.

This volunteer opportunity covered eight houses in San Diego, as an extension of the Habitat for Humanity project. Participants installed two sets of solar panels per residence, working with other sponsor volunteers, safety supervisors and the homeowners.

Employees were able to use their volunteer hours to apply for an EmPowering Communities Employee Volunteer grant. We also gave a cash donation to support this worthy cause.

”Capital Power worked like a well-oiled machine! They were amazing as a team and engaging with all our other volunteers. The team showed that Capital Power lives its Corporate Social Responsibility mission and values. We are grateful for their time and dedication to our event.”

Ms. Marta Becerra, Development Officer at GRID Alternatives

## Healthy Babies Diaper Drive, Bridgeport, Connecticut

Our Bridgeport employees demonstrated their care and compassion by hosting the first Healthy Babies Diaper Drive. After learning from United Way of Coastal Fairfield County that diapers are not covered by the state’s social assistance program, Capital Power plant administrator Ann Flaherty was inspired to rally the troops.

*“I remember how expensive diapers were when my own children were babies,” Ann explains. “It feels so good to help.”*

More than 2,200 diapers were collected, and United Way’s Voluntary Action Center arranged for them to be distributed through Bridgeport’s Social Service Department.



## Community Leadership Program

Our Community Leadership Program matches our executive leaders with organizations that contribute to the betterment of our community. Our leaders gain greater insight into the community's needs while helping non-profit organizations achieve their goals. In 2012, our senior executives served on the following boards of directors:



- **Brian Vaasjo** – Chair & Director, Alberta Shock Trauma Rescue Society (STARS) Foundation
- **Kate Chisholm** – Director, United Way of the Alberta Capital Region; and Director, Bissell Centre
- **Darcy Trufyn** – Director, Art Gallery of Alberta
- **Stuart Lee** – Director, Citadel Theatre
- **Peter Arnold**, Member of the HR Advisory Committee, Alberta School of Business



## Consultation & Engagement

### This is how we're engaging with STAKEHOLDERS.

- **We share** project information
- **We ask** for feedback
- **We listen** to input
- **We align** with the interests and priorities of the community

Our goal on every project is to build and operate power generation facilities in a way that aligns with the interests and priorities of the community. Stakeholders have multiple opportunities to learn about our projects and to provide input. We draw on best practices in public consultation, and we actively consult with our stakeholders, particularly in regard to new projects or existing facilities.

In an ongoing effort to build and strengthen relationships with First Nations, we develop and nurture good relationships and support events that are important to the community.

In the Peace Region of British Columbia, we contributed to community gatherings and holiday celebrations for three Treaty 8 groups – McLeod Lake Indian Band, Saulneau First Nations, and West Moberly First Nations – where members join each other and strengthen bonds during the summer and festive seasons.

In Ontario, we contributed to the Six Nations Founders' Cup Banquet, Mississaugas of the New Credit First Nation Career Fair, Mississaugas of the New Credit First Nation Archaeological Training and the Chippewa's of Nawash Annual Golf Tournament.



## Quality Wind & Halkirk Wind

# This is how we're building RELATIONSHIPS.

## Quality Wind & Halkirk Wind Projects

Two wind-energy facilities – the 142-MW Quality Wind project near Tumbler Ridge, BC, and the 150-MW Halkirk Wind project in Halkirk, AB, were commissioned in 2012.

Engaging stakeholders and working at maintaining strong relationships is an essential component of how we build and operate generation facilities.

The development and construction processes in these two communities culminated with two unique community events, where residents could put their name directly on a core components of wind power.

## Celebrating together and thanking the community- Quality Wind and Halkirk Wind Blade-signing events

To demonstrate our appreciation to two small towns for their immense support of our wind-energy projects, we celebrated with blade signing events. We delivered massive wind turbine blades – nearly four school buses long –one to the community of Tumbler Ridge, BC and the other to the Halkirk, AB - and invited the community to sign them. The events included site tours, kids activities, safety demonstrations and, of course, lots of great food.

The unique “blade-signing” events were enjoyed by people of all ages. Attendance exceeded expectations, with approximately 1,000 attending the Quality Wind event and about 1,700 at the Halkirk event.



Community members in Tumbler Ridge sign a turbine blade for Quality Wind.

## Genesee Generating Station

### Ongoing Engagement

The Genesee Generating Station and Mine have operated west of Edmonton, Alberta for more than 20 years. Genesee 3, commissioned in 2005, is one of the most advanced, fuel-efficient, and environmentally progressive coal-powered facilities in Canada. We maintain open communication with local stakeholders and adapt our operations, where possible, based on community feedback.

## **The proposed Genesee Mine Extension**

### **Area residents' groundwater concerns**

In October 2011, Capital Power and Prairie Mines Resources Limited submitted an application to the Energy Resources Conservation Board (ERCB) and Alberta Environment for approval of the Genesee Mine extension. The Mine Extension would secure continued fuel supply for the three generating units at the Genesee facility. The proposed extension includes 14.5 sections (or 9,280 acres) of land.

Within the application process, we took steps to address concerns of potential impacts on groundwater and private wells from a group of landowners living within five kilometres of the eastern edge of the proposed mine permit boundary. We met with these landowners and shared information on the technical assessments done on potential groundwater impacts. We committed to working with them to address their concerns.

Residents proposed a number of actions for Capital Power, and as part of our commitment to being open and transparent, we:

1. Reviewed and received input on the current Water Well Replacement Policy. With input from community members, a new Water Supply Policy was developed.
2. Committed to explore a longer-term plan to conduct baseline assessments of wells in the area.

We informed the ERCB and Alberta Environment of all communication with landowners.

### **Addressing displacement – Genesee's Land Purchase Program**

The proposed mine extension will affect approximately 30 private owners. Consultation activities formally began in 2010, and consultation continues with specific stakeholders.

Our Land Purchase program includes:

- A premium of 25% on market value of land for landowners whose land is required
- Flexibility to accommodate landowners who express a desire to remain living on their land for as long as mining advancement would allow
- The opportunity for landowners to sell their land in advance of when it is required, in order to accommodate personal circumstances
- The opportunity for landowners who are not eligible for the program but want to sell their land to be placed on a seller's list, which is given to landowners who are negotiating to sell their land for the project but want to remain in the area
- Reimbursement for reasonable legal, appraisal and accounting costs as well as reimbursement for a landowner's reasonable time spent during negotiations
- The option for farmland renters to lease purchased farmland under the terms of a lease at the current Capital Power rental rates until the land is required for mining purposes
- The commitment to purchase, at market value, any land with a residence on it which borders the permit area (i.e. buffer zone).

At the end of 2012:

- 81% of stakeholders within the mine areas have reached agreements with Capital Power
- 87% of required land is owned by Capital Power or a purchase agreement is finalized
- In some cases we were able to exchange land from an inventory of quarter sections that our company owned so that local farmers in the permit area could continue their farming operations.

## **Interacting with our community**

### **Celebrating Canada Day in Warburg (June 23)**

In June, Genesee Generating Station and Mine hosted its annual tent to support Warburg's Canada Day event.

### **Sharing our reclaimed land progress & innovation– Genesee Mine and Reclamation Research Tour**

In late June, 190 guests (up from 40 the previous year) enjoyed a barbecue dinner and a two-hour tour of the Genesee Mine, including stops at the newly created wetland, the live root reforestation plot, the hybrid poplar plantation, aspen research plot, and the operating dragline and pre-strip fleet.

### **Showing what we do - Genesee Generating Station tour**

Eighteen people attended the first plant facility tour since 9/11, when public tours were stopped for security reasons. Many commenting about the value of understanding plant operations.

“We understand there is interest in our mining and reclamation activities and appreciate the opportunity to show people our work directly. It’s nice when you can speak with someone face-to-face over a burger, rather than just over the phone” said George Greenhough, land services manager.

“We thoroughly enjoyed being able to show Genesee Station to our neighbours for the first time in several years,” said Randy Oleschuk, Shared Services Senior Manager. “This is a first class operation and it is great that we again are able to show it off.”

### **Regular community ‘touch points’**

Our relationship with our neighbours is important. We work to have regular contact with our stakeholders. In 2012 we hosted:

- Two ‘Good Neighbour’ breakfasts with the County of Leduc (April and November)
- Three Community Advisory Task Group (CATG) meetings (February, June and November): a group of local residents who share the interests and priorities of residents living within a 25 kilometre radius of the Genesee Generating Station.



Area residents prepare for a tour of Genesee

## Ontario Wind Projects

### K2 Wind Ontario

#### Renewable Energy Approvals Process

The consultation and engagement process for the K2 Wind Power Project<sup>1</sup> continued throughout 2012, and a Renewable Energy Approvals (REA) application was submitted to the Ontario Ministry of the Environment. In addition to tours, the launch of a new project website, community newsletters and one-on-one discussions with citizens, we engaged with stakeholders in the following ways:

#### Open Houses

We aim to have respectful, open and meaningful dialogue with members of the community. Two open houses were held in 2012. A group of protesters appeared at the July open house. The protesters were part of a larger Ontario opposition movement against wind power. In spite of protester efforts to disrupt the meeting, the project team noted there were many supporters, including participating leaseholders, among the 100 or so attendees.

(1): Jointly owned with Samsung Renewable Energy Inc., Pattern Renewal Holdings Canada ULC and Capital Power, in which Capital Power holds a 33% interest.

About 70 people attended the open house in October. Approximately 150 letters of opposition to the project were received during the REA public comment period. Most of the letters were duplicates of a form letter, although a number contained questions on a wide range of matters, which the team responded to in November.

## **Aboriginal engagement**

Dialogue and information sharing continued with 10 communities regarding the K2 Wind Power Project.

## **Q&A Session**

Approximately 28 people either used the website or phoned into a moderated Question & Answer session held in September as a further opportunity to share information about the project. At the session K2 Wind provided a project update and responded to comments and questions.

## **Community Renewable Energy Benefit**

Local stakeholders asked us to share project benefits with the wider community, in addition to the owners of land where the project would be built. The Community Renewable Energy Benefit was offered as part of our response.

The Community Renewable Energy Benefit is voluntary and provides an annual payment of \$1,500 to eligible landowners over the 20-year life of the project. This benefit will be offered to landowners who own homes within one kilometre of either a project wind turbine, the substation or the transformer station, and who are not already participating in the project through land lease option agreements. There are no restrictions on how landowners can spend the benefit, and participation in the program in no way limits an individual's ability to comment or express opinions on the project.

"The Benefit is part of a broader approach we're taking to sharing project benefits with the community," said Paul Wendelgass, K2 Wind project lead. "We believe the community should receive direct and tangible benefits for the unique role that the Township of Ashfield–Colborne–Wawanosh will play in helping to meet Ontario's targets for renewable energy."

## **Port Dover & Nanticoke Wind Project**

### **Renewable Energy Approval received**

The REA for the Port Dover & Nanticoke Wind Project was received on July 17, 2012. As part of the REA process, an additional public open house was hosted in Jarvis, Ontario in January. Dialogue and engagement, including engagement with local Aboriginal communities, continued throughout 2012. Preliminary construction activities began in September.

### **Keeping connected – Community Liaison Committee**

As a condition of the REA, we established a Community Liaison Committee as a forum to exchange ideas and share information, and to provide regular updates as the project progresses through construction and into operations. The committee facilitates communication between the company and the public with respect to construction, installation, use, operation, maintenance, and the eventual retirement of the project.

The committee offers an opportunity to engage other participants, such as municipalities, conservation authorities, Aboriginal communities, federal or provincial agencies, and community groups. Committee members attend four meetings over a two-year period and are encouraged to share information with, and from, other members of the community. These meetings are open to the public. The first meeting was held in November 2012.

### **An aim to hire locally**

Job fairs in the Six Nations community of Ohsweken and in the community of Jarvis were held, in partnership with our contractor Graham Infrastructure. These events provided information about potential business and employment opportunities. Members of both organizations were on-hand to gather contact information and resumes from prospective trades and suppliers in the areas of services, technical trades, and suppliers.

Attendance at the Jarvis event was outstanding, with approximately 100 companies and individuals attending and providing generally positive comments about the wind projects and the opportunity they represent.

### **Environmental Review Tribunal Decision**

In July 2012, Haldimand Wind Concerns (HWC) and a project stakeholder filed notices of appeal of the REA through the Environmental Review Tribunal Process. This process allows any resident of Ontario a route of appeal of a regulatory approval based on a view that an approved project will cause serious harm to human health, and will cause serious and irreversible harm to plant life, animal life or the natural environment.

In an October hearing, HWC informed the Tribunal it would be presenting no evidence, but nonetheless continued to participate in the hearing by questioning witnesses called in the stakeholder's appeal, and making final submissions. The stakeholder tendered no evidence with respect to human health, but argued the project will cause serious and irreversible harm due to both bird collision mortality and bird habitat loss.

Field work and prepared studies and reports were referenced, such as the Natural Heritage Assessment, the Environmental Impact Study, and the Environmental Effects Monitoring Plan, all of which were submitted to the Ministry of Natural Resources by Capital Power in support of our REA application.

In January 2013, the Tribunal determined that the individual and group who launched the appeal had not established either that the project (as approved) will cause serious harm to human health, or that the project (as approved) will cause serious and irreversible harm to plant life, animal life or the natural environment. The Tribunal dismissed the appeals and recommended that Capital Power undertake additional Natural Heritage pre- and post-construction monitoring. We fully implemented these two recommendations in spring 2013.





# Corporate Responsibility Report 2012

## Corporate Strategy & Analysis

### Executing our strategy

Throughout 2012, we remained focused on executing a strategy that is designed to create value throughout the business cycle. Our corporate strengths are the pillars supporting our strategy and our vision to be one of North America's most respected, reliable, and competitive power producers.

"Our strategy is to create shareholder value through operational excellence, maintaining and enhancing our financial strength and flexibility, and disciplined growth."

Brian Vaasjo, President and CEO

## This is our corporate strategy

Our corporate strategy comprises a business strategy, which sets out how we will become an increasingly competitive priced power producer, and a financial strategy, which is designed to provide consistent access to low-cost capital.

Strategies for managing risk, achieving a level of diversification by region and fuel type, ensuring safety, and becoming a desirable employer are key pieces of our corporate strategy.

Our corporate strategy is assessed annually by management, in consultation with our board of directors, to ensure it remains effective. As market conditions warrant, refinements and enhancements are made. The board of directors annually reaffirms and approves the strategy.

Management also submits an annual corporate plan to the board of directors for review and approval. The plan outlines management's objectives and initiatives to execute the strategy and is used to formulate departmental plans throughout the organization.

## We are delivering on strategy

Our business strategy was set out at the time of our Initial Public Offering in 2009. We continued to deliver on that strategy in 2012.

- **Operational excellence was achieved**, while we selectively pursued growth opportunities that aligned with our investment criteria.
- **An appropriate balance of merchant and contracted** facilities was maintained in the target markets identified in our business strategy.
- **We completed construction of two wind power projects** in two markets, and partnered with ENMAX on the construction of a large natural gas-powered facility.
- **We successfully accessed capital markets** to finance our growth and to maintain our investment-grade credit rating, despite low power prices in 2012.

## Our corporate strengths

- A modern fleet with proven operating history.
- A solid platform for growth.
- Cash flow from long-term contracts that provide stability in meeting financial obligations.
- Financial strength with access to capital.
- A diversified portfolio in North American markets.

## Key elements of our strategy include:

1. **Our Vision:** Become one of North America's most respected, reliable, and competitive power generators.
2. **Geographic focus.** A geographic focus in a limited number of target markets to facilitate the management of assets on a portfolio basis, the application of market expertise, and to create economies of scale.

3. **Technology focus.** A technology focus that includes developing and operating a limited number of power generation technologies, which builds expertise in operations, maintenance, and construction, and better supplier relationships.
4. **Investment-grade credit rating.** Maintaining an investment-grade credit rating for access to low-cost capital throughout the business cycle by balancing contracted and merchant generation and providing shareholders with a dividend competitive with our peers.

## New generation

Between now and 2015, Capital Power will commission three power generation assets:

- **A 105-MW wholly-owned wind-power facility in Ontario** (Port Dover & Nanticoke), which will be commissioned in 2013
- **A 270-MW wind farm in Ontario**, K2 Wind\*, which is being built and operated as a joint venture with two other partners. It will be commissioned in 2014
- **An 800-MW natural gas-powered facility in Alberta**, (Shepard Energy Centre), which is being built in partnership with ENMAX. It will be commissioned in the first quarter of 2015 and operated by ENMAX.

We continue to analyze opportunities to acquire or develop power generation assets in our target markets. In the next few years, we will focus on natural gas, wind, and solar-powered generation assets in Canadian and US markets, and on developing a natural gas-powered generation facility in Alberta (Capital Power Energy Centre), which will be commissioned later in the decade.

\* Capital Power owns 90 MW of K2 Wind.



## Creating for the future – Researching technology



Beginning construction of Port Dover & Nanticoke, ON

We supported clean power research and initiatives through our involvement with the Centre for Clean Coal/Carbon and Mineral Processing Technologies, a \$21-million teaching and research centre in the University of Alberta's Faculty of Engineering.

### Developing wind power

In 2012, we added **292 megawatts of wind power to our fleet**, with the successful commissioning of the Quality Wind and Halkirk Wind projects, on time and under budget. And we **started construction of the Port Dover & Nanticoke wind project** in Southern Ontario. This 105-MW project is expected to reach commercial operations in the fourth quarter of 2013.

We receive approximately \$1 million per year from the Government of Canada through the Wind Power Production Incentive program, created to encourage the development of wind energy capacity. The incentive is approximately \$0.01 per kilowatt hour of production from our Kingsbridge Wind Power Project. Eligible recipients can receive the incentive on the first 10 years of production.

## Risks and Challenges

# Multi-faceted approach to managing risks

## Risk Management

Our risk management process includes controls and procedures for reducing controllable risks to acceptable levels, and the identification of actions for events outside of management's control.

We use an Enterprise Risk Management (ERM) Program to identify, evaluate, report, and monitor key risks. The ERM Program aligns with the International Organization for Standardization's standard for risk management, ISO 31000. Management is carried out at three levels, with risk assessments carried out in concert with core corporate processes.

Our board of directors provides oversight to the risk management process, which includes identification, evaluation, reporting, monitoring, and mitigation of key risks that may affect the achievement of our business objectives.

Management is responsible for approval of the framework for:

- enterprise risk management;
- policy review and recommendations;
- risk management policies and processes;
- monitoring and reporting of compliance with the policies and processes; and
- conducting risk mitigation activities within specific operational areas.

Our risks and risk management approach are described in detail in our Management's Discussion and Analysis on pages 45 to 55 found in our [2012 Annual Report \(http://www.capitalpower.com/InvestorRelations/FinancialReporting/Documents/2012-cpc-annual-report.pdf#page=46\)](http://www.capitalpower.com/InvestorRelations/FinancialReporting/Documents/2012-cpc-annual-report.pdf#page=46).

## Corruption Risk

We conduct an annual fraud risk assessment across the entire organization. It considers all areas of the business and includes potential fraud scenarios. If gaps are identified in control structures, remedial action plans are developed.

Information about complaints we received in 2012 is found [here \(/Our-Culture/Ethics-Integrity.aspx#we-act\)](#).

## Our position on climate change policy

We support Canadian targets and regulations that mandate emission reductions from coal-powered generation, including national and provincial regulations that would significantly reduce greenhouse gas (GHG) and air emissions from coal-fired electricity plants, helping Canada achieve its Copenhagen commitment to lower GHGs.

To support our position, our people have:

- Advised governments on the impacts of potential policies and regulations for the achievement of GHG reduction targets;
- Advised governments on implementation mechanisms for existing policies (such as Alberta's Specified Gas Emitters Regulation and Canada's "Capital Stock Turnover" regulation for coal-fired electricity), including the creation of offset quantification protocols and the design of emission trading regimes; and
- Advocated with Regional Greenhouse Gas Initiative (RGGI) States and California that provide a cap-and-trade system to create financial incentives as a method for generators to achieve GHG emissions reductions.

## Public Policy

In accordance with the Federal Accountability Act, we report all lobbying of Canadian federal Designated Public Office Holders (DPOHs) on a monthly basis.

In 2012, we participated in 11 meetings with DPOHs, primarily regarding greenhouse gas and air emissions policy. We participated in discussions regarding:

- capital stock turnover for coal-fired power plants;
- market structure;
- greenhouse gas and other air emissions; and
- electricity transmission policy in the jurisdictions where we operate.

We contributed no monies to Canadian federal political parties in 2012, 2011 and 2010. Total expenditures on various political events and fundraisers across all provinces in Canada in 2012 were \$32,319 (compared to \$30,596 in 2011 and \$20,439 in 2010).

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1. Details related to GHG regulation and climate change, including estimates of potential compliance costs, are included in our 2012 Annual Information Form.

## Human Rights

None of our operations are at risk for incidents of child labour or forced labour. The right to free association and collective bargaining is not at significant risk. We have not been subject to human rights reviews or any impact assessments. Zero human rights violations, including the rights of indigenous people were identified in 2012, and all security personnel receive training in policies and procedures related to human rights. Our contractors must align with our policies, although they do not undergo a specific screening on human rights. We do not have significant investment agreements that include human rights clauses.

## Precautionary Principle

When any Canadian statutory decision maker, court or tribunal applies the precautionary principle in making its determination, we consider this principle in the conduct of our activities in like circumstances. The 'Precautionary Principle' says that when an activity raises threats to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically.



## Affiliations

Capital Power and its employees are members of the following organizations:

Agroforestry and Woodlot Extension Society	Alberta Ecotrust Foundation
American Chamber of Commerce in Canada	Arizona Competitive Power Alliance
Association of General Counsel of Alberta	Association of Power Producers of Ontario
Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)	Association of Science and Engineering Technology Professionals of Alberta (ASET)
Bridgeport Regional Business Council	Business Council of British Columbia
California Cogeneration Council	Canadian Bar Association
Canadian Chamber of Commerce	Canadian Clean Power Coalition
Canadian Electricity Association	Canadian Wind Energy Association
Catalyst Canada Inc.	Certified General Accountants Association of Alberta (CGA)
Certified Management Accountants of Alberta (CMA)	Chartered Accountants of Alberta (CA)
Chartered Business Valuators (CBV)	Chartered Financial Analyst (CFA)
Connecticut Business and Industry Association Inc.	Clean Air Strategic Alliance
Clean Energy Association of British Columbia	Conference Board of Canada
Corporate Executive Board	Edison Electric Institute
Edmonton Chamber of Commerce	Edmonton Oracle Application User Society



Electric Power Supply Association	Globe Foundation of Canada
Huron Chamber of Commerce	Huron Manufacturing Association Inc
Independent Power Producers of Alberta and British Columbia	Independent Power Producers of New York
International Association of Business Communicators (IABC)	International Emissions Trading Association
International Institute of Ammonia Refrigeration	Leduc and District Chamber of Commerce
National Institute for the Uniform Licensing of Power Engineers, Inc	New England-Canada Business Council
New England Power Generators Association, Inc	Newport County Chamber of Commerce
Northeast Energy and Commerce Association, Inc.	Northern Alberta Risk and Insurance Management Society
Ontario Energy Association	Predictive Maintenance Solutions Inc.
Public Affairs Council	Public Policy Forum
Rotary Club of Roxboro	Southport-Oak Island Area Chamber of Commerce Inc
Strathcona District Mutual Assistance Program	Tax Executives Institute
United States Combined Heat and Power Association	West Central Airshed Society
Western Electricity Coordinating Council	Western Power Trading Forum (WPTF)

# Corporate Responsibility Report 2012



## About this Report

## This is our commitment to transparent and balanced reporting.

### Global Reporting Initiative

Our 2012 Corporate Responsibility Report follows guidelines defined in the Global Reporting Initiative (GRI), an international standard for corporate responsibility reporting. The GRI guidelines set out the principles and indicators organizations can use to measure and report their environmental, economic and social performance. More information about the GRI is available at [www.globalreporting.org](http://www.globalreporting.org) (<http://www.globalreporting.org>).

### About this report

This report provides a detailed description of our business activities in 2012, including our successes and challenges. Accurate and balanced information is provided about our people, facilities and performance. All dollar figures are in Canadian funds.

In 2012, we completed the sale of our two small hydro assets in British Columbia and they are not included in the 2012 data.

In 2011, we divested our interests in Capital Power Income L.P. (CPILP), and five facilities were acquired in the United States.

When comparing year-over-year performance, please note that 2010 data in this report may include CPILP facilities. See Report Scope for details.

## **“A+” reporting level**

We believe **we have achieved an “A+” level of reporting under the GRI guidelines**. We make this self-declaration based on the GRI requirements to meet the “A+” level.

There are three grades (A,B,C) and eligibility is based on the comprehensiveness of the report. The “+” designation indicates that this report has received third-party assurance. Ernst & Young has checked our self-declaration and agrees with our assessment. See the Exclusions section for an explanation about why we are not able to provide certain data.

## **Report scope**

The scope of our operations changed significantly in 2011 due to the divestiture of Capital Power Income L.P. (CPILP) and its 18 facilities, and our acquisitions and developments. When comparing year-over-year data, please note that 2010 data in this report may include CPILP facilities.

This report includes energy production and environmental performance data from power plants for which Capital Power held the operating permit in 2012, 2011, and 2010 respectively. Data from each plant represents the entire plant, not our financial share of the operation. This includes Genesee 3, co-owned with TransAlta, for which a Capital Power entity holds the operating permit.

Data from Keephills 3 and Joffre facilities is not included because we do not hold the operating permits.

One of the challenges in preparing this report was the need to synthesize data from numerous jurisdictions, some of which have different reporting requirements, methods and standards. Where possible, information has been consolidated – for example, greenhouse gas emission data for our facilities in Canada and the United States. In other areas, information is presented separately or from a single jurisdiction.

Greenhouse gases from our landfill gas and biomass facilities are not included in aggregate greenhouse gas emission totals or emission intensity calculations; they are reported separately. This approach aligns with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development) (2004).

## **Reporting intervals**

We report annually on our corporate responsibility.

## **Reporting periods**

The report provides data for our previous three full years of operation – 2010, 2011 and 2012. Data for each year is for the 12-month period starting January 1 and ending December 31 respectively.

## Process for defining content

This report builds on an extensive process for defining content, including stakeholder consultation, which resulted in guidelines for determining priority topic areas and materiality. We also incorporated feedback from our 2011 report.

## Other reporting

Other public disclosures, in particular the 2012 Annual Report, 2012 Annual Information Form, and 2012 Management Proxy Circular, include detailed content that responds to certain GRI indicators. The content is incorporated by cross-reference throughout the report, and the documents are available at [www.sedar.com](http://www.sedar.com) (<http://www.sedar.com>) and [www.capitalpower.com](http://www.capitalpower.com) (<http://www.capitalpower.com/InvestorRelations/FinancialReporting/Pages/Other.aspx>).

Our Canadian power plants operating above a certain emission-level threshold publicly file annual reports with Canada's National Pollutant Release Inventory. These reports are available at [www.ec.gc.ca/inrp-npri](http://www.ec.gc.ca/inrp-npri) (<http://www.ec.gc.ca/inrp-npri>).

Residents living near the Genesee Generating Station receive the bimonthly Genesee Station Connection newsletter, which provides information about the facility's emission performance and other issues related to plant and mine operations. Back issues are available at [www.capitalpower.com](http://www.capitalpower.com) (<http://www.capitalpower.com/community/consultationengagement/geneseemine/Pages/ConnectionNewsletter.aspx>).

We also distributed newsletters for residents living near our Kingsbridge 1 Wind Power facility (Ontario), Quality Wind (British Columbia), Halkirk Wind (Alberta), Port Dover & Nanticoke Wind Project (Ontario) and K2 Wind Power Project (Ontario).

## Forward-Looking Information

Forward-looking information included in this Corporate Responsibility Report is provided to inform Capital Power's readers about management's assessment of the company's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this Corporate Responsibility Report includes information with respect to financial targets and commercial operations.

By their nature, forward-looking statements are subject to inherent risks and uncertainties and requires Capital Power to make certain assumptions. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual performance and events to differ materially from those expressed in the forward-looking statements. Accordingly, this Corporate Responsibility Report is subject to the disclaimer and qualified in its entirety by the assumptions (including assumptions for 2013 financial and operational targets and guidance), qualifications and risk factors set out in the 2012 management's discussion and analysis starting on page 11 of [Capital Power's 2012 Annual Report](http://www.capitalpower.com) (<http://www.capitalpower.com/InvestorRelations/FinancialReporting/Documents/2012-cpc-annual-report.pdf#page=12>) and in our other public disclosure filings with Canadian Securities Administrators (on SEDAR at [sedar.com](http://www.sedar.com) (<http://www.sedar.com>)). Except as required by law, Capital Power does not undertake or accept any obligation to update or revise forward-looking statements. All financial information is reported in Canadian dollars unless otherwise specified.

# Corporate Responsibility Report 2012

## Global Reporting Initiative

## Global Reporting Initiative

### INDICATOR AND TITLE

#### Strategy and analysis

- 1.1 [Statement from president and CEO \(/Presidents-Message.aspx\)](#)
- 1.2 Key impacts, risks and opportunities ([Other Air Emissions \(/Performance/Environmental-Performance/Emissions.aspx\)](#), [Corporate Strategy & Analysis \(/Strategy--Risk-Management/Corporate-Strategy-Analysis.aspx\)](#), [Risks and Challenges \(/Strategy--Risk-Management/Risks-Challenges.aspx\)](#))

#### Organizational profile

- 2.1 [Name of organization \(/About-Us/Corporate-Profile.aspx\)](#)
- 2.2 [Products \(/About-Us/Corporate-Profile.aspx\)](#)
- 2.3 [Operational structure \(/About-Us/Corporate-Profile.aspx\)](#)
- 2.4 [Location of headquarters \(/About-Us/Corporate-Profile.aspx\)](#)
- 2.5 [Number of countries where organization operates \(/About-Us/Corporate-Profile.aspx\)](#)
- 2.6 [Nature of ownership \(/About-Us/Corporate-Profile.aspx\)](#)
- 2.7 Markets served ([Operating Performance Overview \(/Performance/Operating-Performance/Overview.aspx\)](#), [Corporate Profile \(/About-Us/Corporate-Profile.aspx\)](#))
- 2.8 Scale of the organization ([Operating Performance Overview \(/Performance/Operating-](#)

[Performance/Overview.aspx](#), [Corporate Profile \(/About-Us/Corporate-Profile.aspx\)](#)

2.9 [Significant changes \(/Performance/Operating-Performance/Overview.aspx\)](#)

2.10 [Awards \(/About-Us/Awards-Achievements.aspx\)](#)

## Report parameters

3.1 [Reporting period \(/About-This-Report/Overview.aspx\)](#)

3.2 [Date of previous report \(/About-This-Report/Overview.aspx\)](#)

3.3 [Reporting cycle \(/About-This-Report/Overview.aspx\)](#)

3.4 [Contact for questions \(/About-Us/Contact-Us.aspx\)](#)

3.5 [Process for defining content \(/About-This-Report/Overview.aspx\)](#)

3.6 [Boundary of report \(/About-This-Report/Overview.aspx\)](#)

3.7 [Limitations on scope \(/About-This-Report/Overview.aspx\)](#)

3.8 [Basis for reporting on joint ventures, subsidiaries, etc. \(/About-This-Report/Overview.aspx\)](#)

3.9 Data measurement techniques ([Safety Performance Overview \(/Performance/Safety-Performance/Overview.aspx#TRIF\)](#), [Other Air Emissions \(/Performance/Environmental-Performance/Emissions.aspx#emissions\)](#))

3.11 [Significant changes from previous reporting periods \(/Performance/Safety-Performance/Overview.aspx#TRIF\)](#)

3.12 [GRI content index \(/About-This-Report/Global-Reporting-Initiative.aspx\)](#)

3.13 [Assurance \(/About-This-Report/Third-Party-Assurance.aspx\)](#)

## Governance , commitments and engagement

4.1 [Governance structure \(/About-Us/Board-of-Directors.aspx\)](#)

4.2 [Function of the Chair \(/About-Us/Board-of-Directors.aspx\)](#)

4.3 [Independent and/or non-executive board members \(/About-Us/Board-of-Directors.aspx\)](#)

4.4 [Mechanisms for shareholder and employee input \(/About-Us/Board-of-Directors.aspx\)](#)

4.5 [Compensation and performance \(/About-Us/Board-of-Directors.aspx\)](#)

4.6 [Conflicts of interest process \(/About-Us/Board-of-Directors.aspx\)](#)

4.7 [Process for determining qualifications \(/About-Us/Board-of-Directors.aspx\)](#)

4.8 [Mission, values, codes of conduct \(/About-Us/Governance.aspx\)](#)

4.9 [Procedures for overseeing performance, risks and opportunities \(/About-Us/Governance.aspx\)](#)

4.10 [Process for evaluating board performance \(/About-Us/Board-of-Directors.aspx\)](#)

4.11 [Precautionary principle \(/Strategy--Risk-Management/Risks-Challenges.aspx#precautionary\)](#)

4.12 [Externally developed charters \(economic, environmental, social\) \(/About-Us/Governance.aspx\)](#)

4.13 [Association memberships \(/Strategy--Risk-Management/Affiliations.aspx\)](#)

4.14 Stakeholders engaged ([Consultation & Engagement \(/Communities/Consultation-Engagement.aspx\)](#), [Quality Wind & Halkirk Wind \(/Communities/Initiatives/Quality-Wind-Halkirk-Wind.aspx\)](#), [Genesee Generating Station \(/Communities/Initiatives/Genesee-Generating-Station.aspx\)](#), [Ontario Wind Projects \(/Communities/Initiatives/Ontario-Wind-Projects.aspx\)](#))

4.15 [Basis of identifying stakeholders \(/Communities/Consultation-Engagement.aspx\)](#)

4.16 [Approaches to stakeholder engagement \(/Communities/Consultation-Engagement.aspx\)](#)

4.17 Key topics and concerns ([Consultation & Engagement \(/Communities/Consultation-Engagement.aspx\)](#), [Quality Wind & Halkirk Wind \(/Communities/Initiatives/Quality-Wind-Halkirk-Wind.aspx\)](#), [Genesee Generating Station \(/Communities/Initiatives/Genesee-Generating-Station.aspx\)](#), [Ontario Wind Projects \(/Communities/Initiatives/Ontario-Wind-Projects.aspx\)](#))

## Environment

- EN1 [Materials used \(/Performance/Operating-Performance/Energy-Production.aspx#fuelanchor\)](#)
- EU1 [Installed capacity, broken down by primary energy source and by regulatory regime \(/Performance/Operating-Performance/Energy-Production.aspx#energy\)](#)
- EN2 [Percentage of recycled materials \(/Performance/Environmental-Performance/Fly-Ash.aspx\)](#)
- EU2 [Net energy output broken down by primary energy source and by regulatory regime \(/Performance/Operating-Performance/Energy-Production.aspx#netsource\)](#)
- EN3 [Direct energy consumption \(/Performance/Operating-Performance/Energy-Production.aspx#energy\)](#)
- EN5 [Energy saved – conservation \(/Performance/Operating-Performance/Energy-Production.aspx#energysaved\)](#)
- EU5 [Allocation of CO2 emission allowances or equivalent, broken down by carbon trading framework \(/Performance/Environmental-Performance/Emissions.aspx\)](#)
- EN8 [Total water withdrawal \(/Performance/Environmental-Performance/Water-User.aspx\)](#)
- EN9 [Water sources affected \(/Performance/Environmental-Performance/Water-User.aspx\)](#)
- EN10 [Water recycled \(/Performance/Environmental-Performance/Water-User.aspx\)](#)
- EN11 [Location and size of land \(Genesee Biomonitoring \(/Performance/Environmental-Performance/Genesee-Biomonitoring.aspx\), Reclamation \(/Performance/Environmental-Performance/Reclamation.aspx\)\)](#)
- EU11 [Average generation efficiency of thermal plants by energy source and by regulatory regime \(/Performance/Operating-Performance/Energy-Production.aspx#thermal\)](#)
- EN12 [Impact on biodiversity \(/Performance/Environmental-Performance/Genesee-Biomonitoring.aspx\)](#)
- EN13 [Habitats protected/restored \(/Performance/Environmental-Performance/Reclamation.aspx\)](#)
- EU13 [Biodiversity of offset habitats compared to the biodiversity of the affected areas \(/Performance/Environmental-Performance/Genesee-Biomonitoring.aspx\)](#)
- EN14 [Managing impacts on biodiversity \(/Performance/Environmental-Performance/Genesee-Biomonitoring.aspx\)](#)
- EN15 [ICUN Red List species \(/Performance/Environmental-Performance/Genesee-Biomonitoring.aspx#wildlife\)](#)
- EN16 [GHG emissions by weight \(/Performance/Environmental-Performance/Emissions.aspx#emissions\)](#)
- EN18 [Initiatives to reduce GHGs \(/Performance/Environmental-Performance/Emissions.aspx#managing\)](#)
- EN19 [Emissions of ozone-depleting substances by weight \(/Performance/Environmental-Performance/Emissions.aspx#emissions\)](#)
- EN20 [Nox, Sox, other emissions by weight \(/Performance/Environmental-Performance/Emissions.aspx#emissions\)](#)
- EN21 [Total water discharge \(/Performance/Environmental-Performance/Water-User.aspx\)](#)
- EN22 [Total weight of waste \(/Performance/Environmental-Performance/Fly-Ash.aspx#ash\)](#)
- EN23 [Number/volume of spills \(/Performance/Environmental-Performance/Environmental-Indicators.aspx#REI\)](#)
- EN24 [Weight of hazardous waste \(/Performance/Environmental-Performance/Environmental-Indicators.aspx\)](#)
- EN25 [Water bodies and habitat affected by discharged water \(/Performance/Environmental-Performance/Water-User.aspx\)](#)
- EN26 [Initiatives to mitigate impacts of products/ services \(Other Air Emissions \(/Performance/Environmental-Performance/Emissions.aspx#managing\), Genesee Biomonitoring \(/Performance/Environmental-Performance/Genesee-Biomonitoring.aspx\), Reclamation \(/Performance/Environmental-Performance/Reclamation.aspx\)\)](#)

EN28 Monetary value of fines, and other sanctions for non-compliance with environmental laws ([Energy Production \(/Performance/Operating-Performance/Energy-Production.aspx#market\)](#), [Environmental Indicators \(/Performance/Environmental-Performance/Environmental-Indicators.aspx#compliance\)](#))

## Human Rights

- HR1 [Investment agreements with human rights clauses \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR2 [Suppliers screen for human rights \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR3 [Employee training on human rights \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR4 [Discrimination incidents \(/Our-Culture/Ethics-Integrity.aspx#act\)](#)
- HR5 [Protecting freedom of association/collection bargaining \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR6 [Child labour issues \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR7 [Forced labour issues \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR8 [Security personnel trained in human rights policies \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR9 [Incidents/violations regarding indigenous peoples \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR10 [Number of human rights reviews/impact assessments \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)
- HR11 [Grievances related to human rights \(/Strategy--Risk-Management/Risks-Challenges.aspx#rights\)](#)

## Labour practices / Decent work

- LA1 [Total workforce \(/Our-Culture/Workforce-Compensation.aspx#workforce\)](#)
- LA2 [Employee new hires/turnover rate \(/Our-Culture/Workforce-Compensation.aspx#newhire\)](#)
- LA3 [Benefits \(/Our-Culture/Benefits-Recognition.aspx\)](#)
- LA4 [Collective bargaining \(/Our-Culture/Workforce-Compensation.aspx#collective\)](#)
- LA5 [Notice periods for operational changes \(/Our-Culture/Workforce-Compensation.aspx#collective\)](#)
- LA6 [Workforce in health and safety committees \(/Performance/Safety-Performance/Practices-Initiatives.aspx#committee\)](#)
- LA7 [Injuries, diseases, absenteeism \(/Performance/Safety-Performance/Overview.aspx#2012\)](#)
- LA8 [Education and support for disease prevention \(/Performance/Safety-Performance/Practices-Initiatives.aspx#onandoff\)](#)
- LA9 [Health and safety topics in trade union agreements \(/Performance/Safety-Performance/Overview.aspx#construction\)](#)
- LA11 [Skills management and lifelong learning \(/Our-Culture/Learning-Development.aspx\)](#)
- LA13 [Composition of governance bodies and breakdown of employees by category \(\[Board of Directors \\(/About-Us/Board-of-Directors.aspx#bod\\)\]\(#\), \[Workforce & Compensation \\(/Our-Culture/Workforce-Compensation.aspx#workforce\\)\]\(#\)\)](#)
- LA14 [Ratio of basic salary of men to women \(/Our-Culture/Workforce-Compensation.aspx#gender\)](#)
- EU14 [Programs and processes to ensure the availability of a skilled workforce \(/Our-Culture/Learning-Development.aspx\)](#)
- EU15 [Percentage of employees eligible to retire in the next five and ten years, broken down by job category and by region \(/Our-Culture/Workforce-Compensation.aspx#retirement\)](#)



- EU16 [Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors \(/Performance/Safety-Performance/Practices-Initiatives.aspx\)](#)
- EU17 [Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities \(/Performance/Safety-Performance/Overview.aspx#construction\)](#)
- EU18 [Percentage of contractor and subcontractor employees that have undergone relevant health and safety training \(/Performance/Safety-Performance/Overview.aspx#construction\)](#)

## Society

- SO1 Programs to manage impacts on communities ([Our Giving \(/Communities/Our-Giving.aspx\)](#), [Partnerships \(/Communities/Partnerships.aspx\)](#))
- EU19 Stakeholder participation in the decisionmaking process related to energy planning and infrastructure ([Consultation & Engagement \(/Communities/Consultation-Engagement.aspx\)](#), [Quality Wind & Halkirk Wind \(/Communities/Initiatives/Quality-Wind-Halkirk-Wind.aspx\)](#), [Genesee Generating Station \(/Communities/Initiatives/Genesee-Generating-Station.aspx\)](#), [Ontario Wind Projects \(/Communities/Initiatives/Ontario-Wind-Projects.aspx\)](#))
- EU20 [Approach to managing the impacts of displacement \(/Communities/Initiatives/Genesee-Generating-Station.aspx#displacement\)](#)
- EU21 [Contingency planning measures, disaster/ emergency management plan and training programs, and recovery/restoration plans \(/Performance/Safety-Performance/Emergency-Preparedness.aspx\)](#)
- EU22 [Number of people physically or economically displaced, and compensation, broken down by types of project \(/Communities/Initiatives/Genesee-Generating-Station.aspx#displacement\)](#)
- EU25 [Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)
- SO2 [Risks related to corruption \(/Strategy--Risk-Management/Risks-Challenges.aspx#corruption\)](#)
- SO3 [Employee training for anti-corruption \(/Strategy--Risk-Management/Risks-Challenges.aspx#corruption\)](#)
- SO4 [Actions taken in response to corruption incidents \(/Our-Culture/Ethics-Integrity.aspx#act\)](#)
- SO5 [Public policy positions and lobbying \(/Strategy--Risk-Management/Risks-Challenges.aspx#policy\)](#)
- SO6 [Financial/in-kind contributions to political parties and politicians \(/Strategy--Risk-Management/Risks-Challenges.aspx#policy\)](#)
- SO7 [Legal actions for anti-competitive behaviour \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)
- SO8 [Fines and sanctions for non-compliance with laws/regulations \(/Performance/Operating-Performance/Energy-Production.aspx#market\)](#)

## Product responsibility

- PR2 [Incidents of non-compliance – health and safety \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)
- PR3 [Type of product and service information \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)
- PR4 [Incidents of non-compliance – labelling \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)
- PR5 [Customer satisfaction \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)
- PR6 [Marketing communications – laws \(/Performance/Operating-Performance/Energy-](#)

[Production.aspx#responsibility\)](#)

PR7 [Marketing communications – compliance \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)

PR8 [Customer privacy \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)

PR9 [Fines for non-compliance \(/Performance/Operating-Performance/Energy-Production.aspx#responsibility\)](#)

## **Economic**

EC1 [Economic value generated and distributed, including donations \(/Performance/Corporate-Targets--Performance/Economic-Contributions.aspx\)](#)

EC2 [Financial implications & risks for activities related to climate change \(/Performance/Environmental-Performance/Compliance-Offsets-Licensing.aspx\)](#)

EC3 [Coverage of defined benefit plan obligations \(/Our-Culture/Workforce-Compensation.aspx#compensation\)](#)

EC4 [Financial assistance received from government \(/Strategy--Risk-Management/Corporate-Strategy-Analysis.aspx#windpower\)](#)

EC5 [Range of ratios of entry-level wage compared to local minimum wage \(/Our-Culture/Workforce-Compensation.aspx#comparisons\)](#)

EC6 [Policy, practices and proportion of spending on locally-based suppliers \(/Performance/Corporate-Targets--Performance/Economic-Contributions.aspx#supportlocal\)](#)

EC7 Procedures for local hiring and proportion of senior management hired from local communities ([Economic Contributions \(/Performance/Corporate-Targets--Performance/Economic-Contributions.aspx#supportlocal\)](#), [Ontario Wind Projects \(/Communities/Initiatives/Ontario-Wind-Projects.aspx#aimlocal\)](#))

EC8 Impact of infrastructure investments and services for public benefit ([Ontario Wind Projects \(/Communities/Initiatives/Ontario-Wind-Projects.aspx#benefit\)](#), [Greenhouse Gas Emissions \(/Performance/Environmental-Performance/Compliance-Offsets-Licensing.aspx\)](#), [Reclamation \(/Performance/Environmental-Performance/Reclamation.aspx\)](#))

EU8 R&D expenditures aimed at providing reliable electricity and promoting sustainable development ([Reclamation \(/Performance/Environmental-Performance/Reclamation.aspx#funding\)](#), [Corporate Strategy & Analysis \(/Strategy--Risk-Management/Corporate-Strategy-Analysis.aspx#new\)](#), [Greenhouse Gas Emissions \(/Performance/Environmental-Performance/Compliance-Offsets-Licensing.aspx\)](#))

EC9 [Indirect economic impacts \(/Performance/Corporate-Targets--Performance/Economic-Contributions.aspx\)](#)

EU30 [Average plant availability factor by energy source and by regulatory regime \(/Performance/Operating-Performance/Plant-Availability.aspx#plant\)](#)

## Exclusions

GRI Indicators not reported

There are a number of GRI Indicators for which Capital Power does not report data. This section lists each indicator that is excluded from the report, and the reason for the exclusion.

### INDICATOR, TITLE AND REASON FOR NOT REPORTING

3.10 Effect of any restatements of information in previous report No restatements occurred.

EU3 Number of customer accounts Capital Power has no retail power business and, therefore, no retail customer accounts.

EN4 Indirect energy consumption Capital Power does not track this information, and emissions from indirect energy consumption are not material compared to direct emissions from operations.

EU4 Length of transmission lines Capital Power does not operate transmission and distribution lines.

EU6 Management approach to ensure short and long-term electricity availability and reliability Capital Power is an independent producer and operates in markets where it does not have overall market responsibility for managing short- or long-term electricity availability or reliability.

EU7 Demand side management programs Capital Power has no retail power business and, therefore, no customer-facing demand management programs.

EN7 Initiatives to reduce indirect energy consumption Capital Power does not currently collect this data.

EU9 Provisions for decommissioning nuclear power sites Not applicable. Capital Power does not operate or own any nuclear power generation.

EU10 Planned capacity against projected electricity demand over long term Capital Power is an independent producer and operates in markets where it does not have overall market responsibility for managing short- or long-term electricity availability or reliability.

EU12 Transmission and distribution losses Capital Power does not operate transmission and distribution lines.

EN17 Other greenhouse gas emissions by weight Not material.

EU23 Programs to improve or maintain access to electricity and customer support Capital Power has no retail power business and, therefore, no retail customer accounts.

EU24 Practices to address barriers to accessing and safely using electricity and customer services Capital Power has no retail business and, therefore, no retail customer accounts.

EU26, 27 Population unserved in licensed distribution or service areas Not applicable  
Capital Power does not provide transmission and distribution services and has no retail business.

EU27 Number of residential disconnections Not applicable. Capital Power has no retail business and, therefore, no retail customer accounts.

EU28, 29 Power outage frequency and duration Not applicable. Capital Power does not provide transmission and distribution services.

EN27 Percentage of products sold and package materials reclaimed Not applicable.

EN29 Significant environmental impact of transporting products Capital Power does not currently collect this data.

EN30 Total environmental protection expenditures Capital Power reports on specific projects, including Front End Engineering Design for near-zero emission power generation. However, no total dollar value is reported for research and development activities as this data is not aggregated within the company.

LA10 Average hours of training per year per employee Capital Power does not currently collect this data. A Learning Management module is planned for implementation in late 2012/early 2013.

LA12 Percentage of employees receiving regular performance and career development reviews Managers are responsible for providing regular (at least annual) performance reviews for their employees; however, Capital Power's systems do not currently collect aggregated data on the completion of reviews.

LA15 Return to work and retention rates after parental leave by gender. Capital Power does not currently collect this data.

PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement As a power producer, Capital Power does not have products and services.

SO9 Operations with significant potential or actual negative impacts on local communities Capital Power continually monitors its environmental impact and works closely with the community. No reports to date have attributed negative impacts specific to Capital Power operations.

SO10 Prevention and mitigation measures for negative impacts on local communities Capital Power continually monitors its environmental impact and works closely with the community. No reports to date have attributed negative impacts specific to Capital Power operations.

# Third Party Assurance



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## Independent Limited Assurance Statement

To Capital Power Corporation's ("Capital Power") Board of Directors and Management:

### Our Responsibilities

Our limited assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

### Subject Matter

We have performed a limited assurance review of the following quantitative corporate responsibility performance indicators that are presented in Capital Power's Corporate Responsibility Report ("the Report") for the year ended December 31, 2012:

- Greenhouse gas ("GHG") emissions in tonnes of CO<sub>2</sub>e, and GHG emissions intensity in tonnes CO<sub>2</sub>e/MWh
- Employee total recordable injury frequency (TRIF)
- Community investment (Total Dollars)

We also reviewed Capital Power's self-declaration of the level of reporting achieved under the Global Reporting Initiative 3.1 guidelines.

### Criteria

Capital Power has prepared its specified performance information in accordance with the GRI G3.1 Guidelines or where relevant, internally developed criteria.

### Capital Power Management Responsibilities

The Report was prepared by Capital Power's Management, who are responsible for the compilation and presentation of the performance indicators, statements, claims in the Report and the criteria used in determining that the information is appropriate for the purpose of disclosure in the Report. In addition, Management is responsible for maintaining adequate records and internal controls that are designed to support the reporting process.

### Level of Assurance

Our procedures were designed to obtain a limited level of assurance on which to base our conclusions. The procedures conducted do not provide all the evidence

that would be required in a reasonable assurance engagement and accordingly, we do not express a conclusion conveying a reasonable level of assurance. While we obtained an understanding of Management's internal processes when determining the nature and extent of our procedures, our limited assurance engagement was not designed to express a conclusion on internal controls.

### Work Performed

In order for us to express a conclusion in relation to the above scope of work, we have sought to answer the following questions for the performance indicators reviewed:

### Completeness

- ▶ Has Capital Power fairly presented performance information concerning the selected performance indicators with respect to the boundaries and time period defined in the Report?
- ▶ Has Capital Power included sustainability performance information from all material entities within its defined boundary for reporting of the selected performance indicators?
- ▶ Has Capital Power accurately collated data relating to the selected performance indicators from operations level data?

### Accuracy

- ▶ Is the data reported for the selected performance indicators sufficiently accurate and detailed for stakeholders to assess Capital Power's performance?

Our assurance procedures at Capital Power's corporate head office included but were not limited to:

- ▶ Interviewing selected personnel at the corporate head office and selected sites to understand the key sustainability issues related to the selected performance indicators and processes for the collection and accurate reporting of associated performance information
- ▶ Where relevant, obtaining an understanding of the design and implementation of systems and processes for data aggregation and reporting



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- ▶ Checking key assumptions against the evidence to support the assumptions
- ▶ Checking the accuracy of calculations performed, on a test basis, primarily through inquiry, variance analysis and re-performance of calculations, and analytical procedures
- ▶ Checking that data and statements had been correctly transcribed from corporate systems and/or supporting evidence into the Report

#### **Limitations of our Work Performed**

Our scope of work did not include expressing conclusions in relation to:

- ▶ The materiality, completeness or accuracy of data sets or information relating to areas other than the selected performance data, and any site-specific information
- ▶ Information reported outside of Capital Power's 2012 Corporate Responsibility Report
- ▶ Management's forward looking statements
- ▶ Any comparisons made by Capital Power against historical data
- ▶ The appropriateness of definitions for internally developed criteria

#### **Our Conclusion**

Based on our limited assurance procedures for this engagement described in this Report, nothing has come to our attention that causes us to believe that the Subject Matter is not, in all material respects, reported in accordance with the relevant criteria.

*Ernst & Young LLP*

Ernst & Young LLP  
Edmonton, Canada  
July 29, 2013