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## Capital Power Income L.P. reports first quarter results

**Edmonton, Alberta** – April 27, 2010 (TSX: CPA.UN) - CPI Income Services Ltd., the general partner of Capital Power Income L.P. (the Partnership), today released the Partnership's quarterly results for the period ended March 31, 2010.

"I'm pleased to report that the Partnership's operating cash flows in the first quarter of 2010 were in line with management's expectations and increased 16 per cent compared with the same period a year ago, reflecting strong plant availability at 95% across the portfolio, up from 94% last year," said Stuart Lee, President of the General Partner. "Cash provided by operating activities from continuing operations before working capital changes was \$36.9 million in the first quarter of 2010, compared to \$31.9 million for the same period in 2009. First quarter results also benefitted from low maintenance capital expenditures of approximately \$1 million and favorable settlement prices from foreign exchange contracts resulting in a payout ratio of 67 per cent."

Highlights of Capital Power Income L.P.'s operational and financial performance included:

Operational and Financial Highlights <i>(millions of dollars except per unit and operational amounts)</i>	Three months ended March 31 <i>(unaudited)</i>	
	2010	2009
Power generated (GWh)	<b>1,268</b>	1,299
Weighted average plant availability	<b>95%</b>	94%
Revenue	<b>144.2</b>	127.6
Cash provided by operating activities of continuing operations	<b>44.6</b>	33.7
Per unit <sup>(1)</sup>	<b>\$0.82</b>	\$0.63
Distributions	<b>23.9</b>	34.0
Per unit	<b>\$0.44</b>	\$0.63
Payout ratio <sup>(1)(2)</sup>	<b>67%</b>	122%
Capital expenditures	<b>11.7</b>	17.0
Weighted average units outstanding (millions)	<b>54.3</b>	53.9

<sup>(1)</sup> Cash provided by operating activities of continuing operations per unit and payout ratio are non-GAAP financial measures. See "Non-GAAP measures".

<sup>(2)</sup> Payout ratio is distributions divided by cash provided by operating activities of continuing operations excluding working capital changes less maintenance capital expenditures.

The March 31, 2010 interim management's discussion and analysis and interim consolidated financial statements are available on the Capital Power Income L.P. website ([www.capitalpowerincome.ca](http://www.capitalpowerincome.ca)) and will be available on SEDAR ([www.sedar.com](http://www.sedar.com)).

Revenue for the three month period ended March 31, 2010 was \$144.2 million compared to \$127.6 million for the same period in 2009. The increase was primarily due to net gains on the change in the fair value of foreign exchange contracts in 2010 compared to losses in 2009.

The Partnership reported cash provided by operating activities of continuing operations of \$44.6 million for the three months ended March 31, 2010 compared to \$33.7 million for the same period in 2009. Excluding changes in working capital, cash provided by operating activities of continuing operations increased by \$5.0 million in the first quarter of 2010 compared to the same period in 2009. This was primarily due to higher

contract prices on foreign exchange contracts that settled in the first quarter of 2010 and higher operating margin at the California and BC hydroelectric plants.

In line with the Partnership's expectations, the plan of reorganization (the Plan) for LyondellBasell's US subsidiaries, including Equistar Chemicals, L.P. (Equistar), under Chapter 11 of the US Bankruptcy Code was approved on April 23, 2010. Pursuant to the Plan, Equistar will assume the energy services agreement (ESA) with Morris Cogeneration, LLC and as a result the Partnership expects that during the second quarter, the Morris facility will receive approximately US\$12 million from Equistar, representing payments for pre-petition services under the Morris ESA along with interest as stipulated in the ESA.

The Partnership completed the enhancements to the second unit at Southport in April 2010 and expects to complete the material handling improvements at Southport by June 30, 2010. The Partnership is currently completing the Oxnard repowering and expects the plant to be back online in May 2010.

The power purchase arrangements (PPAs) for the North Carolina facilities expired on December 31, 2009. As a result of delays in the arbitration process to replace these PPAs, the Partnership now expects that a decision is likely to be made late in the third quarter of 2010. The Partnership remains optimistic that either an arbitration ruling or further negotiations with Progress Energy Inc. will result in new PPAs for the Roxboro and Southport facilities. However, it is not certain at this time whether the final contract terms will result in positive cash provided by operating activities for the facilities or achieve previous expectations of accretion from the North Carolina enhancement project.

### **Non-GAAP measures**

The Partnership uses cash provided by operating activities of continuing operations per unit as a cash flow measure and payout ratio as a distribution sustainability measure. These terms are not defined financial measures according to Canadian generally accepted accounting principles (GAAP) and do not have standardized meanings prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other enterprises. See "Non-GAAP Measures" in the Partnership's interim management's discussion & analysis for the three months ended March 31, 2010 filed on SEDAR.

Cash provided by operating activities of continuing operations per unit is cash provided by operating activities of continuing operations divided by the weighted average number of units outstanding in the period.

Payout ratio is defined as distributions divided by cash provided by operating activities of continuing operations excluding working capital changes less maintenance capital expenditures. Working capital changes have been excluded from this measure as short-term changes in working capital are expected to be largely reversed in future periods or represent reversals from prior periods. Non-maintenance capital spending has been excluded from this measure as capital expenditures related to an expansion of the productive capacity of the business represent a long-term investment beyond the maintenance capital requirements of the existing business.

### **Forward-looking information**

Certain information in this news release is forward-looking and related to anticipated financial performance, events and strategies. When used in this context, words such as "will", "anticipate", "believe", "plan", "intend", "target" and "expect" or similar words suggest future outcomes. By their nature, such statements are subject to significant risks, assumptions and uncertainties, which could cause the Partnership's actual results and experience to be materially different than the anticipated results. In particular, forward-looking information and statements include information and statements with respect to: (i), anticipated completion of the Oxnard and Southport facility modifications and the Oxnard facility being back online in May 2010 (ii) expectations relating to the emergence of Equistar from Chapter 11 proceedings, including that Equistar will assume the Morris ESA and that Morris will receive approximately US\$12 million of payments for pre-petition services and interest, and (iii) managements expectations regarding the arbitration process in respect of PPAs at the North Carolina facilities and expectations in respect of new PPAs for the North Carolina facilities.

These statements are based on certain assumptions and analyses made by the Partnership in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements include, but are not limited to: (i) the markets and regulatory environment in which the

Partnership's facilities operate, (ii) the performance of contractors and suppliers, (iii) the renewal or replacement of PPAs including terms and timing of new PPAs at the North Carolina facilities, (iv) the Partnership's assessment of power markets, and (v) management's analysis of the Equistar reorganization under Chapter 11 of the US Bankruptcy Code.

Whether actual results, performance or achievements will conform to the Partnership's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Partnership's expectations. Such risks and uncertainties include, but are not limited to, risks relating to: (i) the operation of the Partnership's facilities, (ii) plant availability and performance, (iii) competitive factors in the power industry, (iv) economic conditions, including in the markets served by the Partnership's facilities, (v) the availability and cost of equipment, (vi) unanticipated maintenance and other expenditures, and (vii) the arbitration proceedings in respect of the North Carolina facilities or negotiations with Progress Energy Inc. may not result in PPAs with satisfactory financial terms.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Except as required by law, the Partnership disclaims any intention and assumes no obligation to update any forward-looking statement.

### **About Capital Power Income L.P.**

Established in 1997, Capital Power Income L.P. is a limited partnership organized under the laws of the Province of Ontario. The Partnership's portfolio includes 19 wholly-owned power generation assets located in Canada and the United States and a 50.15 per cent interest in a power generation asset in Washington State. The Partnership's assets have a total net generating capacity of 1,400 megawatts and more than four million pounds per hour of thermal energy.

For further information on the Partnership visit [www.capitalpowerincome.ca](http://www.capitalpowerincome.ca) or contact:

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# Capital Power Income L.P.

## Management's Discussion and Analysis

### For the Three Months Ended March 31, 2010

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This management's discussion and analysis (MD&A) is dated April 27, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements of Capital Power Income L.P. (collectively with its subsidiaries, the Partnership, unless otherwise specifically stated) for the three months ended March 31, 2010 and the audited consolidated financial statements and MD&A of the Partnership for the year ended December 31, 2009. Additional information relating to the Partnership, including the 2009 Annual Information Form and other continuous disclosure documents are available on SEDAR at [www.sedar.com](http://www.sedar.com). This discussion contains certain forward-looking information and readers are advised to read this discussion in conjunction with the cautionary statement regarding forward-looking information and statements located toward the end of this MD&A.

CPI Income Services Ltd., the general partner of the Partnership (the General Partner), is responsible for management of the Partnership. The General Partner is a wholly-owned subsidiary of CPI Investments Inc. (Investments). EPCOR Utilities Inc. (collectively with its subsidiaries, EPCOR) owns 51 voting, non-participating shares of Investments and Capital Power Corporation (collectively with its subsidiaries, CPC) indirectly owns 49 voting, participating shares of Investments. The Board of the General Partner (the Board) declares the cash distributions to the Partnership's unitholders. The General Partner has engaged CP Regional Power Services Limited Partnership and Capital Power Operations (USA) Inc. (collectively herein, the Manager), both subsidiaries of CPC, to perform management and administrative services for the Partnership and to operate and maintain the power plants pursuant to management and operations agreements. The Audit Committee of the Board is to review and approve the interim MD&A of the Partnership in accordance with the Audit Committee's terms of reference. The Audit Committee has reviewed and approved the contents of this interim MD&A.

#### SIGNIFICANT EVENT

##### Resolution of Equistar bankruptcy proceedings

In line with the Partnership's expectations, the plan of reorganization (the Plan) for LyondellBasell's US subsidiaries, including Equistar Chemicals, L.P. (Equistar), under Chapter 11 of the US Bankruptcy Code was approved on April 23, 2010. Pursuant to the Plan, Equistar will assume the energy services agreement (ESA) with Morris Cogeneration, LLC and as a result the Partnership expects that during the second quarter, the Morris facility will receive approximately US\$12 million from Equistar, representing payments for pre-petition services under the Morris ESA along with interest as stipulated in the ESA. Upon receipt of payment from Equistar, the Partnership expects to reverse a US\$2 million provision recorded in 2008 when Equistar entered Chapter 11 and expects to receive approximately US\$2 million of interest.

#### CONSOLIDATED RESULTS OF OPERATIONS

*(millions of dollars) (unaudited)*

<b>Cash provided by operating activities of continuing operations for the three months ended March 31, 2009</b>	<b>33.7</b>
Changes in working capital	5.9
Higher operating margin at California plants	1.7
Higher rates on foreign exchange contracts settled in 2010	1.5
Higher operating margin at BC hydroelectric plants	1.5
Other	0.3
<b>Cash provided by operating activities of continuing operations for the three months ended March 31, 2010</b>	<b>44.6</b>

The Partnership reported cash provided by operating activities of continuing operations of \$44.6 million or \$0.82 per unit for the quarter ended March 31, 2010 compared to \$33.7 million or \$0.63 per unit for the same period in 2009. Cash provided by operating activities of continuing operations per unit is defined below under Non-GAAP Measures. The \$10.9 million increase in cash provided by operating activities of continuing operations for the first quarter of 2010 compared to the first quarter of 2009 was primarily due to the following:

## Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1

- A decrease in working capital of \$7.7 million in the three months ended March 31, 2010 compared to \$1.8 million during the same period in the prior year. Working capital decreased in 2010 primarily due to the timing of payments and receipts;
- Operating margin was \$1.7 million higher at the California facilities due to the higher dispatch and availability of Naval Station due to planned outages for inspections in February 2009;
- The foreign exchange contracts that settled in the first quarter of 2010 had higher contract prices than those that settled in the first quarter of 2009. Contract prices on the foreign exchange contracts that settled during the first quarter of 2010 were higher than the average price on all the contracts that will settle during 2010 of \$1.11 per US\$1.00. If the contracts that settled during the first quarter had been priced at the \$1.11 per US\$1.00, the settlement proceeds on these contracts would have been \$2.3 million lower. The average price on the contracts that will settle during the remainder of 2010 is lower than \$1.11 per US\$1.00 and as a result, the \$2.3 million will reverse over the remainder of 2010; and
- Operating margin was \$1.5 million higher at the BC hydroelectric plants due to higher generation as a result of higher water flows.

<i>(millions of dollars)(unaudited)</i>	
<b>Net loss from continuing operations for the three months ended March 31, 2009</b>	<b>(32.6)</b>
Fair value changes on natural gas supply and foreign exchange contracts	47.1
Higher operating margin at California plants	1.7
Higher rates on foreign exchange contracts settled in 2010	1.5
Higher operating margin at BC hydroelectric plants	1.5
Decrease in income tax recovery	(5.5)
Other	0.6
<b>Net income from continuing operations for the three months ended March 31, 2010</b>	<b>14.3</b>

Net income from continuing operations was \$14.3 million or \$0.26 per unit for the three months ended March 31, 2010 compared to a net loss of \$32.6 million or \$0.60 per unit for the same period in 2009. In addition to the items described above for the change in cash provided by operating activities, the increase in net income of \$46.9 million was the result of the following:

- Net losses of \$3.2 million were recorded in the first quarter of 2010 on changes in the fair value of the natural gas supply and foreign exchange contracts compared to \$50.3 million in the first quarter of 2009. The fair value on natural gas supply contracts declined in the first quarters of 2010 and 2009 due to decreases in the future prices for natural gas. This loss was partially offset by an increase in the fair value of foreign exchange contracts in the first quarter of 2010 due to a strengthening of future prices for the Canadian dollar relative to the US dollar compared to losses in the first quarter of 2009 due to a weakening of future prices.

Increases were partially offset by the following:

- An income tax recovery of \$5.5 million was recorded in the three months ended March 31, 2010 compared to \$11.0 million for the same period in 2009. The change was mainly due to future income taxes on changes in temporary differences primarily related to changes in the fair value of natural gas and foreign exchange contracts.

### NON-GAAP MEASURES

The Partnership uses operating margin as a performance measure, cash provided by operating activities of continuing operations per unit as a cash flow measure and payout ratio as a distribution sustainability measure. These terms are not defined financial measures according to Canadian generally accepted accounting principles (GAAP) and do not have standardized meanings prescribed by GAAP. Therefore, these measures may not be comparable to similar measures presented by other enterprises.

## Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1

The Partnership uses operating margin to measure the financial performance of plants and groups of plants. A reconciliation from operating margin to net income before tax and preferred share dividends is as follows:

<i>(millions of dollars) (unaudited)</i>	Three months ended March 31	
	2010	2009
Operating margin	50.9	(0.8)
Deduct:		
Depreciation, amortization and accretion	23.5	23.8
Financial charges and other, net	11.0	13.1
Management and administration	4.0	4.3
Net income (loss) from continuing operations before tax and preferred share dividends	12.4	(42.0)

Cash provided by operating activities of continuing operations per unit is cash provided by operating activities of continuing operations divided by the weighted average number of units outstanding in the period.

Payout ratio is defined as distributions divided by cash provided by operating activities of continuing operations excluding working capital changes less maintenance capital expenditures. Working capital changes have been excluded from this measure as short-term changes in working capital are expected to be largely reversed in future periods or represent reversals from prior periods. Non-maintenance capital spending has been excluded from this measure as capital expenditures related to an expansion of the productive capacity of the business represent a long-term investment beyond the maintenance capital requirements of the existing business.

The composition of the operating margin, cash provided by operating activities of continuing operations per unit and payout ratio used in this interim MD&A is consistent with December 31, 2009 reporting.

### CHANGES IN ACCOUNTING POLICIES

The Partnership has not adopted any new accounting guidelines and standards during the three months ended March 31, 2010.

### REVENUE, OPERATING MARGIN<sup>(1)</sup> AND PLANT OUTPUT

<i>(millions of dollars except GWh) (unaudited)</i>	Three months ended March 31					
	2010			2009		
	GWh	Revenue	Operating Margin <sup>(1)</sup>	GWh	Revenue	Operating Margin <sup>(1)</sup>
Ontario plants	373	\$ 44.2	\$ 19.3	387	\$ 43.7	\$ 19.8
Williams Lake	141	11.1	7.1	136	11.0	6.9
BC hydroelectric plants	58	4.1	3.0	29	2.5	1.5
Northwest US plants	141	14.9	9.5	214	15.7	8.9
California plants	250	23.6	3.2	229	21.8	1.5
Curtis Palmer	86	10.5	9.1	90	10.2	8.7
Northeast US natural gas plants <sup>(2)</sup>	164	21.4	4.1	166	27.5	3.9
North Carolina plants	55	8.1	(1.9)	48	10.5	(2.3)
PERC management fees	-	0.9	0.7	-	0.9	0.6
	1,268	138.8	54.1	1,299	143.8	49.5
Fair value changes						
Foreign exchange contracts	-	5.4	5.4	-	(16.2)	(16.2)
Natural gas supply contracts	-	-	(8.6)	-	-	(34.1)
	1,268	\$ 144.2	\$ 50.9	1,299	\$ 127.6	\$ (0.8)

<sup>(1)</sup> Operating margin is a non-GAAP financial measure. See Non-GAAP Measures.

<sup>(2)</sup> Restated to reflect the operations of Castleton as discontinued operations. Castleton was sold in May 2009.

Weighted average plant availability <sup>(1)</sup>	Three months ended	
	March 31	
	2010	2009
Ontario plants	97%	97%
Williams Lake	98%	100%
BC hydroelectric plants	67%	81%
Northwest US plants	97%	100%
California plants	88%	86%
Curtis Palmer	100%	100%
Northeast US natural gas plants <sup>(2)</sup>	100%	98%
North Carolina plants	89%	75%
Weighted average total	95%	94%

<sup>(1)</sup> Plant availability represents the percentage of time in the period that the plant is available to generate power, whether actually running or not, and is reduced by planned and unplanned outages.

<sup>(2)</sup> Restated to reflect the operations of Castleton as discontinued operations. Castleton was sold in May 2009.

Operating margin excluding fair value changes in foreign exchange and natural gas supply contracts for the three months ended March 31, 2010 increased by \$4.6 million compared to the same period in 2009. The increase was primarily the result of higher prices on the foreign exchange contracts that settled in the first quarter of 2010 than those that settled in the first quarter of 2009, higher dispatch and availability of Naval Station in 2010 and higher water flows at the BC hydroelectric plants.

During the three months ended March 31, 2010 the Partnership’s plants experienced a number of small increases and decreases in revenue compared to the same period in the prior year. As a result of having a diversified portfolio plants, revenue, excluding fair value changes in foreign exchange contracts, for the three months ended March 31, 2010 was consistent with the same period in 2009.

Unrealized fair value changes in derivative instruments recorded for accounting purposes are not representative of their economic value when considering them in conjunction with the economically hedged item such as future natural gas purchases, future power sales or future US dollar cash flows.

#### Ontario Plants

The Ontario plants reported operating margin of \$19.3 million for the three months ended March 31, 2010 compared to \$19.8 million for the same period in 2009. The decrease was primarily due to higher prices in natural gas supply contracts and higher natural gas transportation costs and lower waste heat availability, partially offset by higher prices in power sales contracts.

Revenue from Ontario plants <i>(millions of dollars)(unaudited)</i>	Three months ended March 31	
	2010	2009
Power	42.8	42.6
Enhancements	-	0.1
Gas diversions	1.4	1.0
	44.2	43.7

Revenues from the Ontario plants were higher for the three months ended March 31, 2010 compared to the same period in 2009 due to higher prices in power sales contracts partially offset by lower waste heat availability. Revenues from waste heat declined 19% for the three months ended March 31, 2010 compared to the same period in 2009 as a result of lower throughput on TransCanada Corporation’s Canadian Mainline, the natural gas transmission line through Northern Ontario.

#### Williams Lake

Operating margin from Williams Lake was \$7.1 million for the three months ended March 31, 2010 consistent with \$6.9 million for the same period in 2009.

#### BC Hydroelectric Plants

Operating margin at the BC hydroelectric plants was \$3.0 million for the three months ended March 31, 2010 compared to \$1.5 million for the same period in 2009. The increase was due to higher water flows at the plants. Availability was lower in the first quarter of 2010 compared with 2009 due to a unplanned maintenance outage at one

## Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1

of the units at Mamquam in 2010. The second unit at Mamquam had sufficient capacity to capture the water flows available during the first quarter of 2010 as water flows are normally lower in the first quarter of the year.

### *Northwest US Plants*

Operating margin from Frederickson was \$3.8 million for the three months ended March 31, 2010 compared to \$3.3 million for the same period in 2009. The increase was primarily due to higher prices on the foreign exchange contracts that settled in the first quarter of 2010.

Operating margin from Manchief was \$5.1 million for the three months ended March 31, 2010 compared to \$5.3 million for the same period in 2009. The decrease was primarily the result of higher dispatch of the plant in 2009 due to outages at other plants in the region partially offset by higher prices on the foreign exchange contracts that settled in the first quarter of 2010.

Operating margin from Greeley was \$0.6 million for the three months ended March 31, 2010 compared to \$0.3 million for the same period in 2009. The increase was primarily due to higher prices on the foreign exchange contracts that settled in the first quarter of 2010.

### *California Plants*

Operating margin from the Naval facilities was \$3.7 million for the three months ended March 31, 2010 compared to \$1.6 million for the same period in 2009. The increase was due to the higher availability and dispatch of Naval Station due to planned outages for inspections in February 2009 and at North Island due to outages for the turbine replacement project in 2009 as well as higher prices on the foreign exchange contracts that settled in the first quarter of 2010.

Operating margin losses from Oxnard were \$0.5 million for the three months ended March 31, 2010 compared to \$0.1 million for the same period in 2009. The increase in losses was the result of lower availability as the plant was offline for the turbine replacement project in 2010 partially offset by lower maintenance activity and higher prices on the foreign exchange contracts that settled in the first quarter of 2010.

### *Curtis Palmer*

Operating margin from Curtis Palmer was \$9.1 million for the three months ended March 31, 2010 compared to \$8.7 million for the same period in 2009. The increase was due to higher prices on the foreign exchange contracts that settled in the first quarter of 2010 partially offset by lower generation as a result of lower water volumes at the plant.

### *Northeast US Natural Gas Plants*

Operating margin from Morris was \$3.1 million for the three months ended March 31, 2010 compared to \$2.4 million for the same period in 2009. The increase was due to higher prices on the foreign exchange contracts that settled in the first quarter of 2010 and lower operating and maintenance costs in the first quarter of 2010.

Operating margin from Kenilworth was \$1.0 million for the three months ended March 31, 2010, a decrease from \$1.5 million for the same period in 2009 due to lower natural gas prices.

### *North Carolina Plants*

The North Carolina plants reported operating margin losses of \$1.9 million for the three months ended March 31, 2010 compared to \$2.3 million for the same period in 2009. The decrease in the loss was due to higher prices on the foreign exchange contracts that settled in the first quarter of 2010, lower maintenance activity in the first quarter of 2010 and higher dispatch of the plants in the first quarter of 2010. Partially offsetting these increases was lower revenue at Southport due to lower steam demand and lower capacity payments due to an outage in March 2010.

### *Fair value changes*

Unrealized gains on foreign exchange contracts were \$5.4 million for the three months ended March 31, 2010 compared to unrealized losses of \$16.2 million reported for the same period in 2009. The changes in fair value were primarily due to changes in the forward prices for US dollars relative to Canadian dollars which decreased \$0.024 for the three months ended March 31, 2010 compared to an increase of \$0.054 for the same period in 2009.

The Partnership recorded fair value losses on natural gas supply contracts of \$8.6 million for the three months ended March 31, 2010 compared to \$34.1 million for the same period in 2009. The changes in the fair value of the natural gas contracts were primarily due to changes in natural gas forward prices. Alberta forward natural gas prices decreased \$0.87 per gigajoule (GJ) for the three months ended March 31, 2010 compared to a decrease of \$0.32 per GJ for the same period in 2009. On July 31, 2009, the Partnership designated certain of its natural gas supply contracts as hedges. Net losses of \$35.4 million relating to these contracts were recorded in other comprehensive income in the first quarter of 2010.

**Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1**

<b>COST OF FUEL</b>	<b>Three months ended</b>	
	<b>March 31</b>	
<i>(millions of dollars)(unaudited)</i>	<b>2010</b>	<b>2009</b>
Ontario plants		
Natural gas	<b>19.9</b>	17.8
Waste heat	<b>0.7</b>	1.5
Wood waste	<b>0.4</b>	0.8
	<b>21.0</b>	20.1
Williams Lake - wood waste	<b>1.8</b>	2.1
Northwest US plants - natural gas	<b>2.6</b>	3.1
California plants - natural gas	<b>15.9</b>	14.6
Northeast US natural gas plants <sup>(1)</sup>	<b>15.1</b>	20.7
North Carolina plants - wood waste, tire-derived fuel & coal	<b>5.7</b>	6.5
	<b>62.1</b>	67.1
Fair value changes on natural gas contracts	<b>8.6</b>	34.1
	<b>70.7</b>	101.2

<sup>(1)</sup> Restated to reflect the operations of Castleton as discontinued operations. Castleton was sold in May 2009.

Fuel costs, which are the Partnership’s most significant cost of operations, include commodity costs, transportation costs and fair value changes on natural gas supply contracts.

For the three months ended March 31, 2010, fuel costs, excluding fair value changes on natural gas contracts, were \$62.1 million compared to \$67.1 million for the same period in 2009.

Fuel costs at the Ontario plants for the three months ended March 31, 2010 were \$21.0 million compared to \$20.1 million for the same period in 2009. The increase was primarily due to higher prices in natural gas supply contracts and higher natural gas transportation costs.

Williams Lake incurred fuel costs of \$1.8 million for the three months ended March 31, 2010 consistent with \$2.1 million for the same period in 2009.

The Northwest US plants incurred fuel costs of \$2.6 million for the three months ended March 31, 2010, a decrease from \$3.1 million for the same period in 2009 due to a weaker US dollar relative to the Canadian dollar.

Fuel costs at the California facilities were \$15.9 million for the three months ended March 31, 2010 compared to \$14.6 million for the same period in 2009. The increase was primarily due to higher generation at the plants in 2010 partially offset by a weaker US dollar relative to the Canadian dollar.

The Northeast US natural gas plants incurred fuel costs of \$15.1 million for the three months ended March 31, 2010, compared to \$20.7 million for the same period in 2009. The decrease was primarily due to lower natural gas prices in 2010 and a weaker US dollar relative to the Canadian dollar.

The North Carolina plants incurred fuel costs of \$5.7 million for the three months ended March 31, 2010 compared to \$6.5 million for the same period in 2009. The decrease was the result of a weaker US dollar relative to the Canadian dollar.

The Curtis Palmer, Mamquam and Moresby Lake hydroelectric plants do not have fuel costs.

**OPERATING AND MAINTENANCE EXPENSE**

<i>(millions of dollars)(unaudited)</i>	<b>Three months ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Ontario plants	<b>3.9</b>	3.8
Williams Lake	<b>2.2</b>	2.0
BC hydroelectric plants	<b>1.1</b>	1.0
Northwest US plants	<b>2.8</b>	3.7
California plants	<b>4.5</b>	5.7
Curtis Palmer	<b>1.4</b>	1.5
Northeast US natural gas plants <sup>(1)</sup>	<b>2.2</b>	2.9
North Carolina plants	<b>4.3</b>	6.3
PERC management expenses	<b>0.2</b>	0.3
	<b>22.6</b>	27.2

<sup>(1)</sup> Restated to reflect the operations of Castleton as discontinued operations. Castleton was sold in May 2009.

Operating and maintenance expenses include payments to the Manager and third parties for the operation and routine maintenance of the plants. Fees paid to the Manager are based on fixed charges adjusted annually for inflation for the Canadian plants, Curtis Palmer and Manchief, and a flow through of costs for the remaining US plants. Operating and maintenance expenses were \$22.6 million for the three months ended March 31, 2010 compared to \$27.2 million for the same period in 2009. The decrease was due to lower maintenance costs at Southport and Oxnard and a weaker US dollar relative to the Canadian dollar.

**DEPRECIATION, AMORTIZATION AND ACCRETION**

Depreciation, amortization and accretion expense for the three months ended March 31, 2010 was \$23.5 million consistent with \$23.8 million for the same period in 2009.

**FINANCIAL CHARGES AND OTHER , NET**

<i>(millions of dollars)(unaudited)</i>	<b>Three months ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Interest on long-term debt	<b>9.6</b>	11.1
Foreign exchange losses	<b>0.7</b>	0.5
Losses from equity investment	-	1.7
Dividend income	-	(0.4)
Other	<b>0.7</b>	0.2
	<b>11.0</b>	13.1

Financial charges and other expenses were \$11.0 million for the three months ended March 31, 2010 compared to \$13.1 million for same period in 2009. The decrease was primarily due to the impact of a weaker US dollar relative to the Canadian dollar on US dollar interest expenses.

Losses from equity investment were from the Partnership’s common ownership interest in Primary Energy Recycling Holdings LLC (PERH), which was accounted for on the equity basis up to August 24, 2009 and on a cost basis thereafter.

**MANAGEMENT AND ADMINISTRATION**

Management and administration costs, which include fees payable to CPC (and prior to June 30, 2009, EPCOR) and general and administrative costs, were \$4.0 million for the three months ended March 31, 2010 consistent with \$4.3 million for the same period in 2009.

**INCOME TAX RECOVERY**

Income tax recoveries were \$5.5 million for the three months ended March 31, 2010 compared to \$11.0 million for the same period in 2009. The change was mainly due to future income taxes on changes in temporary differences primarily related to changes in the fair value of natural gas supply and foreign exchange contracts which are expected to reverse after 2010. Currently, the taxable income of the Partnership is expected to be taxed in the hands of

## Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1

unitholders. After 2010, the Partnership expects taxes will be applied at the Partnership level as changes to Canadian tax legislation become effective.

### PREFERRED SHARE DIVIDENDS OF A SUBSIDIARY COMPANY

A subsidiary of the Partnership issued preferred shares, which paid dividends net of tax of \$3.6 million for the three months ended March 31, 2010, compared to \$1.6 million for the same period in 2009. The increase was due to the issuance of preferred shares in the fourth quarter of 2009. Part VI.1 tax is paid at a rate of 40% of the dividends and a deduction from Part I tax is available for payment of Part VI.1 tax. The subsidiary expects to realize the benefit of the deduction beginning in 2011.

### LIQUIDITY AND CAPITAL RESOURCES

#### Cash distributions

When cash provided by operating activities exceeds cash distributions and maintenance capital expenditures, the Partnership utilizes the difference to stabilize future distributions, to finance growth capital expenditures and to make debt repayments. When cash provided by operating activities is less than cash distributions and maintenance capital expenditures, the Partnership utilizes available cash balances and short-term financing to cover the shortfall. The ability of the Partnership to sustain current cash flow is subject to the Partnership finding cash accretive investments to replace expected future declines in cash flow from contracts that expire and may not be replaced with contracts under similar terms.

<i>(millions of dollars)(unaudited)</i>	Three months ended March 31	
	2010	2009
Distributions	23.9	34.0
Cash provided by operating activities of continuing operations	44.6	33.7
Net income (loss) from continuing operations	14.3	(32.6)
Payout ratio <sup>(1)</sup>	67%	122%
Additions to property, plant and equipment	11.7	17.0
Excess (shortfall) of cash provided by operating activities of continuing operations over distributions	20.7	(0.3)
Excess (shortfall) of net income (loss) from continuing operations over distributions	(9.6)	(66.6)

<sup>(1)</sup> Payout ratio is distributions divided by cash provided by operating activities of continuing operations excluding changes in working capital less maintenance capital expenditures. See Non-GAAP Measures.

In the second quarter of 2009, the Partnership reduced its distribution from \$0.63 per quarter to \$0.44 per quarter. In the fourth quarter of 2009, the Partnership announced a change in the frequency of its distributions to monthly from quarterly and the launch of distribution reinvestment programs.

Cash provided by operating activities of continuing operations exceeded distributions by \$20.7 million for the three months ended March 31, 2010. The Partnership also incurred capital expenditures of \$11.7 million during the three months ended March 31, 2010.

Net income is not necessarily comparable to distributions as net income includes items such as changes in the fair value of derivative instruments. Aside from these items, management expects that distributions will exceed net income. Accordingly, a portion of the distributions represent a return of capital. To date, and subject to ensuring adequate liquidity, the Partnership has chosen to make distributions that include a return of capital.

To the extent there is a shortfall between the Partnership's cash provided by operating activities and distributions and capital expenditures, the Partnership has available to it two revolving credit facilities, each of \$100.0 million expiring in September 2011 and October 2011 and a third revolving credit facility of \$125.0 million expiring in June 2011. The Partnership also has two demand facilities, of \$20.0 million and US\$20.0 million respectively. Alternatively, in the case of major investments of capital, the Partnership may obtain new capital from external markets at the time of the

## Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1

required investment, utilizing its \$1 billion shelf prospectus which expires in August 2010, which the Partnership intends to renew.

### Capital expenditures

Capital expenditures for the three months ended March 31, 2010 totalled \$11.7 million compared to \$17.0 million for the same period in 2009. Capital spending included spending for the enhancement of the Southport plant and the upgrade of the LM5000 natural gas turbine at Oxnard with an LM6000 unit.

<i>(millions of dollars)(unaudited)</i>	Three months ended	
	2010	March 31 2009
Maintenance capital expenditures	1.4	4.1
North Carolina enhancement project	3.2	6.9
Oxnard turbine replacement project	7.1	-
North Island turbine replacement project	-	6.0
	<b>11.7</b>	<b>17.0</b>

The Partnership completed the enhancements to the second unit at Southport in April 2010 and expects to complete the material handling improvements at Southport by June 30, 2010. The Partnership has invested \$81.4 million (US\$73.6 million) to March 31, 2010 and plans to invest an additional \$13 million (US\$13 million) in the remaining nine months of 2010.

The Partnership has invested \$12.4 million (US\$11.8 million) in the project to repower the natural gas turbine at Oxnard to March 31, 2010 with an additional \$8 million (US\$8 million) investment expected in the remaining nine months of 2010. The Partnership expects the plant to be back online in May 2010.

### Financing

The following table summarizes the long-term debt of the Partnership.

<i>(millions of dollars)(unaudited)</i>	March 31	December 31
	2010	2009
Senior unsecured notes, due 2036	210.0	210.0
Senior unsecured notes (US\$415.0) due 2014 to 2019	421.6	436.1
Secured term loan, due 2010	0.7	1.4
Revolving credit facilities	69.4	78.3
	<b>701.7</b>	<b>725.8</b>

The Partnership’s debt to total capitalization ratio as at March 31, 2010 was 50%, consistent with 49% at December 31, 2009. The debt to total capitalization ratio is calculated as follows:

$$\text{Debt to total capitalization ratio} = \frac{\text{Debt (short-term debt + long-term debt)}}{\text{Debt + preferred shares + partners' equity}}$$

Under the terms of its debt agreements, the Partnership must maintain a debt to capitalization ratio of not more than 65% at the end of each fiscal quarter. In addition, under the revolving credit facilities, in the event the Partnership is assigned a rating of less than BBB+ by Standard and Poors (S&P) and BBB(high) by DBRS Limited (DBRS), the Partnership also would be required to maintain a ratio of EBITDA (earnings before interest, income taxes, depreciation and amortization as defined in the credit facilities) to interest expense of not less than 2.5 to 1, measured quarterly. Although the Partnership is not required to meet the EBITDA to interest ratio, the ratio was 4.5 at March 31, 2010.

S&P has assigned the Partnership a BBB+ credit rating with a negative outlook and SR-2 stability rating. DBRS has assigned the Partnership a BBB(high) with a negative trend credit rating and STA-2(low) stability rating.

The BBB+ debt rating by S&P is the fourth highest rating out of 10 rating categories. The plus sign shows the relative standing within the major rating categories. DBRS’ BBB(high) rating designates the Partnership’s debt as being of

## Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1

satisfactory credit quality with the protection of interest and principal still substantial. The “BBB” rating is DBRS’ fourth highest of 10 categories. The high classification shows the relative standing within the major rating categories. The negative outlook/trend by S&P and DBRS highlights the potential that the long-term ratings may be lowered.

Having an investment grade credit rating improves the Partnership’s ability to re-finance existing debt as it matures and to access cost competitive capital for future growth.

The stability ratings of SR-2 by S&P is the second highest rating of seven categories and indicates that the Partnership has a high level of distributable cash generation stability relative to other rated Canadian income funds. The STA-2 (low) stability rating by DBRS is the second highest of seven categories in their rating system for income fund stability. DBRS further subcategorizes each rating by the designation of “high”, “middle” and “low” to indicate where an entity falls within the rating category.

### Financial market liquidity

The exposure of the Partnership to the ongoing volatility in the Canadian and US financial markets is substantially unchanged from December 31, 2009. For further information on our outlook, refer to the Partnership’s December 31, 2009 MD&A. The Partnership has a sufficient liquidity position with revolving credit facilities of \$325 million of which \$256 million was available at March 31, 2010. The Partnership also has a demand credit facility of \$20.0 million with Canadian tier 1 banks and a second demand credit facility of US\$20.0 million with a US tier 1 bank. Principal repayments on the Partnership’s long-term debt facilities are as follows:

<b>Year</b>	<b>Principal repayment</b> <i>(unaudited) (millions of dollars)</i>
2010 (9 months)	0.7
2011	69.4
2014	193.0
2017	152.4
2019	76.2
2036	210.0

Uncertainty in global financial markets and, in particular, the Canadian and US financial markets may adversely affect the Partnership’s ability to arrange permanent long-term financing for acquisitions, for significant capital expenditures, such as enhancement expenditures at the Oxnard and North Carolina facilities, and potentially to refinance indebtedness under the credit facilities outstanding at their maturity dates. This may also affect the Partnership’s credit ratings.

### FOREIGN EXCHANGE RISK MANAGEMENT

The Partnership manages the foreign exchange risk of its anticipated US dollar-denominated cash flows from its US plants through the use of forward foreign exchange contracts for periods up to seven years. As at March 31, 2010, \$426.2 million (US\$380.4 million) or approximately 87% of expected future US cash flows were economically hedged for 2010 to 2016 at a weighted average exchange rate of \$1.12 to US\$1.00.

**TRANSACTIONS WITH RELATED PARTIES**

<i>(millions of dollars)(unaudited)</i>	<b>Three months ended</b>	
	<b>2010</b>	<b>March 31 2009</b>
<b>Transactions with CPC <sup>(1)</sup></b>		
<b>Cost of fuel - Greeley natural gas contract</b>	<b>0.1</b>	0.6
<b>Operating and maintenance expense</b>	<b>12.2</b>	13.0
<b>Management and administration</b>		
Base fee	<b>0.2</b>	0.3
Incentive fee	-	0.6
General and administrative costs	<b>2.3</b>	2.0
	<b>2.5</b>	2.9
<b>Transactions of discontinued operations</b>		
Cost of fuel - Castleton natural gas demand charge	-	0.7
Operating and maintenance expense - Castleton	-	0.9
	-	1.6

<sup>(1)</sup> Prior to June 30, 2009, EPCOR.

In operating the Partnership’s 20 power plants, the Partnership and CPC (and prior to June 30, 2009, EPCOR) engage in a number of related party transactions which are in the normal course of business. These transactions are based on contracts and many of the fees are escalated by inflation. The table above summarizes the amounts included in the calculation of net income for the three months ended March 31, 2010 and 2009. Operating and maintenance expenses were \$12.2 million for the three months ended March 31, 2010, a decrease of \$0.8 million from the same period in 2009 due to the impact of a weaker US dollar on US operating and maintenance costs.

During the three months ended March 31, 2010, the Partnership made cash distributions to CPC (and prior to June 30, 2009, EPCOR) in the amount proportionate to its ownership interest. At March 31, 2010, CPC owned 30.3% of the Partnership’s units (at March 31, 2009 EPCOR owned 30.6% of the Partnership’s units).

**CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES**

There were no material changes to the Partnership’s purchase obligations, commitments or contingencies during the first quarter, including payments for the next five years and thereafter. For further information on these obligations, refer to the Partnership’s December 31, 2009 MD&A.

**CRITICAL ACCOUNTING ESTIMATES**

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Partnership’s consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgment. The Partnership’s critical accounting estimates include tax provision calculations as a result of the Partnership becoming taxable in 2011, depreciation and amortization expense, asset retirement obligations and fair value estimates. For further information on the Partnership’s critical accounting estimates, refer to the Partnership’s December 31, 2009 MD&A.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

There were no changes made to the Partnership’s internal controls over financial reporting during the interim period ended March 31, 2010 that have materially affected or are reasonably likely to materially affect internal control over financial reporting.

**BUSINESS RISKS**

The Partnership’s business and operational risks remain substantially unchanged since December 31, 2009 as provided in the Partnership’s December 31, 2009 MD&A. For further information on business risks, refer to the Partnership’s December 31, 2009 MD&A.

## FUTURE ACCOUNTING STANDARDS

The Partnership's has not been impacted by any new accounting standards since December 31, 2009. For further information on business risks, refer to the Partnership's December 31, 2009 MD&A.

### International financial reporting standards

In February 2008, the CICA confirmed that Canadian reporting issuers will be required to report under IFRS effective January 1, 2011, including comparative figures for the prior year. In January 2008, a core team was established to develop a plan which will result in the Partnership's first interim report for 2011 being in compliance with IFRS.

The diagnostic phase of the project was completed in April 2008. For each international standard, the primary differences from Canadian GAAP were identified and an initial assessment of the impact of the required changes for the purpose of prioritizing and assigning resources was made. In making the assessment, the number of businesses impacted, the potential magnitude of the financial statement adjustment, the availability of policy choices, the impacts on systems and the impacts on internal controls were all considered.

The information obtained from the diagnostic phase was used to develop a detailed plan for convergence and implementation. The convergence and implementation work has five key sections: Financial Statement Adjustments, Financial Statements, Systems Updates, Policies and Internal Controls, and Training.

### *Financial Statement Adjustments*

For each international standard, the Partnership determined the quantitative impacts to the financial statements, system requirements, accounting policy decisions, and changes to internal controls and business policies. The initial accounting policy decisions will be brought forward to the Audit Committee for their information as each standard is addressed. However, final accounting policy decisions for all standards in effect at the end of 2009 will be made in the fourth quarter of 2010, as they should not be determined in isolation of other policy decisions. Policy decisions for any new standards or standards that are amended in 2010 will be made in conjunction with our analysis of those standards in 2010.

The following areas have been identified as having the most impact on the financial statements of the Partnership:

#### *Property, plant and equipment (PP&E)*

PP&E is primarily impacted by IAS 16 – Property, Plant and Equipment and IAS 23 – Borrowing Costs. IFRS are different from Canadian GAAP in that certain costs on constructed PP&E such as training costs, overheads and borrowing costs in excess of the actual entity's cost of debt may not be capitalized.

IFRS are also more specific with respect to the level at which component accounting is required, requiring each component for which different depreciation methods or rates are appropriate to be accounted for separately. The appropriate components have been identified, and the most significant difference from GAAP is that overhauls embedded within the initial carrying amount of a turbine must be treated as a separate component. As a result, depreciation is expected to increase by approximately \$2 million per year.

On transition, it is estimated that the cumulative impact of componentization and removal of disallowed costs will result in a reduction of approximately \$30 to \$40 million from the carrying amount of PPE, with a corresponding reduction to Partners' equity.

#### *Impairment of Assets*

IAS 36 – Impairment of Assets uses a one-step approach for testing and measuring asset impairments. IFRS requires discounted cash flows to determine whether impairment exists, whereas Canadian GAAP requires the use of discounted cash flows to determine the amount of any impairment only if the use of undiscounted cash flows indicated the existence of impairment. This may require more frequent write downs as asset carrying values supported by undiscounted cash flows may be impaired by the use of discounting under IFRS. However, unlike Canadian GAAP, previous impairment losses may be reversed or reduced if the circumstances which lead to the impairment change.

IAS 36 also requires that impairment testing be done on a cash-generating unit level, which for the Partnership will likely be at a plant basis. Any goodwill amounts must be allocated to cash-generating units and included in the

## Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1

impairment test for each plant. Under Canadian GAAP goodwill is not allocated to plants. This change may result more frequent write downs of goodwill.

Quantification of the impact is expected during the second half of 2010.

### *Leases*

Under IAS 17 – Leases, the criteria for determining whether a lease is capital or operating are different than under Canadian GAAP. The Partnership is evaluating its PPAs under the IAS 17 criteria to determine if they contain a lease and evaluating leases to determine if they are capital or operating. For those arrangements not currently considered to be leases, classification as an operating lease under IAS 17 will not have an impact on the balance sheet or income statement but will require additional note disclosure. A change in the classification of a PPA currently not considered a lease or considered to be an operating lease to capital lease under IAS 17 would have the following impact (i) a reclassification from property, plant and equipment to lease receivable, (ii) depreciation would no longer be recorded and (iii) a portion of the PPA payments would be recognized as principal repayment and a portion as financing income.

All PPAs have now been reviewed and two have been identified as possibly requiring different treatment under IFRS which would result in a financial statement impact. Quantification of the impact is expected during the second half of 2010.

### *IFRS 1 – First Time Adoption of IFRS*

IFRS 1 provides first time adopters with a number of elections, exempting them from retrospectively adopting certain IFRS. The following elections are relevant to the Partnership.

- Fair Value or revaluation as deemed cost - An entity may choose to use fair value at the date of transition as deemed cost. This election is available on an asset by asset basis. Management currently does not intend to fair value any assets.
- Business Combinations – An entity can select any date prior to the transition date and elect not to retrospectively adopt IFRS to business combinations occurring prior to that date. Management currently intends to utilize this exemption for all business combinations occurring before January 1, 2010.
- Cumulative translation differences – An entity may elect to deem any cumulative translation differences to be zero. These amounts are reclassified within partners’ equity from accumulated other comprehensive loss to deficit without any impact to the income statement or balance sheet. Management currently intends to take this election in respect of cumulative translation losses of \$131.9 million.
- Leases – An entity does not need to reassess the determination of a lease on transition. An entity can also choose to determine whether an arrangement existing at the date of transition to IFRS’s contains a lease on the basis of facts and circumstances existing at that date, rather than the inception date of the lease. Management currently does not intend to utilize this election as the impact of implementing the lease standard is not expected to be significant in any case.
- Decommissioning liabilities – An entity may use a simplified calculation to calculate and restate the decommissioning liability, property, plant and equipment and depreciation. A decision on whether to utilize this exemption will be made during the second half of 2010.

The Partnership anticipates completion of the quantification of the opening adjustments for all standards currently in effect during the second half of 2010.

As the project progresses, the timing of completion of certain items may change as changes to standards and other external factors such as discussions with certain stakeholders may result in a change in priorities. However, we believe the project has sufficient resources to meet the overall project timeline.

### ***Financial Statements***

There are also a number of international standards which relate to financial statement presentation. Draft financial statements highlighting the disclosure and presentation requirements were reviewed by and discussed with the LP Audit Committee in the first quarter of 2009.

In the second quarter of 2010 management will populate the IFRS financial statements with results from the first quarter of 2010 to further understand disclosure and reporting impacts.

***Systems Updates***

Systems must be able to capture 2010 financial information under both the prevailing Canadian GAAP and IFRS to allow comparative reporting in 2011, the first year of reporting under IFRS. The Partnership completed its system updates in the third quarter of 2009 based on system requirements identified during the planning phase in 2008. The Partnership implemented parallel general ledgers and fixed asset systems which allow both IFRS and Canadian GAAP information to be captured. The processes and internal controls related to the capture and reporting of IFRS information are similar to those for Canadian GAAP. Both systems have been operational since the third quarter of 2009.

***Policies and Internal Controls***

In the determination of the financial statement adjustments, requirements for changes to Partnership policies and internal controls will be identified and documented. We have not identified any significant changes to processes or controls at this point in the conversion. As there may be factors other than IFRS impacting policies and internal controls, the formal documentation and approval of revised policies and internal controls will not occur until the third quarter of 2010.

The impact of IFRS on certain agreements, such as debt, shareholder and compensation agreements, has also been included in the plan. Assessments of most agreements have been completed. The Partnership has not identified provisions within the agreements which would be negatively impacted by the differences identified to date. The impact on the agreements will continue to be monitored as additional IFRS differences are quantified.

The IFRS team will work with investor relations in the third quarter to prepare information for the rating analysts and with the treasury group during the second quarter to identify issues that may arise during discussions relating to the extension of credit facilities.

***Training***

The Partnership recognizes that training at all levels is essential to a successful conversion and integration. Accounting staff have attended three training sessions with more planned to occur throughout the conversion process. The Board of Directors and Audit Committee have attended a training session, and the Audit Committee receives regular updates on the conversion project. Further training for the Board of Directors and Audit Committee will occur throughout the project. A comprehensive project update will be provided to the Audit Committee by the end of the third quarter.

**OUTLOOK**

The Partnership’s longer term outlook may be lower than provided in the Partnership’s December 31, 2009 MD&A depending on timing of finalization and terms of new PPAs for the North Carolina facilities. For further information on our outlook, refer to the Partnership’s December 31, 2009 MD&A. The Partnership continues to expect that annual cash provided by operating activities before working capital changes will be lower in 2010 compared to 2009. The Partnership’s has hedged almost all of the expected US dollar net cash flows in 2010 with foreign exchange contracts. As a result the Partnership does not expect changes in US to Canadian dollar exchange rates during 2010 will significantly impact cash flow.

The Partnership expects Equistar will emerge from Chapter 11 proceedings and will assume the ESA with Morris Cogeneration, LLC and as a result the Morris facility will receive approximately US\$12 million from Equistar during the second quarter of 2010, representing payments for pre-petition services and interest (see Significant Events).

The PPAs for the North Carolina facilities expired on December 31, 2009. The Partnership and Progress Energy Inc. (Progress) have been in negotiations but, to date, have been unable to finalize new PPAs that are acceptable to both parties. The Partnership filed for arbitration with the NCUC and is seeking long-term PPAs with pricing terms consistent with Progress’s actual avoided costs. As a result of delays in the arbitration process, the Partnership now expects that a decision is likely to be made late in the third quarter of 2010. The Partnership remains optimistic that either a NCUC arbitration ruling or further negotiations with Progress will result in new PPAs for the Roxboro and Southport facilities. It is not certain at this time whether the final contract terms will result in positive cash provided by operating activities for the facilities or achieve previous expectations of accretion from the North Carolina enhancement project.

**SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA**

<i>(unaudited)</i> <i>(millions of dollars except per unit amounts)</i>	2010		2009				2008		
	First	Fourth	Third	Second	First	Fourth	Third	Second	
Revenues	144.2	138.2	155.5	165.2	127.6	103.8	133.5	143.9	
Operating margin <sup>(1)</sup>	50.9	58.9	65.9	87.7	(0.8)	(32.1)	(118.4)	155.1	
Net income (loss) from continuing operations	14.3	17.4	30.7	42.3	(32.6)	(73.3)	(152.2)	105.1	
Cash provided by operating activities of continuing operations	44.6	39.1	33.8	33.1	33.7	56.5	20.0	39.4	
Capital expenditures	11.7	30.0	33.0	25.9	17.0	21.5	5.1	10.0	
Distributions	23.9	23.8	23.7	23.7	34.0	33.9	34.0	33.9	
<b>Per unit statistics</b>									
Net income (loss) from continuing operations	\$ 0.26	\$ 0.32	\$ 0.57	\$ 0.78	\$ (0.60)	\$ (1.36)	\$ (2.82)	\$ 1.95	
Cash provided by operating activities of continuing operations <sup>(1)</sup>	\$ 0.82	\$ 0.72	\$ 0.63	\$ 0.61	\$ 0.63	\$ 1.05	\$ 0.37	\$ 0.73	
Distributions	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.63	\$ 0.63	\$ 0.63	\$ 0.63	

<sup>(1)</sup> The selected quarterly consolidated financial data has been prepared in accordance with GAAP except for operating margin and cash provided by operating activities of continuing operations per unit. See Non-GAAP Measures.

**Factors impacting quarterly financial results**

The Partnership's Selected Quarterly Consolidated Financial Data, which has been prepared in accordance with GAAP, except as noted, is set out above. Quarterly revenues, net income and cash provided by operating activities are affected by seasonal contract pricing, seasonal weather conditions, fluctuations in US dollar exchange rates relative to the Canadian dollar, attainment of firm energy requirements, natural gas prices, waste heat availability and planned and unplanned plant outages, as well as items outside of the normal course of operations. Quarterly net income is also affected by unrealized foreign exchange gains and losses primarily on the Partnership's US dollar-denominated long-term debt prior to the fourth quarter of 2008 and fair value changes in foreign exchange contracts and natural gas supply contracts.

The Partnership's cash flow tends to be relatively stable over the year with seasonal fluctuations at the individual facilities. The Naval facilities earn approximately 75% of their capacity revenue during the summer peak demand months and all the California plants can earn performance bonuses during these months. Under the power sales contracts for the Ontario plants, the Partnership receives higher per megawatt hour prices in the winter months (October to March) and lower prices in the summer months (April to September). The lower summer prices reduce the threshold for economic curtailments thereby increasing the profitability of enhancements, natural gas prices being equal. Contributions from Williams Lake are usually lower in the fourth quarter once the annual firm energy requirements are fulfilled and the plant is only producing lower-priced excess energy. Revenues from the hydroelectric facilities are generally higher in the spring months due to seasonally higher water flows.

Significant items which impacted the last eight quarters' net income were as follows:

In the fourth quarter of 2008, the Partnership acquired Morris.

In the fourth quarter of 2008, the Partnership recorded a \$24.1 million asset impairment charge on its investment in the common shares of PERH.

In the third quarter of 2008 the Partnership recorded a \$3.4 million reduction in natural gas costs as the Partnership updated its estimate of the cost for natural gas supplied under contract.

Unrealized foreign exchange gains on US dollar-denominated debt were recorded in the second quarter of 2008 and losses were recorded in the third quarter of 2008. The gains and losses are due to fluctuations in the US dollar relative to the Canadian dollar.

The Partnership recorded gains on the change in the fair value of the natural gas supply contracts in the second quarter of 2008 and the second and fourth quarters of 2009 and losses in the third and fourth quarters of 2008, the first and third quarters of 2009 and the first quarter of 2010.

Unrealized fair value changes on foreign exchange contracts resulted in gains in the second quarter of 2008 and the second, third and fourth quarters of 2009 and the first quarter of 2010. Losses were recorded in the third and fourth quarters of 2008 and in the first quarter of 2009.

## FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking and related to anticipated financial performance, events and strategies. When used in this context, words such as “will”, “anticipate”, “believe”, “plan”, “intend”, “target” and “expect” or similar words suggest future outcomes. By their nature, such statements are subject to significant risks, assumptions and uncertainties, which could cause the Partnership’s actual results and experience to be materially different than the anticipated results. In particular, forward-looking information and statements include information and statements with respect to: (i) planned capital upgrades at Southport of US\$13 million in the remaining nine months of 2010, (ii) planned capital upgrades at Oxnard of US\$8 million during the remaining nine months of 2010 and expectations regarding the plant being back online in May 2010, (iii) expectations regarding the Partnership’s cash provided by operating activities in 2010, (iv) managements expectations regarding the arbitration process in respect of PPAs at the North Carolina facilities and expectations in respect of new PPAs for the North Carolina facilities, (v) expectations with respect to the Partnership’s long-term outlook for the North Carolina plants, (vi) anticipated completion of the Oxnard and Southport facility modifications and the impact thereof on the operation of the facilities, (vii) expectations relating to the emergence of Equistar from Chapter 11 proceedings, including that Equistar will assume the Morris energy services agreement and that Morris will receive approximately US\$12 million of payments for pre-petition services and interest, and (viii) the expected impact of transition to IFRS and expected project review completion dates.

These statements are based on certain assumptions and analyses made by the Partnership in light of its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. The material factors and assumptions used to develop these forward-looking statements include, but are not limited to: (i) the Partnership’s operations, financial position and available credit facilities, (ii) the Partnership’s assessment of commodity, currency and power markets, (iii) the markets and regulatory environment in which the Partnership’s facilities operate, (iv) the state of capital markets, (v) management’s analysis of applicable tax legislation, (vi) the assumption that the currently applicable and proposed tax laws will not change and will be implemented, (vii) the assumption that counterparties to fuel supply and power purchase agreements will continue to perform their obligations under the agreements taking account of the matters described herein, (viii) that current expectations regarding throughput on the TransCanada Canadian Mainline will continue (ix) the level of plant availability and dispatch, (x) the performance of contractors and suppliers, (xi) the renewal or replacement of PPAs and terms of PPAs including the terms and timing of new PPAs at the North Carolina facilities, (xii) the ability of the Partnership to successfully integrate and realize the benefits of its capital projects, (xiii) the ability of the Partnership to implement its strategic initiatives and whether such initiatives will yield the expected benefits, (xiv) expected water flows, (xv) management’s analysis of the Equistar reorganization under Chapter 11 of the US Bankruptcy Code, (xvi) the ability of the Partnership to adequately source alternative sources of supply of wood waste, and (xvii) currently applicable and proposed environmental regulation will be implemented.

Whether actual results, performance or achievements will conform to the Partnership’s expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Partnership’s expectations. Such risks and uncertainties include, but are not limited to, risks relating to: (i) the operation of the Partnership’s facilities, (ii) plant availability and performance, (iii) the availability and price of energy commodities including natural gas and wood waste, (iv) the performance of counterparties in meeting their obligations under PPAs, (v) competitive factors in the power industry, (vi) economic conditions, including in the markets served by the Partnership’s facilities, (vii) changing demand for natural gas transportation on the TransCanada Canadian Mainline, (viii) ongoing compliance by the Partnership with its current debt covenants, (ix) developments within the North American capital markets, (x) the availability and cost of permanent long-term financing in respect of acquisitions and investments, (xi) unanticipated maintenance and other expenditures, (xii) the Partnership’s ability to successfully realize the benefits of its capital projects, (xiii) changes in regulatory and government decisions including changes to emission regulations, (xiv) waste heat availability and water flows, (xv) changes in existing and proposed tax and other legislation in Canada and the US and including changes in the Canada-US tax treaty, (xvi) the tax attributes of and implications of any acquisitions, (xvii) the availability and cost of equipment, (xviii) the ability of the Partnership to adequately source alternative sources of supply of wood waste, and (xix) the NCUC arbitration or negotiations with Progress may not result in PPAs with satisfactory financial terms. See also “Risk Factors” in the Partnership’s 2009 Annual Information Form and “Business Risks” in the Partnership’s December 31, 2009 annual MD&A.

Readers are cautioned not to place undue reliance on forward-looking statements as actual results could differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements. Forward-looking statements are provided for the purpose of presenting information about management’s current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Except as required by law, the Partnership disclaims any intention and assumes no obligation to update any forward-looking statement.

## Capital Power Income L.P. – Management’s discussion and analysis – 2010 Q1

### QUARTERLY UNIT TRADING INFORMATION

The Partnership units trade on the Toronto Stock Exchange under the symbol CPA.UN.

For the three months ended <i>(unaudited)</i>	Mar. 31 2010	Dec. 31 2009	Sep. 30 2009	Jun. 30 2009	Mar. 31 2009
<b>Unit price</b>					
High	\$18.43	\$15.77	\$16.30	\$16.21	\$18.98
Low	\$15.54	\$13.35	\$13.62	\$11.65	\$12.90
Close	\$17.82	\$15.48	\$15.26	\$15.25	\$13.80
<b>Volume traded (millions)</b>	4.8	6.2	4.3	9.2	3.3

As at April 27, 2010, the Partnership had 54.7 million units outstanding. The weighted average number of units outstanding for the three months ended March 31, 2010 was 54.3 million.

### ADDITIONAL INFORMATION

Additional information relating to Capital Power Income L.P. including the Partnership’s Annual Information Form and other continuous disclosure documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Capital Power Income L.P.**  
**CONSOLIDATED STATEMENTS OF INCOME AND LOSS**

<i>(unaudited)</i>	<b>Three months ended</b>	
	<b>2010</b>	<b>March 31 2009</b>
(In millions of dollars except units and per unit amounts)		
<b>Revenues</b>	<b>\$ 144.2</b>	<b>\$ 127.6</b>
<b>Cost of fuel</b>	<b>70.7</b>	<b>101.2</b>
<b>Operating and maintenance expense</b>	<b>22.6</b>	<b>27.2</b>
	<b>50.9</b>	<b>(0.8)</b>
<b>Other costs</b>		
Depreciation, amortization and accretion	<b>23.5</b>	<b>23.8</b>
Financial charges and other, net (Note 2)	<b>11.0</b>	<b>13.1</b>
Management and administration	<b>4.0</b>	<b>4.3</b>
	<b>38.5</b>	<b>41.2</b>
<b>Net income (loss) from continuing operations before income tax and preferred share dividends</b>	<b>12.4</b>	<b>(42.0)</b>
<b>Income tax recovery</b>	<b>(5.5)</b>	<b>(11.0)</b>
<b>Net income (loss) from continuing operations before preferred share dividends</b>	<b>17.9</b>	<b>(31.0)</b>
Preferred share dividends of a subsidiary company	<b>3.6</b>	<b>1.6</b>
<b>Net income (loss) from continuing operations</b>	<b>14.3</b>	<b>(32.6)</b>
Net loss from discontinued operations	<b>-</b>	<b>(0.7)</b>
<b>Net income (loss)</b>	<b>\$ 14.3</b>	<b>\$ (33.3)</b>
Net income (loss) per unit from continuing operations	<b>\$ 0.26</b>	<b>\$ (0.60)</b>
Net loss per unit from discontinued operations	<b>-</b>	<b>(0.01)</b>
<b>Net income (loss) per unit</b>	<b>\$ 0.26</b>	<b>\$ (0.62)</b>
<b>Weighted average units outstanding (millions)</b>	<b>54.3</b>	<b>53.9</b>

*See accompanying notes to the consolidated financial statements.*

**Capital Power Income L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

<i>(unaudited)</i>	<b>Three months ended</b>	
	<b>2010</b>	<b>March 31</b> 2009
(In millions of dollars)		
<b>Operating activities</b>		
Net income (loss) from continuing operations	<b>\$ 14.3</b>	\$ (32.6)
Items not affecting cash:		
Depreciation, amortization and accretion	<b>23.5</b>	23.8
Future income tax recovery	<b>(6.6)</b>	(11.9)
Fair value changes on derivative instruments	<b>3.2</b>	50.3
Other	<b>2.5</b>	2.3
	<b>36.9</b>	31.9
Change in non-cash operating working capital	<b>7.7</b>	1.8
Cash provided by operating activities of continuing operations	<b>44.6</b>	33.7
Cash used in operating activities of discontinued operations	<b>-</b>	(1.3)
Cash provided by operating activities	<b>44.6</b>	32.4
<b>Investing activities</b>		
Additions to property, plant and equipment	<b>(11.7)</b>	(17.0)
Change in non-cash working capital	<b>(7.5)</b>	(3.8)
Dividends from equity investment	<b>-</b>	0.8
Cash used in investing activities of continuing operations	<b>(19.2)</b>	(20.0)
Cash used in investing activities of discontinued operations	<b>-</b>	(0.1)
Cash used in investing activities	<b>(19.2)</b>	(20.1)
<b>Financing activities</b>		
Distributions paid	<b>(17.2)</b>	(33.9)
Net (repayments) borrowings under credit facilities	<b>(8.5)</b>	28.9
Long-term debt repaid	<b>(0.7)</b>	(0.6)
Cash used in financing activities	<b>(26.4)</b>	(5.6)
Foreign exchange gains on cash held in a foreign currency	<b>0.2</b>	-
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(0.8)</b>	6.7
<b>Cash and cash equivalents, beginning of period</b>	<b>9.5</b>	3.0
<b>Cash and cash equivalents, end of period</b>	<b>\$ 8.7</b>	\$ 9.7
<b>Supplementary cash flow information</b>		
Net income taxes paid (recovered)	<b>\$ 1.4</b>	\$ 0.3
Interest paid net of interest received	<b>\$ 13.2</b>	\$ 15.3

*See accompanying notes to the consolidated financial statements.*

**Capital Power Income L.P.**  
**CONSOLIDATED BALANCE SHEETS**

<i>(unaudited)</i>	<b>March 31, 2010</b>	December 31, 2009
<i>(In millions of dollars)</i>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8.7	\$ 9.5
Accounts receivable	50.3	51.8
Inventories	21.1	19.4
Prepays and other	3.6	4.5
Derivative instruments assets (Note 3)	7.0	7.8
Future income taxes	1.7	1.9
	<b>92.4</b>	<b>94.9</b>
<b>Property, plant and equipment</b>	<b>1,046.4</b>	<b>1,069.9</b>
<b>Power purchase arrangements</b>	<b>314.3</b>	<b>330.4</b>
<b>Goodwill</b>	<b>46.0</b>	<b>47.6</b>
<b>Derivative instruments assets</b> (Note 3)	<b>29.9</b>	<b>31.8</b>
<b>Future income taxes</b>	<b>33.2</b>	<b>35.0</b>
<b>Other assets</b>	<b>56.2</b>	<b>58.5</b>
	<b>\$ 1,618.4</b>	<b>\$ 1,668.1</b>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 60.2	\$ 59.6
Distributions payable	8.0	7.9
Long-term debt due within one year	0.7	1.4
Derivative instruments liabilities (Note 3)	15.8	2.9
Future income taxes	-	3.8
	<b>84.7</b>	<b>75.6</b>
<b>Long-term debt</b>	<b>696.2</b>	<b>719.4</b>
<b>Derivative instruments liabilities</b> (Note 3)	<b>59.3</b>	<b>36.4</b>
<b>Other liabilities</b>	<b>34.9</b>	<b>34.8</b>
<b>Future income taxes</b>	<b>56.1</b>	<b>62.7</b>
<b>Preferred shares issued by a subsidiary company</b>	<b>219.7</b>	<b>219.7</b>
<b>Partners' equity</b>	<b>467.5</b>	<b>519.5</b>
	<b>\$ 1,618.4</b>	<b>\$ 1,668.1</b>

See accompanying notes to the consolidated financial statements.

**Capital Power Income L.P.**  
**CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY**

<i>(unaudited)</i>	<b>Three months ended March 31</b>	
	<b>2010</b>	<b>2009</b>
(In millions of dollars)		
<b>Partnership capital</b>		
Balance, beginning of period	\$ 1,200.6	\$ 1,197.1
Partnership units issued pursuant to distribution reinvestment plan	<b>6.6</b>	-
Balance, end of period	<b>\$ 1,207.2</b>	<b>\$ 1,197.1</b>
<b>Deficit</b>		
Balance, beginning of period:		
As previously reported	\$ (543.7)	\$ (500.1)
Adjustment for changes in accounting policies	-	3.9
As restated	<b>(543.7)</b>	(496.2)
Net income (loss)	<b>14.3</b>	(33.3)
Distributions	<b>(23.9)</b>	(34.0)
Balance, end of period	<b>\$ (553.3)</b>	<b>\$ (563.5)</b>
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	\$ (137.4)	\$ (64.7)
Other comprehensive (loss) income	<b>(49.0)</b>	16.7
Balance, end of period	<b>\$ (186.4)</b>	<b>\$ (48.0)</b>
Total of deficit and accumulated other comprehensive loss	<b>\$ (739.7)</b>	<b>\$ (611.5)</b>
<b>Partners' equity</b>	<b>\$ 467.5</b>	<b>\$ 585.6</b>

*See accompanying notes to the consolidated financial statements.*

**Capital Power Income L.P.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

<i>(unaudited)</i>	<b>Three months ended</b>	
(In millions of dollars)	<b>2010</b>	<b>March 31</b>
		<b>2009</b>
<b>Net income (loss)</b>	<b>\$ 14.3</b>	<b>\$ (33.3)</b>
<b>Other comprehensive (loss) income, net of income tax</b>		
(Losses) gains on translating net assets of self-sustaining foreign operations <sup>(1)</sup>	<b>(20.3)</b>	17.1
Amortization of deferred gains on derivative instruments de-designated as cash flow hedges to income <sup>(2)</sup>	<b>(0.1)</b>	(0.4)
Unrealized losses on derivative instruments designated as cash flow hedges <sup>(3)</sup>	<b>(28.9)</b>	-
Ineffective portion of cash flow hedges reclassified to net income <sup>(2)</sup>	<b>0.3</b>	-
	<b>(49.0)</b>	16.7
<b>Comprehensive loss</b>	<b>\$ (34.7)</b>	<b>\$ (16.6)</b>

<sup>(1)</sup> Net of income tax expense of \$4.2 million (2009 - \$nil).

<sup>(2)</sup> Net of income tax of \$nil (2009 - \$nil).

<sup>(3)</sup> Net of income tax recovery of \$6.5 million (2009 - \$nil).

*See accompanying notes to the consolidated financial statements.*

**Note 1. Significant accounting policies**

The consolidated financial statements of Capital Power Income L.P. (the Partnership) have been prepared by the management of the General Partner in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies applied are consistent with those outlined in the Partnership's annual financial statements for the year ended December 31, 2009. These consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods. These consolidated financial statements for the three months ended March 31, 2010 do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements included in the Partnership's 2009 Annual Report.

Quarterly revenues, net income and cash provided by operating activities are affected by seasonal contract pricing, seasonal weather conditions, fluctuations in United States (US) dollar exchange rates, fulfillment of firm energy requirements, natural gas prices, waste heat availability and planned and unplanned plant outages, as well as items outside of the normal course of operations. Quarterly net income is also affected by unrealized foreign exchange gains and losses and fair value changes in derivative instruments. The California plants normally generate the majority of their operating margin during the summer months when the plants can earn performance bonuses. Additionally, the plants located on Naval bases earn approximately 75% of their capacity revenue during these months. Revenues, net income and cash provided by operating activities from the Partnership's Ontario plants are generally higher in the winter months (October to March) and lower in the summer months (April to September) due to seasonal pricing under the power purchase arrangements (PPAs). Revenues and net income from the Partnership's hydroelectric plants are generally higher in the spring months due to seasonally higher water flows.

Since a determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made with careful judgment. In the opinion of management of the Partnership's General Partner, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Partnership's accounting policies.

**Note 2. Financial charges and other, net**

<i>(millions of dollars)</i>	<b>Three months ended March 31</b>	
	<b>2010</b>	<b>2009</b>
Interest on long-term debt	<b>\$ 9.6</b>	\$ 11.1
Foreign exchange losses	<b>0.7</b>	0.5
Losses from equity investment	-	1.7
Dividend income	-	(0.4)
Other	<b>0.7</b>	0.2
	<b>\$ 11.0</b>	<b>\$ 13.1</b>

**Note 3. Financial instruments**

**Derivative instruments**

Derivative instruments are held to manage financial risk related to energy procurement and treasury management. All derivative instruments, including embedded derivatives, are classified as held for trading and are recorded at fair value on the balance sheet as derivative instruments assets and derivative instruments liabilities unless exempted from derivative treatment as a normal purchase, sale or usage. All changes in their fair value are recorded in net income.

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

Capital Power Income L.P.  
Notes to the Interim Consolidated Financial Statements  
March 31, 2010  
(Unaudited)

March 31, 2010				
	Natural gas		Foreign exchange	Total
	Hedges	Non-hedges	Non-hedges	
<b>Derivative instruments assets:</b>				
Current	\$ -	\$ -	\$ 7.0	\$ 7.0
Non-current	-	2.1	27.8	29.9
<b>Derivative instruments liabilities:</b>				
Current	(12.7)	(2.3)	(0.8)	(15.8)
Non-current	(55.6)	(0.7)	(3.0)	(59.3)
	<b>\$ (68.3)</b>	<b>\$ (0.9)</b>	<b>\$ 31.0</b>	<b>\$ (38.2)</b>
<b>Net notional amounts:</b>				
Gigajoules (GJs)(millions)	44	10		
US foreign exchange (US dollars in millions)			380.4	
Contract terms (years)	0.8 to 6.8	1.6 to 2.8	0.2 to 5.7	

December 31, 2009				
	Natural gas		Foreign exchange	Total
	Hedges	Non-hedges	Non-hedges	
<b>Derivative instruments assets:</b>				
Current	\$ 1.0	\$ 2.5	\$ 4.3	\$ 7.8
Non-current	-	6.0	25.8	31.8
<b>Derivative instruments liabilities:</b>				
Current	(2.1)	-	(0.8)	(2.9)
Non-current	(32.8)	-	(3.6)	(36.4)
	<b>\$ (33.9)</b>	<b>\$ 8.5</b>	<b>\$ 25.7</b>	<b>\$ 0.3</b>
<b>Net notional amounts:</b>				
Gigajoules (GJs)(millions)	45	11		
US foreign exchange (US dollars in millions)			395.0	
Contract terms (years)	1.0 to 7.0	0.0 to 3.0	0.2 to 6.0	

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

		Three months ended March 31	
(millions of dollars)	Financial statement category	2010	2009
Foreign exchange non-hedges	Revenue	\$ 8.6	\$ (19.9)
Natural gas non-hedges	Cost of fuel	(8.6)	(34.1)
Foreign exchange non-hedges	Foreign exchange losses	-	(0.6)
Natural gas hedges - ineffective portion	Cost of fuel	(0.3)	-
Natural gas hedges - effective portion	Other comprehensive loss	35.1	-

If hedge accounting requirements are not met, unrealized and realized gains and losses on natural gas derivatives are recorded in cost of fuel. If hedge accounting requirements are met, realized gains and losses on natural gas

derivatives are recorded in cost of fuel while unrealized gains and losses are recorded in other comprehensive income.

**Note 4. Segment disclosures**

The Partnership operates in one reportable business segment involved in the operation of electrical generation plants within British Columbia, Ontario, and in the US in California, Colorado, Illinois, New Jersey, New York, North Carolina and Washington.

**Geographic information**

<i>(millions of dollars)</i>	Three months ended March 31 2010			Three months ended March 31 2009		
	Canada	US	Total	Canada	US	Total
<b>Revenue</b>	\$ 67.9	\$ 76.3	\$ 144.2	\$ 37.2	\$ 90.4	\$ 127.6

<i>(millions of dollars)</i>	As at March 31, 2010			As at December 31, 2009		
	Canada	US	Total	Canada	US	Total
<b>Assets</b>						
PP&E	\$ 526.3	\$ 520.1	\$ 1,046.4	\$ 534.5	\$ 535.4	\$ 1,069.9
PPAs	35.9	278.4	314.3	36.6	293.8	330.4
Other assets	-	56.2	56.2	-	58.5	58.5
Goodwill	-	46.0	46.0	-	47.6	47.6
	\$ 562.2	\$ 900.7	\$ 1,462.9	\$ 571.1	\$ 935.3	\$ 1,506.4

**Note 5. Comparative figures**

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