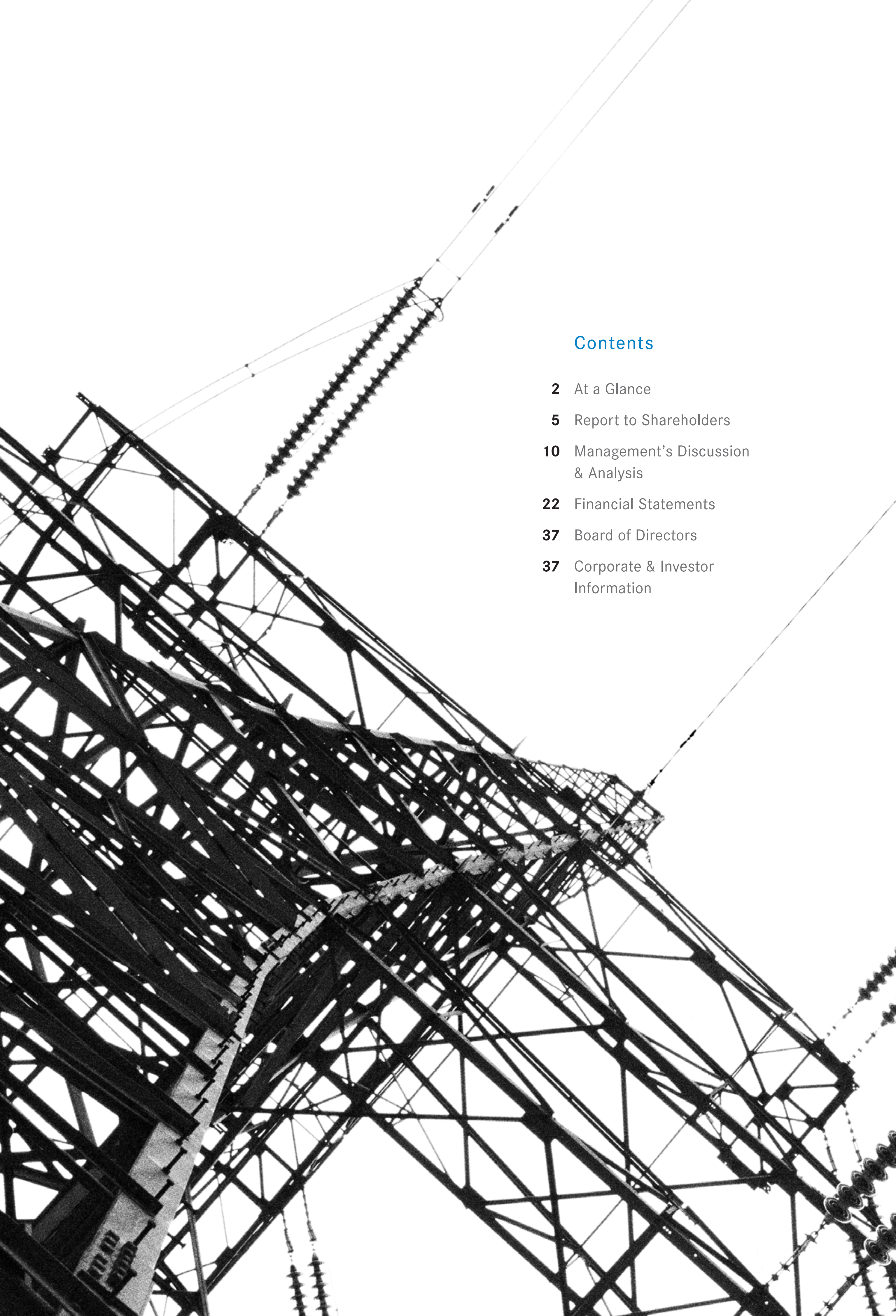
AtlanticPower
Corporation

# INVEST IN POWER

Atlantic Power Corporation
Annual Report 2004



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# PROFILE: Atlantic Power Corporation owns interests in a diversified portfolio of 15 power generating projects located primarily in the United States.

Our Income Participating Securities (IPS), comprised of one common share and $5.767 of 11% subordinated notes, are listed on the Toronto Stock Exchange (symbol ATP.UN). Atlantic Power benefits from the strong sponsorship of ArcLight Capital Partners, LLC, one of North America's leading private investment firms focused exclusively on the electric power and energy sectors. Additional information about our projects can be found on our web site at www.atlanticpowercorporation.com.

OBJECTIVES: Atlantic Power's objectives are to maintain and grow cash distributions over the long-term by enhancing the generation of cash at our existing assets and by expanding our power generation portfolio through accretive acquisitions.

# AT A GLANCE...

Proven Value Enhancing Strategies: 1. Right of First Offer to acquire 11 additional ArcLight projects; 2. Other accretive acquisitions from third-parties; 3. Enhance performance of existing projects; and 4. Consolidate ownership in current projects.

## Map of Project Locations

**GAS**

A **Badger Creek**, Bakersfield, CA
B **Delta-Person**, Albuquerque, NM
C **Gregory**, Corpus Christi, TX
D **Mid-Georgia**, Kathleen, GA
E **Lake**, Umatilla, FL
F **Orlando**, Orlando, FL
G **Pasco**, Tampa, FL
H **MASSPOWER**, Springfield, MA
I **Selkirk**, Bethlehem, NY
J **Onondaga**, Geddes, NY

**COAL**

K **Stockton**, Stockton, CA
L **Rumford**, Rumford, ME

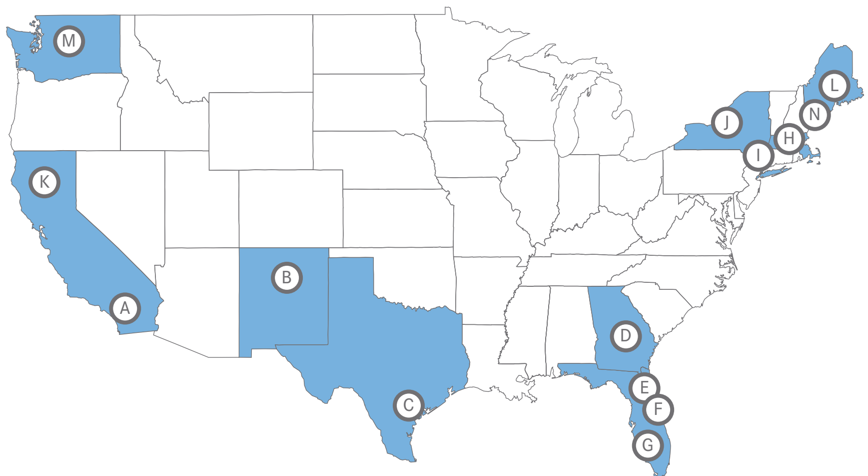
**HYDRO**

M **Koma Kulshan**, Whatcom County, WA
N **Topsham**, Topsham, ME

**FUEL OIL**

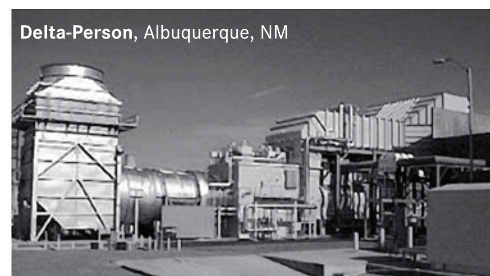
O **JPPC**, Kingston, Jamaica

Additional information on each of our projects can be found at www.atlanticpowercorporation.com



**Rumford**, Rumford, ME

**Topsham**, Topsham, ME


**Delta-Person**, Albuquerque, NM

## Project Information

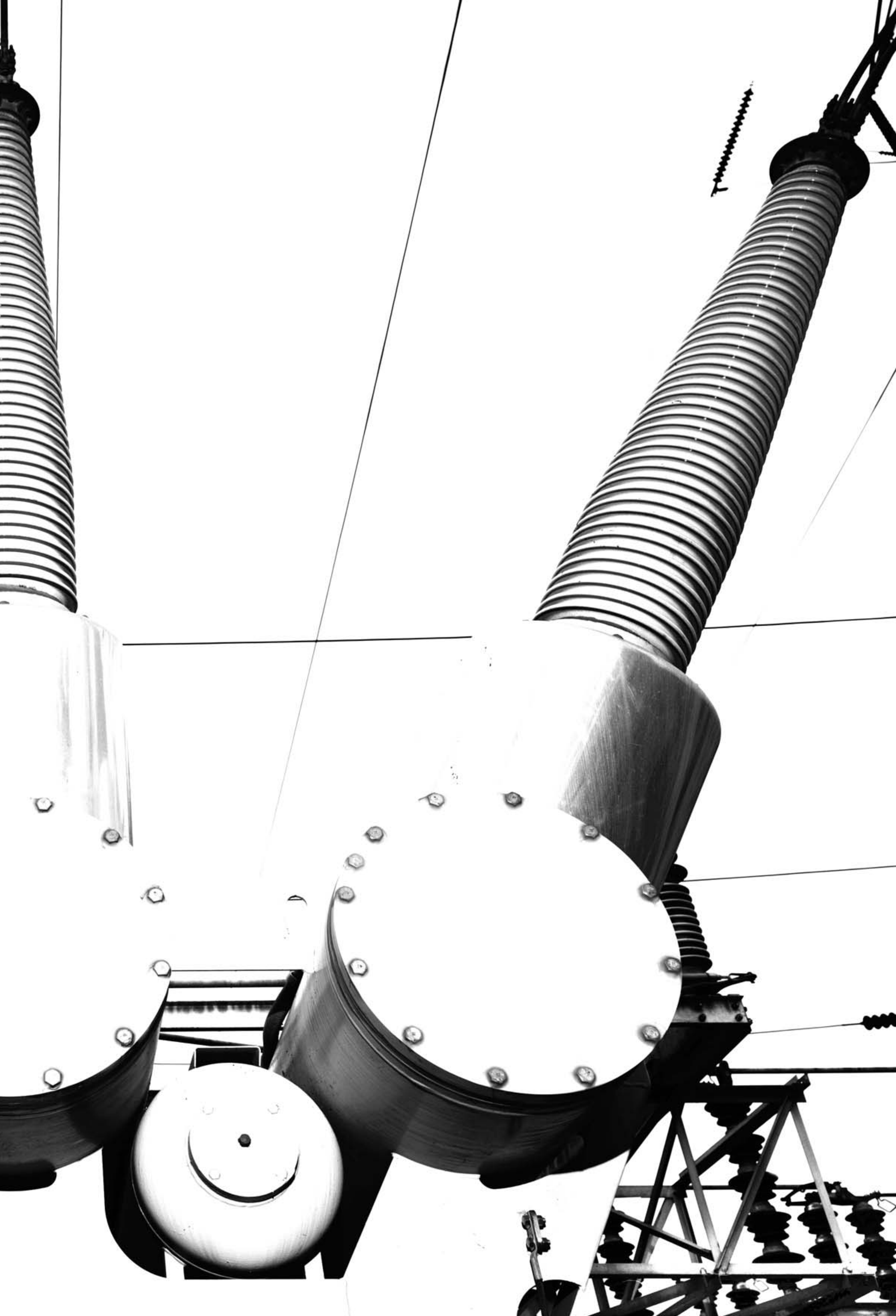
| Project Name | Location | Fuel Type | Total MW | Economic Interest[1] | Acct Tmt[2] | Net MW[3] | Electricity Off-Taker | PPA Expiry | Off-Taker S&P Credit Rating |
|---|---|---|---|---|---|---|---|---|---|
| Badger Creek | California | Natural Gas | 46 | 50.0% | P | 23 | Pacific Gas & Electric | 2011 | BBB |
| Delta-Person | New Mexico | Natural Gas | 132 | 40.0%[4] | E | 53 | Public Service of New Mexico | 2020 | BBB |
| Gregory | Texas | Natural Gas | 400 | 9.45%[4][7] | E | 38 | Dynegy<br>Reynolds Metals | 2005<br>2020 | B<br>NR |
| JPPC | Jamaica | Fuel Oil | 60 | 24.1% | E | 14 | Jamaica Public Service | 2018 | B |
| Koma Kulshan | Washington | Hydro | 13 | 49.8% | P | 7 | Puget Sound Energy | 2037 | BBB- |
| Lake | Florida | Natural Gas | 110 | 100.0% | C | 110 | Progress Energy | 2013 | BBB |
| MASSPOWER | Massachusetts | Natural Gas | 267 | 17.5% | E | 47 | Boston Edison<br>Commonwealth Electric<br>Massachusetts Municipal Wholesale Electric | 2013[5]<br>2008/2013[5]<br>2013 | A<br>A<br>A- |
| Mid-Georgia | Georgia | Natural Gas | 308 | 50.0% | P | 154 | Georgia Power | 2028 | A |
| Onondaga | New York | Natural Gas | 91 | 100.0% | C | 91 | Niagara Mohawk | 2008[6] | A |
| Orlando | Florida | Natural Gas | 126 | 50.0% | P | 63 | Progress Energy<br>Reedy Creek Improvement District | 2023<br>2013 | BBB<br>A- |
| Pasco | Florida | Natural Gas | 109 | 49.9% | P | 54 | Progress Energy | 2008 | BBB |
| Rumford | Maine | Coal/Biomass | 85 | 23.2%[4] | E | 20 | Central Maine Power<br>MeadWestvaco | 2005<br>2020 | BBB+<br>BBB |
| Selkirk | New York | Natural Gas | 345 | 18.5%[4] | E | 64 | Niagara Mohawk<br>Consolidated Edison | 2008<br>2014 | A<br>A |
| Stockton | California | Coal | 55 | 50.0% | P | 28 | Pacific Gas & Electric<br>Corn Products International | 2008<br>2008 | BBB<br>BBB- |
| Topsham[8] | Maine | Hydro | 14 | 50.0% | P | 7 | Central Maine Power | 2011 | BBB+ |

(1) Atlantic Power's subsidiary Atlantic Power Holdings, LLC ("Holdings") economic interest represents the percentage ownership interest in the Project held indirectly by Holdings (except as otherwise noted).
(2) Accounting Treatment: (refer to Note 1 to Consolidated Financial Statements).
C=Consolidated, P=Proportionate Consolidation, E=Equity
(3) Represents Holdings' interest in each project's total electric generation capacity in megawatts ("MW") based on Holdings' economic interest in each project.
(4) Represents Holdings' estimate of its share of the cash flow from the project.
(5) On March 1, 2005 MASSPOWER concluded a termination agreement for its one PPA with Boston Edison and two PPAs with Commonwealth Electric and received a termination payment. See Subsequent Events.
(6) A swap agreement with Niagara Mohawk Power Corporation has replaced the Onondaga PPA.
(7) On January 12, 2005 Holdings increased its indirect interest in the Gregory Project to 15.1% or 60.4 net MW. See Subsequent Events.
(8) Holdings' owns its interest in this Project as a lessor.

**Orlando**, Orlando, FL

**Stockton**, Stockton, CA

**Selkirk**, Bethlehem, NY



# REPORT TO SHAREHOLDERS: We are pleased to present our first report to Shareholders. With the completion of our initial public offering in November 2004, Atlantic Power became one of North America's largest publicly-traded power income funds.

We hold interests in a diversified portfolio of power generation projects situated primarily in major markets in the United States. Revenues are derived from the sale of electricity and steam to predominantly investment-grade off-takers under long-term agreements, providing Atlantic Power with stable long-term cash flows. We have identified a number of strategies and growth opportunities aimed at increasing cash distributions and investor returns over the long-term.

## Strong Industry Fundamentals and Unique Competitive Position

The electric power industry is one of the North American economy's largest industry segments, with revenue in the United States of nearly $260 billion in 2003. A growing portion of the power produced in the U.S. is now generated by independent power producers, or non-utility generators, who sell their electricity to utilities and other entities under long-term contracts. In the United States there are 7,800 facilities comprising the independent power marketplace, accounting for approximately 48% of total generating capacity.

As many power income funds look increasingly to the U.S. for further growth, Atlantic Power is uniquely positioned to access, analyze, and execute accretive acquisitions. This advantage is based on our focus on the U.S. market with an experienced management team, strong industry relationships, and our Right of First Offer to purchase 11 projects provided by our sponsor. Having invested successfully in this industry through its cycles, and with working knowledge of issues at the state and federal levels, this team can effectively find value and avoid potential pitfalls for our investors.

## A Solid Portfolio

Atlantic Power currently owns interests in a diversified portfolio of 15 power projects primarily located in nine states representing most of the major U.S. power markets. In aggregate, Atlantic Power's interest in the generating capacity of its projects totals 773 MW as of December 31, 2004.

Our Projects are well diversified, based on electricity and steam off-takers, regulatory jurisdictions and regional power pools, thereby mitigating exposure to market, regulatory or environmental conditions specific to any one region. Shareholder risk is also reduced by our diversified and financially strong customer base. Currently we have contracts to sell our electricity and steam to 24 different off-takers, with over 90% of the power buyers having investment-grade credit ratings.

To operate and maintain our facilities, we partner with recognized leaders in independent power, many of whom also have equity investments in our projects. While day-to-day operational decisions are made by these partners, we participate in partnership meetings and are involved in virtually every significant decisions taken about the physical asset, contractual arrangements, financing and overall strategy.

## Looking ahead, we have identified a number of strategies to enhance the solid performance and cash flow of our initial projects and to consolidate our ownership of these facilities.

### A Proven Business Model

The majority of our projects sell electricity under long-term Power Purchase Agreements (PPAs) with a weighted average term of approximately 11 years. In addition, the projects typically have long-term fuel supply and transportation agreements with terms corresponding to the length of the related PPA. To protect Shareholders from future increases in fuel costs, the PPAs typically provide for substantially all of the changes in fuel costs to be passed through to the power buyer.

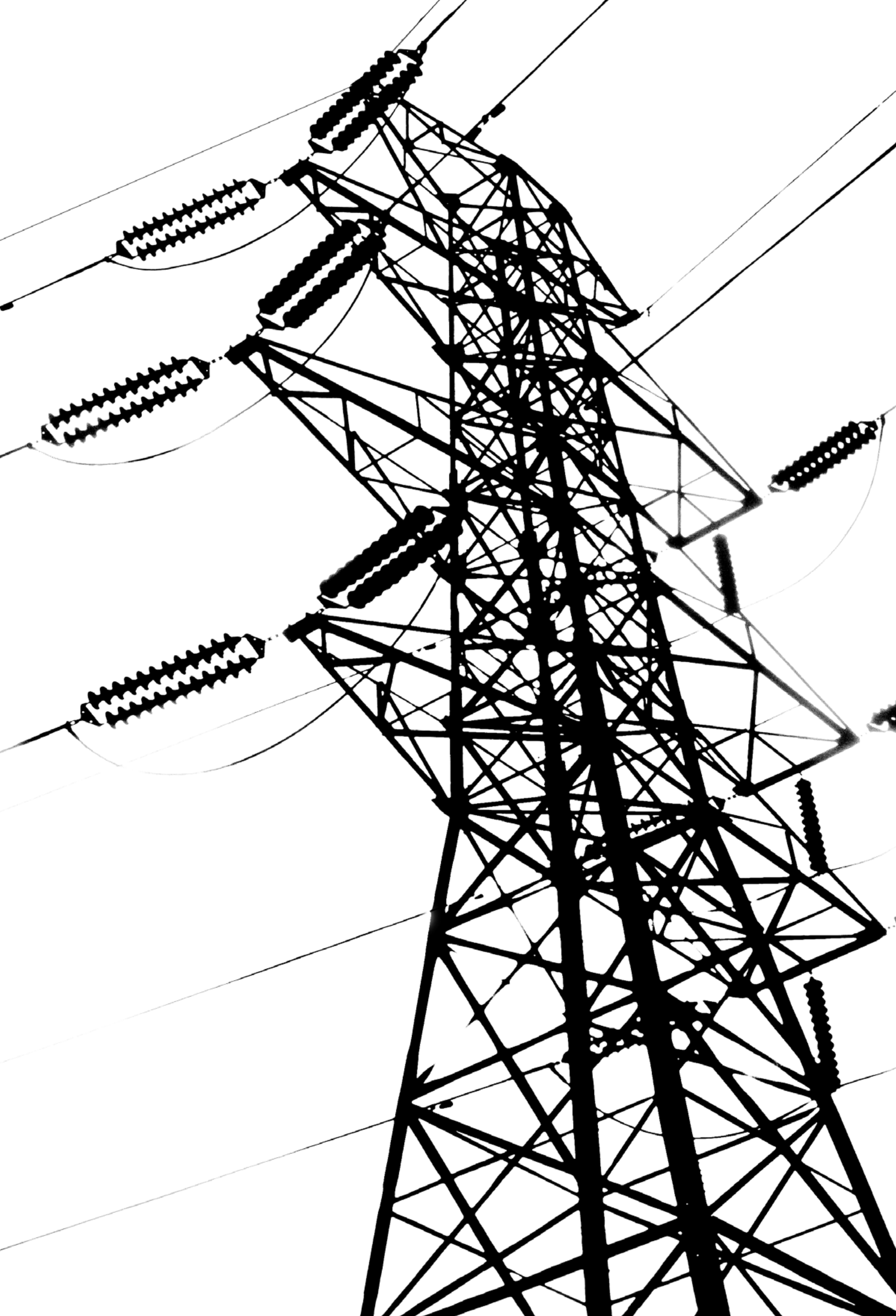
The stability of cash distributions is also supported by our Reserve Account, which held $12.5 million as of December 31, 2004. In March 2005, due to the termination and buy-out of three of the four PPAs of the MASSPOWER Project, almost $36 million was added to the Reserve Account making a total of $48.5 million. This was a positive investment result for Atlantic Power and the other MASSPOWER Partners, and also provided projected ratepayer benefits. These additional funds will likely be used to make an acquisition, consistent with our objectives. Cash generated in excess of cash distributions to our Shareholders continues to be deposited into the Reserve Account. The Reserve Account is available to stabilize future cash distributions and to fund acquisitions and other growth opportunities.

Because almost all of our business is in U.S. dollars, we have entered into hedging arrangements to fix the Canadian dollar exchange rate on a rolling five-year basis to minimize exposure to currency fluctuations for Atlantic Power's cash distributions at the current level.

### A Strong Sponsor

Atlantic Power's sponsor is ArcLight Capital Partners, LLC, one of North America's leading private investment firms focused exclusively on the electric power and energy sectors. ArcLight Energy Partners Funds I and II are significant investors in Atlantic Power, owning approximately 42% of Atlantic Holdings, along with Caithness Energy.

Going forward, we will continue to leverage ArcLight's experience and extensive relationships within the North American power and energy industry as we build our portfolio and enhance cash flows from our facilities. We have a Right of First Offer to purchase 11 additional facilities from ArcLight representing over 700 megawatts of power generating capacity, a distinct advantage in our ability to expand the portfolio.



## We believe market factors have created a unique opportunity for Atlantic Power to grow its business over the next several years through acquisitions that will generate increased cash distributions and value for our investors.

### An Exciting Future

Looking ahead, we have identified a number of strategies and growth opportunities to build on the solid performance and cash flow of our initial projects.

First, we will capitalize on our knowledge, experience, and relationships in the North American power industry to find and make accretive acquisitions. Any purchase must meet our acquisition and investment guidelines, be approved by our Board and result in an increase in value and cash flow available for distribution to Shareholders.

Second, we can take advantage of our Right of First Offer to acquire interests in 11 additional projects currently owned by funds managed by ArcLight. These projects fit our model of solid operating assets with appropriate long-term contractual arrangements and stable cash flows.

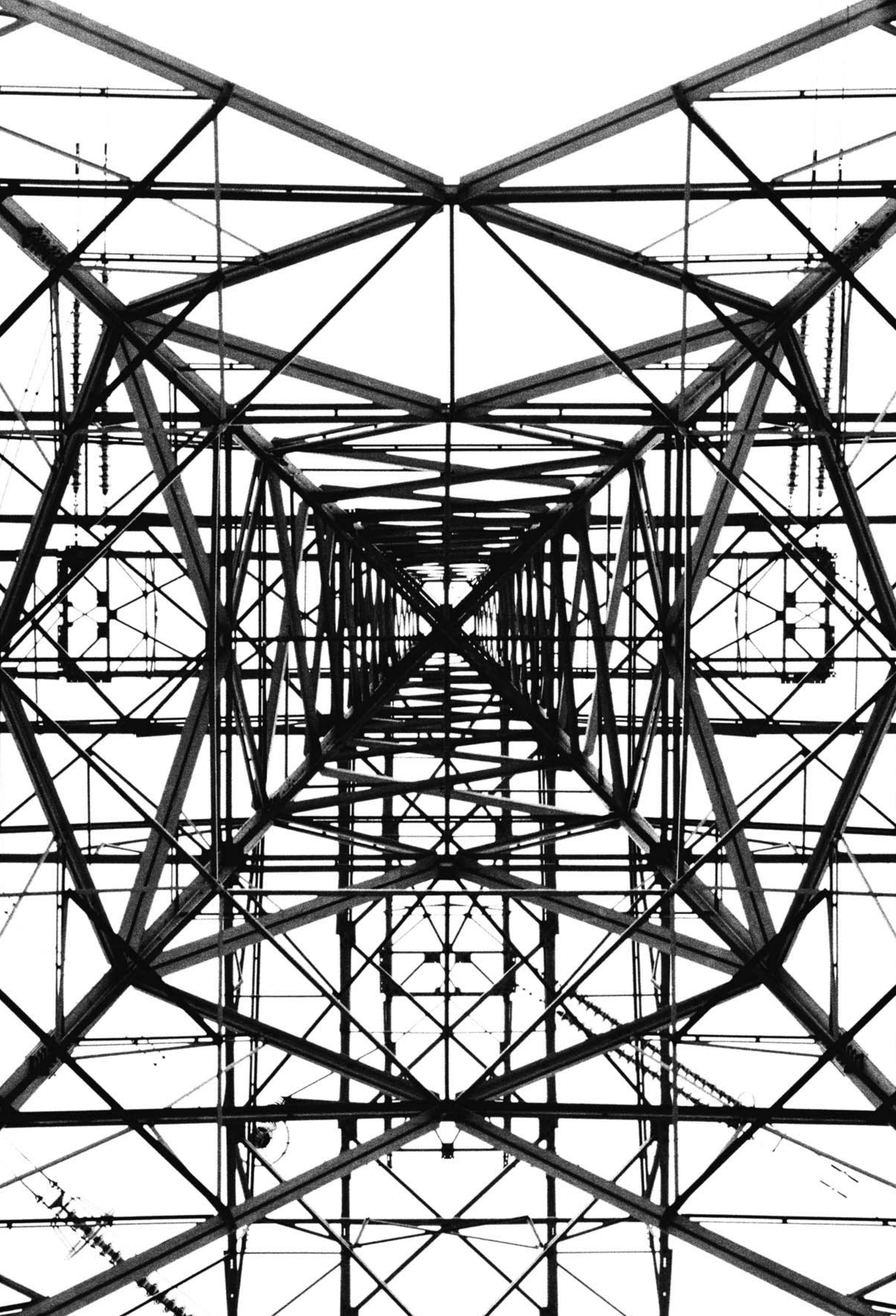
Third, we will continue to work with our project operators and managers to enhance the operating and financial performance of our existing facilities. We will be exploring continued improvements and possible expansions to drive value for shareholders.

Finally, we will investigate the opportunity to consolidate our ownership in a number of our current projects.

In summary, we believe Atlantic Power presents a compelling investment opportunity. Our portfolio is well diversified geographically with an extensive customer base having predominantly investment grade credit ratings. Our long-term power sales and fuel supply contracts will provide sustainable monthly cash flow over the long-term. Our relationship with ArcLight augments our own considerable industry experience and further extends our industry presence to help identify and assess attractive acquisition opportunities.

Our ultimate objective at Atlantic Power is to deliver predictable, stable and growing cash distributions for our Shareholders. We are confident that we have the facilities, the relationships and the management expertise to achieve this goal, and are excited about our future as we build on the strong track record of performance.

BARRY WELCH
*President and CEO*



# Management's Discussion and Analysis

*of Financial Condition and Results of Operations*

The following management discussion and analysis ("MD&A") of financial condition and results of operations should be read in conjunction with the audited financial statements of Atlantic Power Corporation ("Atlantic Power" or "the Company") for the six weeks ended December 31, 2004. All amounts described in the management discussion and analysis of financial condition and results of operations are in thousands of U.S. dollars. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). This management discussion and analysis of financial condition and results of operation also contains forward looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risk factors". Information contained in this management's discussion and analysis is based on information available to management as of March 31, 2005.

## OVERVIEW

The Company was established under the laws of the Province of Ontario. With the completion of its Initial Public Offering ("IPO") on November 18, 2004 and after the exercise of the underwriter's overallotment on December 6, 2004, the Company owns 58.1% of the common membership interests and all of the outstanding Class A preferred membership interests in Atlantic Power Holdings, LLC ("Holdings"). The remaining 41.9% of the common membership interests and all of the outstanding Class B preferred membership interests in Holdings are owned by subsidiaries of ArcLight Energy Partners Funds I and II (the "ArcLight Funds") and Caithness Energy (such subsidiaries, together, the "Existing Investors"). Holdings was formed to acquire indirect interests in a diversified portfolio of power generating facilities (the "Projects"), located primarily in major markets in the United States, from the Existing Investors. The Company currently has 36,800,000 Income Participating Securities ("IPSs") outstanding. Each IPS represents one common share of the Company ("Common Shares") and Cdn $5.767 aggregate principal amount of 11% subordinated notes of the Company ("Subordinated Notes").

As of December 31, 2004, interests were owned in fourteen projects in the United States and one in Jamaica with a combined total power generating capacity of 2,161 megawatts ("MW"). Atlantic Power's interests in the Projects represented approximately 773MW of power generating capacity as of December 31, 2004.

Management and administrative services are provided to the Company by Atlantic Power Management, LLC, a Delaware limited liability company (the "Manager") formed by ArcLight Capital Partners, LLC ("ArcLight") and the ArcLight Funds. The Manager manages the business of the Company and Holdings and also focuses on identifying additional acquisitions and investments for the Company. In addition to the substantial energy investing experience and industry relationships of the Manager's employees, the Company expects to benefit from ArcLight's experience, relationships and specialized knowledge to identify emerging trends and present the Company with accretive acquisition opportunities within the power and energy sector.

The Projects are typically operated and maintained by third party operators under contracts with the Project partnerships. Terms of these agreements vary in length and typically provide for subsequent renewal terms.

The Company's objectives are to maintain the stability and sustainability of cash distributions to holders of Income Participating Securities ("IPSs"), in the form of interest payments on Subordinated Notes and dividends on Common Shares, and to increase, when prudent, dividends on the Common Shares. In order to achieve these objectives, the Company intends to focus on enhancing the financial performance of the Projects and pursuing additional acquisitions and investments with a focus on power generating facilities predominantly in the U.S.

Cash Flow Available for Distributions is not a measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Management believes Cash Flow Available for Distributions is a relevant supplemental measure of the Company's ability to earn and distribute cash returns to investors. A reconciliation of net cash provided by operating activities to Cash Flow Available for Distributions is set out in this MD&A. Investors are cautioned that the Company may calculate this measure in a manner that is different from other companies.

EBITDA is not a measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Management uses aggregate EBITDA at the Projects as a cash flow measure to provide aggregate annual comparative information about Project performance.

## THE NON-UTILITY POWER GENERATION INDUSTRY

The Projects are non-utility electric generating facilities that operate primarily in the U.S. electric power generation industry. The electric power industry is one of the largest industries in the U.S., with 2003 revenue of nearly $260 billion, based on information published by the Energy Information Administration ("EIA") of the U.S. Department of Energy. A growing portion of the power produced in the U.S. is generated by non-utility generators. According the EIA, there were approximately 7,772 non-utility generators representing 448 Gigawatts of capacity and 1,421 Gigawatt hours of total net electric generation in 2003 (equal to 46%, 48% and 37% respectively of industry totals including utilities.) Non-utility generators sell the electricity generated to electric utilities, other load-serving entities (such as municipalities and electric cooperatives) and industrial consumers through bilateral contracts or wholesale power markets. Non-industrial electricity buyers, in turn, generally sell this electricity to industrial, commercial and residential customers. The power generated by the Projects is generally sold under long-term contracts, referred to as Power Purchase Agreements ("PPAs").

## PROJECT PORTFOLIO

The following table outlines the Company's portfolio of power generating assets as of December 31, 2004, including its interest in each facility. Management believes the portfolio is well diversified based on electricity and steam buyers or off-takers, regulatory jurisdictions and regional power pools, thereby mitigating exposure to market, regulatory or environmental conditions specific to any one region.

## PROJECT INFORMATION

| Project Name | Location | Fuel Type | Total MW | Economic Interest (1) | Acct Tmt (2) | Net MW (3) | Electricity Off-Taker | PPA Expiry | Off-Taker S&P Credit Rating |
|---|---|---|---|---|---|---|---|---|---|
| Badger Creek | California | Natural Gas | 46 | 50.0% | P | 23 | Pacific Gas & Electric | 2011 | BBB |
| Delta-Person | New Mexico | Natural Gas | 132 | 40.0%(4) | E | 53 | Public Service of New Mexico | 2020 | BBB |
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| Koma Kulshan | Washington | Hydro | 13 | 49.8% | P | 7 | Puget Sound Energy | 2037 | BBB- |
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| MASSPOWER | Massachusetts | Natural Gas | 267 | 17.5% | E | 47 | Boston Edison<br>Commonwealth Electric<br>Massachusetts Municipal Wholesale Electric | 2013(5)<br>2008/2013(5)<br>2013 | A<br>A<br>A- |
| Mid-Georgia | Georgia | Natural Gas | 308 | 50.0% | P | 154 | Georgia Power | 2028 | A |
| Onondaga | New York | Natural Gas | 91 | 100.0% | C | 91 | Niagara Mohawk | 2008(6) | A |
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| Selkirk | New York | Natural Gas | 345 | 18.5%(4) | E | 64 | Niagara Mohawk<br>Consolidated Edison | 2008<br>2014 | A<br>A |
| Stockton | California | Coal | 55 | 50.0% | P | 28 | Pacific Gas & Electric<br>Corn Products International | 2008<br>2008 | BBB<br>BBB- |
| Topsham(8) | Maine | Hydro | 14 | 50.0% | P | 7 | Central Maine Power | 2011 | BBB+ |

(1) Atlantic Power's subsidiary Atlantic Power Holdings, LLC ("Holdings") economic interest represents the percentage ownership interest in the Project held indirectly by Holdings (except as otherwise noted).
(2) Accounting Treatment: (refer to Note 1 to Consolidated Financial Statements).
C=Consolidated
P=Proportionate Consolidation
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(3) Represents Holdings' interest in each project's total electric generation capacity in megawatts ("MW") based on Holdings' economic interest in each project.
(4) Represents Holdings' estimate of its share of the cash flow from the project.
(5) On March 1, 2005 MASSPOWER concluded a termination agreement for its one PPA with Boston Edison and two PPAs with Commonwealth Electric and received a termination payment. See Subsequent Events.
(6) A swap agreement with Niagara Mohawk Power Corporation has replaced the Onondaga PPA.
(7) On January 12, 2005 Holdings increased its indirect interest in the Gregory Project to 15.1% or 60.4 net MW. See Subsequent Events.
(8) Holdings' owns its interest in this Project as a lessor.

## RESULTS OF OPERATIONS FOR THE SIX WEEKS ENDED DECEMBER 31, 2004

The Company commenced operations on November 18, 2004 on completion of its Initial Public Offering ("IPO") and the acquisition of interests in fifteen non-utility power projects. The Company did not hold any material assets prior to November 18, 2004 and is considered to have begun operations on November 18, 2004. As a result, there is no comparative prior period financial information available.

The Company generates revenues by selling its electricity, steam and other by-products to various off-takers, generally under long-term Power Purchase Agreements ("PPAs") and Steam Purchase Agreements. As of December 31, 2004 the Company had PPAs with 17 customers. Details on the duration of the PPAs for each property is presented in the table on the previous page.

### Summary of Financial Information ($000s)

| Period from November 18, 2004 to December 31, 2004 | | |
|---|---|---|
| Project Revenue [1] | $ | 18,490 |
| Project Expenses [1] | | 14,576 |
| Project Other Income [2] | | (275) |
| Income before Administrative and Other Expenses | | 3,639 |
| Administrative and other expenses | | |
| Distribution, non-controlling interest [3] | | 2,622 |
| Increase in Obligations, non-controlling interest [4] | | 16,490 |
| Foreign Exchange Gain (net loss) [5] | | 266 |
| Other | | 4,155 |
| Total Administrative and other expenses | | 23,533 |
| Income (loss) Before Income Taxes | | (19,894) |
| *Per share* | | *(0.57)* |
| Income Taxes | | 0 |
| Net Income | | (19,894) |
| *Per share (U.S.)* | | *(0.57)* |
| *Per share (Cdn)* | | *(0.69)* |
| Total Assets | | 740,203 |
| Total Long-term Liabilities [6] | | 589,797 |
| Cash Flows from Operating Activities | | 12,897 |
| Distributions [7] | | 3,658 |
| *Distributions per IPS (U.S.)* | | *0.0994* |
| *Distributions per IPS (Cdn)* | | *0.1195* |

(1) Project revenue and project expenses of Holdings' interests in nine projects, including two wholly owned projects and seven proportionately consolidated projects with interests ranging from 49.9% to 50%. (Refer to Accounting Treatment presented in the preceding Project Information table.)

(2) Includes equity in earnings from partnerships of $593 from six projects in which Holdings owns interests of between 9.45% and 24.1%, accounted for on an equity basis.

(3) Distributions to holders of 41.9% non-controlling interest in Holdings (declared, but not distributed in the period).

(4) Existing Investors own a 41.9% non-controlling interest in Holdings with certain Liquidity Rights to request that the Company issue equity securities (including IPSs) to raise proceeds that would indirectly be used to redeem portions of the Existing Investors' interest, within the first two years from the IPO. During the two year period following the IPO, the Existing Investors must maintain a minimum 10% aggregate ownership interest in Holdings. This amount represents the mark-to market change during the reporting period in the potential obligation the Company to make such issuance so that Holdings can redeem the Existing Investors' interests based on the change in market price per IPS from Cdn $10.00 at IPO to Cdn $10.75 at December 31, 2004.

(5) Net impact of foreign exchange changes on the value of debt and the mark-to market value of currency hedges for the period.

(6) Includes the increase in the U.S. dollar equivalent of Canadian-denominated obligations less the value of the foreign exchange contract.

(7) Declared, but not distributed in reporting period.

Administrative and other expenses included non-recurring start-up costs of Manager of approximately $400 as well as annual recurring expenses such as audit and tax services that have a disproportionate impact on the short reporting period.

While aggregate generation and plant availability were down 9% and 3% respectively at the Projects from 2003 to 2004, revenue and EBITDA were up 2.8% and 1.4%. Decreases in availability of the Projects do not necessarily translate directly to revenue or EBITDA reductions if relevant threshold performance is still being met under the PPAs. Decreases in generation do not necessarily translate directly to reductions in revenue or EBITDA, since some projects may, at some times, provide more margin from resale of unused gas than from incremental electricity generation. Overall, EBITDA margin at the Projects only slightly declined from 35.4% in 2003 to 34.9% in 2004, based on unaudited results.

Among the Company's largest costs is the supply of natural gas, coal and other fuels required to operate the Projects. Each of the Projects generally has a long-term fuel supply agreement whose term matches the term of the corresponding PPA. Fuel costs, particularly natural gas costs, were at historically high levels in the U.S. through the six weeks ended December 31, 2004. However, the majority of the PPAs provide for the pass-through or indexing of fuel costs to the off-takers.

## CASH FLOW FROM OPERATIONS

The Company's cash flow from the Projects will vary from year to year based on, among other things, changes in rates under the PPAs, fuel supply agreements, steam sales agreements and other project contracts, compliance with the terms of non-recourse project-level financing including debt repayment schedules, the transition to market pricing following the expiry of PPAs, fuel supply and transportation contracts, working capital requirements and the general performance of the Projects. Project cashflows themselves may have some seasonality, and the pattern and frequency of distributions from Projects to Holdings during the year can also vary.

In order to provide holders of IPSs with stable and sustainable cash distributions, the Company deposited approximately $12.5 million into a Reserve Account at the closing of its IPO and will deposit funds in the Reserve Account from time to time, to stabilize future cash distributions and fund acquisitions and other growth opportunities. As of December 31, 2004 the Reserve Account held approximately $12.5 million. On March 1, 2005, Holdings received approximately U.S. $35.9 million related to the termination of three PPAs at the MASSPOWER project, which was added to the Reserve Account (see Subsequent Events).

The Company's cash flow from operations of $12,897 was in line with expectations for the period.

## CASH AVAILABLE FOR DISTRIBUTION

Holders of IPSs receive cash distributions in the form of interest payments on Subordinated Notes and dividends on Common Shares. For the six week period from the IPO through December 31, 2004 no cash distributions were made. Distributions declared for the period and paid in January totaled Cdn $0.1195 per IPS. This was comprised of interest payments of Cdn $0.0758 on the 11% subordinated note portion of the IPS plus Cdn $0.0437 common share dividend per IPS. Cash Available for Distributions was $5,119.

The following table shows the calculation of Cash Available for Distribution starting with net cash provided by operating activities for the six weeks ended December 31, 2004. The pattern of distributions from the Projects is not consistent throughout the year, so this six week period should not be viewed as a proportionately representative period.

## CALCULATION OF CASH FLOW AVAILABLE FOR DISTRIBUTION ($000s)

| | | |
|---|---|---|
| Cash flows from operating activities | $ | 12,897 |
| Less: Increase in current liabilities related to Subordinated Note Interest, Distributions to Non-Controlling Interests and Dividends | | (6,679) |
| Less: Consolidated project-level repayment of long-term debt | | (3,410) |
| Add: Interest on Subordinated Notes | | 2,719 |
| Less: Interest on non-IPS Subordinated Notes | | (399) |
| Less: Purchase of property plant and equipment | | (86) |
| Add: Proceeds on disposal of property plant and equipment | | 77 |
| Cash Flow Available for Distributions | | 5,119 |
| Interest on IPS Subordinated Notes(1) | | 2,320 |
| Dividends to IPS Common Shares(1) | | 1,338 |
| Total IPS Distributions(1) | | 3,658 |

(1) IPS Subordinated Note interest, IPS Common Share dividends and total Company distributions in Canadian Dollars were $2,789, $1,608 and $4,398, respectively. On a per IPS basis, the Canadian Dollar equivalent of these amounts were $0.0758, $0.0437 and $0.1195, respectively.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has adequate liquidity from several sources in addition to cash flow from operations. The Reserve Account held $12.5 million at December 31, 2004 and is currently approximately $48 million as a result of the $35.9 million MASSPOWER distribution. Holdings has a $50 million revolving term credit facility, $14.75 million of which is allocated, but not drawn, to support letters of credit for contingent liabilities at several projects. There have been no drawdowns on the facility since the IPO. The credit facility may be drawn during the year to make quarterly estimated U.S. tax payments, which are expected to be refunded following the filing of the Company's annual return. In addition, the Projects themselves generally have their own reserve accounts to support payments for major maintenance costs and project-level debt service. All project-level debt is non-recourse to the Company or Holdings and is fully amortizing over the life of the projects' PPAs.

## CAPITAL EXPENDITURES

Capital expenditures for the Projects are made at the project level using current project cashflow and project reserves. Therefore, the distributions that Holdings receives from the Projects are made net of capital expenditures needed at the projects. Generally, there are relatively little capital expenditures since repairs and most major maintenance expenditures, are expensed.

An estimated $2 million capital project is underway at the Pasco project to construct a water distillation facility that will serve as the project's thermal load. There is sufficient cash at the project to fund the construction, and approximately $550 was spent in 2004.

A gas turbine upgrade project will be undertaken in 2005 at the Orlando project to improve its output and efficiency characteristics. The upgrade will take place during the previously scheduled major maintenance outage. It will cost approximately $2.6 million and will be financed via a new Long-Term Service Agreement with the manufacturer which will expire in 2014.

## CONTRACTUAL OBLIGATIONS

(a) Each project typically has a set of contracts that includes the following, which are obligations of the project partnerships and non-recourse to the Company unless otherwise specified. Therefore, specific contracts for individual projects are not discussed in detail in the MD&A.

- PPAs generally allow projects to pass through their fuel costs. See the earlier table on page 12 for off-takers and durations.
- Fuel Supply agreements have minimum volume requirements with terms typically similar to their respective PPA.
- Fuel Transportation agreements incorporate capacity reservation/demand payments.
- Steam Sales agreements track PPA lengths and are designed to meet regulatory requirements for thermal load/efficiency at fossil fuel plants.
- O&M agreements contract for operations and maintenance services by third parties or owners.
- Long-term service agreements may be in place for gas or steam turbine inspections and overhauls.
- Site Lease agreements grant use of project land where projects don't own the site.
- Project Debt is non-recourse and fully amortizing during PPA terms.

A detailed description of the Projects' agreements is contained in the Technical Review performed by Stone and Webster in conjunction with the Company's IPO, with updated information in its Annual Information Form, dated March 31, 2005. Both documents are available at www.sedar.com.

(b) Swap Agreement – see foreign currency hedging arrangements below

(c) Office Lease Obligations: The Manager subleases its office space from ArcLight, under an agreement through 2014. The obligations under this sublease are as follows:

| | 2005 | 2006 | 2007 | 2008-2014 |
|---|---|---|---|---|
| Office Lease for Manager | 130 | 130 | 130 | 933 |

(d) The Company pays a management fee under the Management Agreement, among the Company, Holdings and Manager. The management fee is subject to adjustment for future acquisitions as agreed to by the Company and Holdings' independent Managers, plus incentives and expenses. The company paid $620 during the 6 week period in 2004.

(e) Subordinated Notes – As of December 31, 2004, the Company had $206,927 outstanding of 11% subordinated notes due 2016. The notes are interest-only until their maturity.

## RELATED PARTY TRANSACTIONS

The Manager has been engaged under the Management Agreement to provide certain management and administrative services to the Company and Holdings, for which it is paid (i) an annual management fee, (ii) reimbursement of costs, and (iii) an annual incentive fee equal to 25% of the excess in distributions paid to shareholders during the year above the initial targeted distributions at the IPO. The Management Agreement has an initial term of 20 years. The Manager is owned by the ArcLight Funds. Subsidiaries of the ArcLight Funds along with a subsidiary of Caithness Energy own 41.9% of Holdings.

The seven person Board of Managers of Holdings includes two members from the manager of the ArcLight Funds who were appointed by the Existing Investors, and the President and CEO of the Manager, but they may not vote on any proposed acquisitions by Holdings of projects from the ArcLight Funds.

The Manager receives administrative and office support services from the manager of the ArcLight Funds under a Management Support Agreement on a cost recovery basis. This agreement also requires ArcLight and its affiliates to give the Manager the opportunity to pursue, on behalf of the Company and Atlantic Holdings, investment opportunities that do not fit within the investment guidelines for ArcLight Fund I and Fund II or other investment funds managed by ArcLight or its affiliates.

As disclosed above, the Manager subleases its office space from ArcLight, under an agreement through 2014.

Caithness Energy has an indirect ownership interest in one of the Existing Investors. Subsidiaries of Caithness Energy provide operations and maintenance at four of the Projects and accounting, tax and other administrative functions for 12 of the Projects under agreements which are in effect through 2007 and renewable thereafter. During the six week period of 2004, Caithness Energy was paid $687.

## FOREIGN EXCHANGE HEDGING ARRANGEMENTS

At the time of the IPO closing, Holdings entered into forward contracts to purchase Canadian dollars sufficient to make 60 monthly distributions at the current distribution level to all holders including Existing Investors, as well as interest payments on the separate subordinated notes at a rate of Cdn $1.2073/U.S. $1.00. For the six-week period ending December 31, 2004, the net impact of the change in the foreign exchange rate on (i) the aggregate value of the hedges and (ii) the Company's outstanding Subordinated Notes and its liability to Existing Investors from their liquidity right, was approximately ($266).

## ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. During the period presented, management has made a number of estimates and valuation assumptions, including the fair values of acquired assets, the useful lives and recoverability of property plant and equipment and power purchase contracts, the recoverability of equity investments, the recoverability of future tax assets and the fair value of financial instruments and derivatives. Refer to Note 1 to the Consolidated Financial Statements.

## CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the period ending December 31, 2004. Management is also not aware of any changes in accounting policies in the foreseeable future that, if changed, would materially affect the Company's overall financial condition or results of operations.

## SUBSEQUENT EVENTS

On January 12, 2005, Holdings increased its indirect interest in the Gregory project from 9.4% to 15.1% or 60.4 net MW. The interest was acquired indirectly via Holdings' interest in Javelin and was accomplished using cash available at the project level.

On March 1, 2005, Holdings received a distribution of approximately U.S. $35.9 million from the MASSPOWER project. The distribution was comprised of (i) a portion of the proceeds paid to the project by two of its three utility power purchasers to terminate power purchase agreements that together account for approximately 66.5% of the project's output, (ii) operating income and (iii) the release of restricted cash. The MASSPOWER project has repaid its outstanding debt and will continue to make available approximately 7.9% of its output under its remaining power purchase agreement through 2013, if and when it is dispatched, and will have the option to sell the remainder of its output into the wholesale spot market. Holdings has placed the distribution into its Reserve Account, which is available to fund acquisitions and other growth opportunities to enhance the long-term stability of distributions.

## OUTLOOK

The Company expects that the effects of significant dislocations in U.S. power markets that occurred over the past several years will continue, thereby providing it with opportunities for accretive acquisitions. The Company believes that the experience and industry relationships of Managers' employees, together with its ongoing relationship with ArcLight, will provide unique access to such acquisitions.

In addition, Holdings has been granted a right of first offer on a number of power producing projects currently owned by the ArcLight Funds. In aggregate, the right of first offer is related to interests in 11 power generating projects representing approximately 706 net MW of total electric generation capacity.

The Company intends to enhance the operation of the Projects and increase cash distributions through:

(i) optimization of commercial arrangements such as PPAs, fuel supply and transport contracts, steam sales agreements and management and operation agreements;
(ii) achievement of operating efficiencies;
(iii) upgrade or enhancement of existing equipment or plant configurations; and
(iv) expansion of existing Projects.

The Company also believes that opportunities exist to consolidate, on an accretive basis, ownership positions in certain Projects where it owns partial interests, and that financial restructuring and recapitalization opportunities at the Projects may provide capital to the owners of the Projects to fund future growth opportunities.

The opportunity exists for refinancing non-recourse debt at significantly lower interest cost at one or more of the Projects. Project insurance costs have tended to decrease on recent renewals.

## RISK FACTORS

Atlantic Power's future performance and ability to generate sufficient cash flow to meet its monthly cash distributions to holders of IPSs and the Common Shares and Subordinated Notes represented thereby involves a number of risks and uncertainties. Any of these risks and uncertainties could have a material adverse effect on the Company's results of operations, business prospects, financial condition, the cash available to the Company for distribution to holders of IPSs, Common Shares, or Subordinated Notes or on the market price or value of IPSs, Common Shares or Subordinated Notes. A discussion of these risks and uncertainties can be found in the Company's Annual Information Form dated March 31, 2005. The following is a list of the primary risks facing the Company.

### Revenue May be Reduced Upon Expiration or Termination of PPAs

Power generated by the Projects, in most cases, is sold under PPAs that expire at various times. In addition, these PPAs may be subject to termination in certain circumstances, including default by the project owner or operator. When a PPA expires or is terminated, it is possible that the price received by the relevant project for power under subsequent arrangements may be reduced significantly. It is possible that subsequent power purchase arrangements may not be available at prices that permit the operation of the project on a profitable basis. If this occurs, the affected project may temporarily or permanently cease operations.

### The Projects Depend on their Electricity and Thermal Energy Customers

Each project relies on one or more PPAs, steam sales agreements or other agreements with one or more utilities or other customers for a substantial portion of its revenue. The amount of cash available for distribution to holders of IPSs, Common Shares and Subordinated Notes is highly dependent upon customers under such agreements fulfilling their contractual obligations. There is no assurance that these customers will perform their obligations or make required payments.

### Certain Projects are Exposed to Fluctuations in the Price of Electricity

While a majority of the off-takers of the Projects are contractually obligated to purchase electricity under long-term PPAs, those Projects with power purchase arrangements based on market pricing will be exposed to fluctuations in the wholesale price of electricity. In addition, should any of the longterm PPAs expire or terminate, the Manager or the relevant project operator will be required to either negotiate new PPAs or sell into the electricity wholesale market, in which case the prices for electricity will depend on market conditions at the time.

### Operations are Subject to the Provisions of Various Energy Laws and Regulations

If any Project that is a qualifying facility (a "QF") under the *United States Federal Power Act* (the "FPA"), were to lose its status as a QF, then such Project may no longer be entitled to exemption from provisions of the *Public Utility Holding Company Act of 1935* ("PUHCA") and/or the FPA and state law and regulations. This could subject such Projects to rate regulation as public utilities under the FPA and state law, and could result in the Company or certain of its affiliates inadvertently becoming a public utility holding company, which could cause some or all of the remaining Projects that are QFs to lose their QF status.

Loss of QF status could trigger defaults under covenants to maintain QF status in the PPAs, steam sales agreements and Project-level debt agreements and result in termination, penalties or acceleration of indebtedness under such agreements, plus interest.

A Project may lose its QF status on a retroactive or prospective basis. Loss of QF status by any of the Projects on a retroactive basis could lead to, among other things, an order from the United States Federal Energy Regulatory Commission (the "FERC") against the applicable Project for refunds of payments previously made under the PPAs, with interest. In addition, going forward, rates set forth in the applicable PPA would be subject to initial and potentially subsequent reviews by FERC under the FPA, which could result in reductions to such rates.

If those Projects that are EWGs were to lose their EWG status, this could result in certain affiliates of the Company inadvertently becoming a public utility holding company, which could cause some or all of the remaining Projects to lose their QF status. Loss of exemption from PUHCA would also trigger defaults under loan covenants to maintain exemptions from PUHCA.

On September 30, 2004, Pasco filed a petition seeking a temporary waiver of QF requirements for calendar years 2004 and 2005 with FERC because the steam demands from the current and new steam users were insufficient to reliably maintain QF status. The FERC granted the waiver to the Project for the 2004 and 2005 calendar years, which will allow Pasco the time needed to complete the installation of water distillation equipment so it can sell distilled water to counterparties commencing in 2005 and retain its QF status. The estimated cost of the distillation system is $2.0 million and the Project has reserved sufficient cash to fund its installation. Steam sales under the Thermal Agreement, along with steam used for distilled water sales, will allow Pasco to meet the FERC QF standards beginning in 2006.

### The Projects Depend on Suppliers Under Fuel Supply Agreements and Increases in Fuel Costs may Adversely Affect the Profitability of the Projects

Revenues in respect of the Projects may be affected by the availability, or lack of availability, of a stable supply of fuel at reasonable prices. To the extent possible, the Projects attempt to match fuel costs to PPA energy payments. To the extent that fuel costs are not matched directly to PPA energy payments, increases in fuel costs may adversely affect the profitability of the Projects.

The amount of energy generated at the Projects is highly dependent on suppliers under certain fuel supply agreements fulfilling their contractual obligations. The loss of significant fuel supply agreements or an inability or failure by any supplier to meet its contractual commitments may adversely affect cash distributions by the Company.

Upon the expiry or termination of existing fuel supply agreements, the Manager or project operators will have to renegotiate these agreements or may need to source fuel from other suppliers. There can be no assurance that the Manager or project operators will be able to renegotiate these agreements or enter into new agreements on similar terms. Furthermore, there can be no assurance as to availability of the supply or pricing of fuel under new arrangements.

The amount of energy generated at the Projects is dependent upon the availability of natural gas, coal, oil or biomass. There can be no assurance that the long-term availability of such resources will remain unchanged.

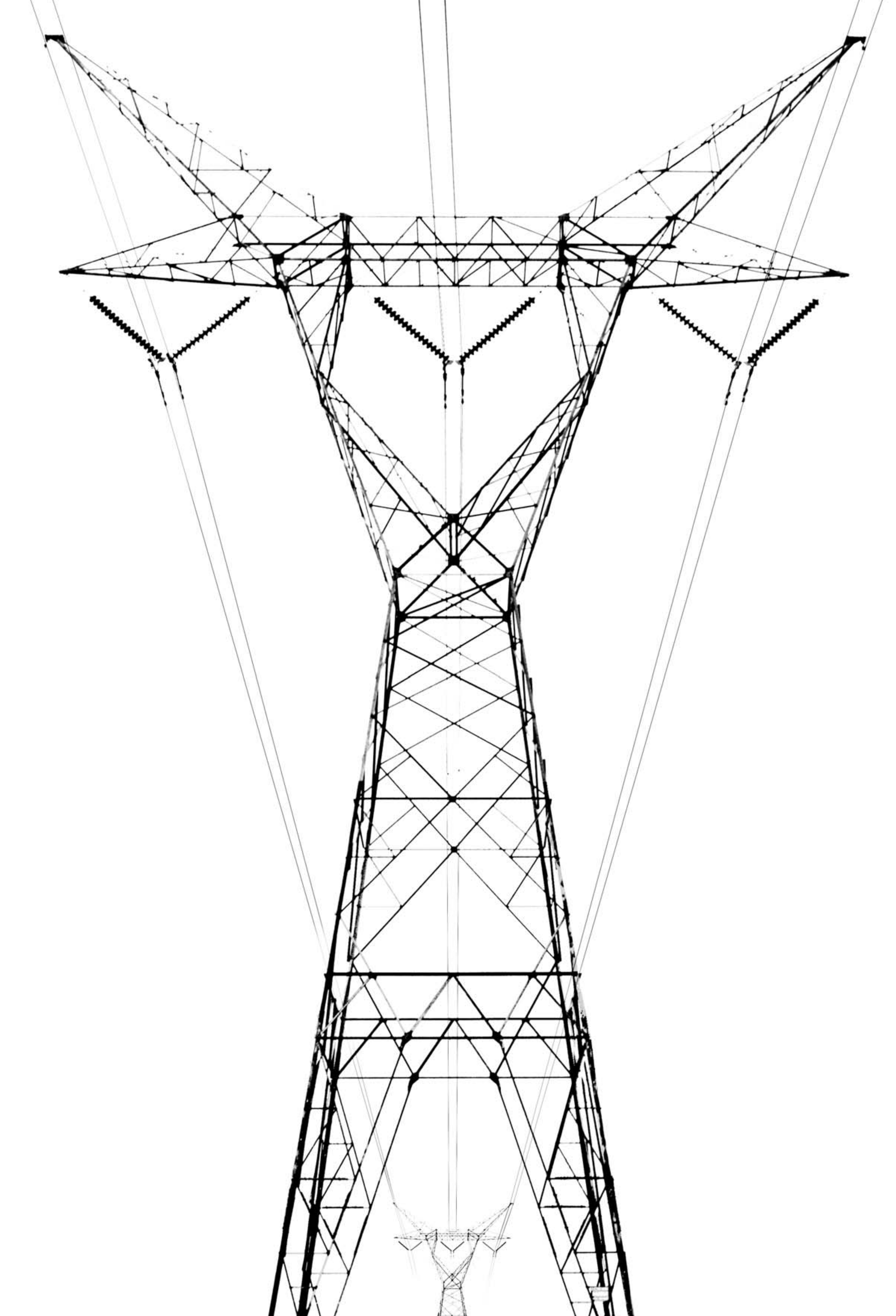
### U.S. Federal Income Tax Risks

There can be no assurance that U.S. federal income tax laws and IRS administrative policies respecting the U.S. federal income tax consequences generally applicable to a holder of Common Shares and Subordinated Notes, as represented by IPSs, will not be changed in a manner which adversely affects Non-U.S. Holders.

There is no authority that directly addresses the tax treatment of securities similar to the Subordinated Notes (i.e., as part of a unit that includes common shares of the Company). In light of this absence of direct authority, it cannot be concluded with certainty that the Subordinated Notes will be treated as debt for U.S. federal income tax purposes, and, although the Company intends to take the position that the Subordinated Notes are debt for U.S. federal income tax purposes, there can be no assurance that this position will not be challenged by the IRS. If such a challenge were sustained, interest payments on the Subordinated Notes would be recharacterized as non-deductible distributions with respect to the Company's equity, and the Company's net taxable income, which is effectively connected income and thus its U.S. federal income tax liability, would be materially increased. As a result, the Company's after-tax cash flow would be reduced and the Company's ability to make interest payments on Subordinated Notes and distributions with respect to Common Shares could be materially and adversely impacted.

## ADDITIONAL INFORMATION

Additional information is available on the Company's website at www.atlanticpowercorporation.com, or at www.sedar.com.



# Management's Responsibility for Financial Statements

*to the Shareholders of Atlantic Power Corporation*

The accompanying consolidated financial statements for Atlantic Power Corporation, the management discussion and analysis, and the information included in this annual report have been prepared by Atlantic Power Management, LLC, the Corporation's management who are responsible for their consistency, integrity and objectivity. Management is also responsible for ensuring that the consolidated financial statements are prepared and presented in accordance with Canadian generally accepted accounting principles, which include amounts that are based on estimates and judgments. To fulfill these responsibilities, management maintains appropriate internal control systems and policies and procedures to provide reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for preparation of financial statements.

KPMG LLP, the Corporation's independent auditor, is responsible for auditing the consolidated financial statements in accordance with Canadian generally accepted accounting procedures, and has expressed their opinion on the consolidated financial statements in this report. Their report, as auditors, is set forth herein.

The Corporation's Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors carries out this responsibility through its Audit Committee which meets regularly with management and the independent auditors. The members of the Audit Committee are independent of management. The consolidated financial statements have been reviewed and approved by the Board of Directors and its Audit Committee. The independent auditors have direct and full access to the Audit Committee and the Board of Directors.

BARRY WELCH
*President and CEO*

MARK BYSKOV
*Chief Financial Officer*

# Auditors' Report

*to the Shareholders of Atlantic Power Corporation*

We have audited the consolidated balance sheet of Atlantic Power Corporation as at December 31, 2004 and the consolidated statements of operations and deficit and cash flows for the period from November 18, 2004 to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS
*Toronto, Canada*
*March 29, 2005*

## Consolidated Balance Sheet

| December 31, 2004 *(in thousands of U.S. dollars)* | | |
|---|---|---|
| **ASSETS** | | |
| *Current assets:* | | |
| Cash and cash equivalents | $ | 22,663 |
| Reserve fund | | 12,509 |
| Restricted cash | | 28,971 |
| Current portion of indexed swap (note 13) | | 29,899 |
| Accounts receivable | | 17,522 |
| Prepayments, supplies and other | | 4,771 |
| | | 116,335 |
| Property, plant and equipment (note 4) | | 293,988 |
| Equity investments (note 5) | | 139,696 |
| Power purchase contracts (note 6) | | 105,914 |
| Long-term portion of indexed swap (note 13) | | 69,692 |
| Deferred financing costs | | 11,399 |
| Other | | 3,179 |
| | $ | 740,203 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| *Current liabilities:* | | |
| Accounts payable and accrued liabilities | $ | 17,780 |
| Current portion of long-term debt (note 8) | | 13,764 |
| Current portion of indexed swap hedge (note 13) | | 7,320 |
| Current portion of gas transportation contract commitment | | 3,719 |
| Interest payable on Subordinated Notes | | 2,719 |
| Distribution payable, non-controlling interest | | 2,622 |
| Dividends payable | | 1,338 |
| Other | | 995 |
| | | 50,257 |
| Long-term debt (note 8) | | 292,229 |
| Other liabilities, non-controlling interests (note 9) | | 236,928 |
| Gas transportation contract commitment | | 33,748 |
| Indexed swap hedge (note 13) | | 22,973 |
| Other liabilities and deferred revenue | | 3,919 |
| Shareholders' equity: | | |
| Common stock (note 10) | | 121,381 |
| Deficit | | (21,232) |
| | | 100,149 |
| Commitments and contingencies (note 12) | | |
| Subsequent event (note 18) | | |
| | $ | 740,203 |

*See accompanying Notes to Consolidated Financial Statements.*

On behalf of the Board:

KEN HARTWICK
*Director*

IRVING GERSTEIN
*Chairman of the Board*

## Consolidated Statement of Operations and Deficit

| Period from November 18, 2004 to December 31, 2004 *(in thousands of U.S. dollars, except per share amount)* | | |
|---|---|---|
| *Project revenue:* | | |
| Energy sales | $ | 16,628 |
| Indexed swap (note 13) | | 1,274 |
| Other | | 588 |
| | | 18,490 |
| *Project expenses:* | | |
| Fuel | | 6,865 |
| Operations and maintenance | | 3,389 |
| Project operator fees and expenses (note 14) | | 743 |
| Amortization | | 3,579 |
| | | 14,576 |
| *Project other income (expense):* | | |
| Equity earnings, net (note 5) | | 593 |
| Interest expense, net | | (868) |
| | | (275) |
| Income before the undernoted | | 3,639 |
| *Administrative and other expenses:* | | |
| Management fees and administration (note 14) | | 1,270 |
| Amortization of deferred financing costs | | 116 |
| Interest, net | | 2,769 |
| Distribution, non-controlling interest | | 2,622 |
| Change in fair value of non-controlling interest (note 9) | | 16,490 |
| Foreign exchange loss | | 266 |
| | | 23,533 |
| Loss for the period | | (19,894) |
| Dividends | | (1,338) |
| Deficit, end of period | $ | (21,232) |
| Basic loss per share (note 16) | $ | 0.57 |

*See accompanying Notes to Consolidated Financial Statements.*

## Consolidated Statement of Cash Flows

| Period from November 18, 2004 to December 31, 2004 *(in thousands of U.S. dollars, except per share amount)* | | |
|---|---|---|
| *Cash flows from (used in) operating activities:* | | |
| Loss for the period | $ | (19,894) |
| Items not involving cash: | | |
| Amortization | | 3,695 |
| Equity earnings | | (593) |
| Change in fair value of non-controlling interest | | 16,490 |
| Amortization of gas transportation contract commitment | | (540) |
| Amortization of deferred revenue | | (417) |
| Foreign exchange loss | | 266 |
| Market value adjustments on indexed swap and hedge | | (1,274) |
| Change in non-cash operating working capital | | 7,612 |
| Indexed swap and hedge settlements | | 3,878 |
| Distributions from equity investments | | 3,674 |
| | | 12,897 |
| *Cash flows from (used in) financing activities:* | | |
| Proceeds from issuance of common stock | | 128,974 |
| Proceeds from issuance of Subordinated Notes | | 205,934 |
| Equity issuance costs | | (7,593) |
| Deferred financing costs | | (11,515) |
| Repayment of long-term debt | | (3,410) |
| Repayment of assumed debt on acquisition | | (167,831) |
| Repayment of obligations to non-controlling interest | | (39,742) |
| | | 104,817 |
| *Cash flows from (used in) investing activities:* | | |
| Acquisitions, net of cash acquired (note 2) | | (83,275) |
| Purchase of property, plant and equipment | | (86) |
| Proceeds on disposal of property, plant and equipment | | 77 |
| Other | | 742 |
| | | (82,542) |
| Increase in cash and cash equivalents and reserve fund end of period | $ | 35,172 |
| *Represented by:* | | |
| Cash and cash equivalents | $ | 22,663 |
| Reserve fund | | 12,509 |
| | $ | 35,172 |
| *Supplemental cash flow information:* | | |
| Interest paid | $ | 1,003 |
| Equity issued to non-controlling interest (note 2) | | 259,082 |

*See accompanying Notes to Consolidated Financial Statements.*

# Notes to Consolidated Financial Statements

*Period from November 18, 2004 to December 31, 2004 (in thousands of U.S. dollars)*

Atlantic Power Corporation (the "Company") is a corporation established under the laws of the Province of Ontario on June 18, 2004. The Company issued income-participating securities ("IPSs") for cash pursuant to an initial public offering on November 18, 2004. Prior to November 18, 2004, the Company was inactive.

The Company has acquired indirect interests in 15 power generation projects located primarily in the United States of America (collectively, the "Projects"). Two of the Projects are wholly owned subsidiaries of the Company, being Onondaga Cogeneration Limited Partnership ("Onondaga") and Lake Cogen Ltd. ("Lake").

The Projects are primarily "qualifying facilities" ("QFs") and "exempt wholesale generators" ("EWGs"), which have long-term contracts to sell power. QFs are small power producers or cogenerators (power producers that produce steam as a by-product of the electricity-generating process for use in a second industrial process) that meet certain operating, efficiency and fuel-use standards set forth by the United States' Federal Energy Regulatory Commission ("FERC"). Electric utilities are required to purchase generating capacity and electric energy from QFs at a price approved by state regulatory bodies. EWGs are independent power projects that are exempt from the United States' Public Utility Holding Company Act, but must obtain FERC approval for wholesale rates. The Company's EWGs have been granted market-based rate authority.

## 1. SIGNIFICANT ACCOUNTING POLICIES:

### (a) Basis of consolidation:

The consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the consolidated accounts of all of its subsidiaries. The Company uses equity accounting for investments in which it has significant influence but does not control. The Company proportionately consolidates investments in which it has joint control. The Company eliminates intercompany accounts and transactions.

### (b) Cash and cash equivalents, reserve fund and restricted cash:

Cash and cash equivalents include cash deposited at banks and highly liquid investments with original maturities of three months or less.

The reserve fund represents cash that management has set aside to support future distributions and to use in part to make acquisitions.

Restricted cash represents cash balances maintained in accounts administered by a separate agent as required under certain Projects' debt agreements.

### (c) Property, plant and equipment:

Property, plant and equipment are stated at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the related asset. The amortization period for facilities ranges from one to 33 years. The weighted average period of amortization is 23 years.

Upon retirement or disposal of assets, the cost and related accumulated amortization are removed from the consolidated balance sheet and any gain or loss is reflected in the consolidated statement of operations and deficit.

### (d) Power purchase contracts:

Power purchase contracts are valued at the time of acquisition based on the rates received under the power purchase contracts over the projected market rates. The balances are net of accumulated amortization. Amortization is provided on a straight-line basis over the remaining term of the contract. The amortization period ranges from one to 19 years. The weighted average period of amortization is 12 years.

(e) Revenue recognition:

Generally, the Company recognizes revenue when electricity and steam are delivered under the terms of the related contracts. One power purchase contract has pricing which fluctuates over the term of the contract. The Company has recognized revenue based on the estimated average rate for the duration of the contract with the difference between cash received and revenue recognized reflected as deferred revenue.

One of the Projects, Onondaga, is a merchant plant which only generates power when market prices justify it. During the reporting period, the Project did not generate any electricity and does not currently generate electricity. Onondaga recognizes revenue as the swap agreements it has entered settle monthly, net of any change in fair value on these swap agreements (note 13).

(f) Income taxes:

Income taxes are accounted for using the asset and liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the date of enactment or substantive enactment.

A valuation allowance is recorded against future tax assets to the extent that it is more likely than not that the future tax asset will not be realized.

(g) Gas transportation contracts:

Onondaga has certain long-term commitments for the provision of natural gas transportation service to the Onondaga project through the year 2013. The contracts all provide for fixed monthly demand charges, in addition to variable commodity charges based on the quantity of gas transported. Obligations related to the long-term gas transportation agreements were recognized as liabilities in purchase accounting upon the acquisition of Onondaga by the Company. These obligations are being relieved over the remaining lives of the contracts.

All of the Company's other gas transportation costs are expensed as incurred.

(h) Accounting for derivatives:

The Company uses financial derivative agreements in the form of interest rate swaps and foreign exchange forward contracts to manage its current and anticipated exposure to fluctuations in interest rates and foreign currency exchange rates. The Company has also entered into natural gas supply contracts and natural gas swaps to minimize price volatility on natural gas which is a major production cost. The Company does not enter into financial derivative agreements for trading or speculative purposes; however, not all derivatives qualify for hedge accounting.

The Company follows Accounting Guideline 13, "Hedging Relationships" ("AcG-13"), issued by The Canadian Institute of Chartered Accountants ("CICA"), which addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting, and provides guidance with respect to the discontinuance of hedge accounting. Derivative financial instruments not designated within an AcG-13 compliant hedging relationship are measured at fair value with changes in fair value recorded in the consolidated statement of operations and deficit. Derivative financial instruments not designated as hedges are the foreign currency forward contracts and the index swap agreement (note 1(e)).

Effectiveness tests are performed to evaluate hedge effectiveness at inception and on an ongoing basis, both retroactively and prospectively. Unrealized gains or losses on the interest rate swaps designated within a compliant AcG-13 relationship are not recognized.

Gains and losses on the natural gas forward contracts and swaps which are designated as a hedge of fuel costs are recognized in income as actual fuel costs are recognized.

Natural gas supply contracts in the normal course of business in which the Company takes possession of the natural gas are treated as executory contracts.

(i) Asset retirement obligations:

The fair value of estimated asset retirement obligations is recognized in the consolidated balance sheet when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are amortized over the asset's estimated useful life and included in amortization expense on the consolidated statement of operations and deficit. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the consolidated statement of operations and deficit. Actual expenditures incurred are charged against the accumulated obligation.

(j) Long-lived assets:

Long-lived assets, such as property, plant and equipment and power purchase contracts subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be presented separately in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet.

(k) Deferred financing costs:

Deferred financing costs consist of loan fees and other costs of financing that are amortized over the term of the related financing using the straight-line method. The amortization period is the term of the debt.

(l) Foreign currency translation:

The Company's functional currency and reporting currency is the United States dollar. The functional currency of the Company's subsidiaries and other investments is the United States dollar. Monetary assets and liabilities denominated in Canadian dollars are translated into United States dollars using the rate of exchange in effect at the end of the period. All transactions denominated in Canadian dollars are translated into United States dollars at the exchange rates in effect at the transaction date. Foreign currency translation gains and losses are reflected in the consolidated statement of operations and deficit.

(m) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. During the period presented, management has made a number of estimates and valuation assumptions, including the fair values of acquired assets, the useful lives and recoverability of property, plant and equipment and power purchase contracts, the recoverability of equity investments, the recoverability of future tax assets, and the fair value of financial instruments and derivatives. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

## 2. ACQUISITIONS:

The Company formed Atlantic Power Holdings, LLC ("Atlantic Holdings"), a Delaware limited liability company, for the purpose of acquiring indirect interests in 15 Projects from Teton Power Holdings, LLC, Epsilon Power Holdings, LLC and Umatilla Power Holdings, LLC (the "Existing Investors") and acquired the interests of the Existing Investors in the Projects that were held by their wholly owned subsidiaries.

On November 18, 2004, Atlantic Holdings acquired for total consideration of $522,638 (including $1,014 in acquisition costs) an indirect interest in 15 Projects located primarily in the United States of America. The purchase price has been allocated as follows:

| | | |
|---|---|---|
| Working capital | $ | 47,213 |
| Equity investments | | 142,777 |
| Property, plant and equipment | | 296,132 |
| Power purchase contracts | | 107,340 |
| Indexed swap and hedge, net | | 71,902 |
| Other | | (2,242) |
| Long-term debt | | (102,476) |
| Gas transportation contract commitment | | (38,008) |
| Total purchase price | | 522,638 |
| Less repayment of assumed debt | | 167,831 |
| | | 354,807 |
| Less cash acquired | | 12,000 |
| | $ | 342,807 |
| Consideration represented by: | | |
| Cash paid, net of cash acquired | $ | 83,725 |
| Non-controlling interest (note 9) | | 259,082 |
| | $ | 342,807 |

The Company is in the process of finalizing its purchase price allocation. In particular, it is finalizing the fair values of property, plant and equipment, power purchase contracts, evaluating certain assumed obligations and determining the tax basis of the assets acquired.

Immediately following the acquisition, the Company had a 50.6% interest and the Existing Investors had a 49.4% interest in Atlantic Holdings.

Subsequent to the acquisition on December 6, 2004, the Company issued an additional 4,800,000 of IPSs, the proceeds of which were invested in Atlantic Holdings and used to redeem a portion of the Existing Investors' interest in Atlantic Holdings, resulting in a change in the Company's and the Existing Investors' interest in Atlantic Holdings to 58.1% and 41.9%, respectively, as of December 31, 2004 and a reduction in the non-controlling interest of $39,742 to $219,340 (note 9).

### 3. JOINT VENTURE INVESTMENTS:

The following are the summarized financial results of the seven entities accounted for under the proportionate consolidation method by the Company. The Company has an effective 50% interest in six of the entities and a 49.8% interest in one of the entities.

The entities in which the Company has joint venture investments are Badger Creek Limited, Stockton Cogen Company, Orlando Cogen Limited LP, Mid-Georgia Cogen LP, Pasco Cogen Ltd., Koma Kulshan Associates and Topsham Hydro Assets.

The following summarizes the balance sheet as at December 31, 2004 and operating results and distributions for the period since acquisition for the Company's proportionate share for the seven entities:

| | | Company's share |
|---|---|---|
| **ASSETS** | | |
| Current assets | $ | 43,658 |
| Non-current assets | | 231,390 |
| | $ | 275,048 |
| **LIABILITIES** | | |
| Current liabilities | $ | 23,857 |
| Non-current liabilities | | 87,238 |
| | $ | 111,095 |
| Operating results: | | |
| Revenue | $ | 11,953 |
| Net income | | 1,262 |
| Distributions | $ | 6,700 |

The joint ventures have entered into various derivative financial instruments to mitigate exposure to changes in interest rates and natural gas prices. The Company's proportionate share of the fair value and carrying value of these derivative financial instruments is as follows:

| | Fair value | Carrying value |
|---|---|---|
| Interest rate swaps assets | $ 1,666 | $ – |
| Interest rate swaps liabilities | (3,195) | – |
| Natural gas swap assets | 2,626 | – |
| | $ 1,097 | $ – |

The Company indirectly through its ownership interests is only responsible for its proportionate share of the obligations of the joint ventures. Certain of the joint ventures have issued letters of credit of $42,300 in favour of investor-owned utilities. The Company's proportionate share of the letters of credit is $21,150.

Certain of the joint ventures in the normal course of operations have entered into long-term supply contracts for natural gas or derivative agreements to mitigate the risk of natural gas price movements.

### 4. PROPERTY, PLANT AND EQUIPMENT:

| | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Property, plant and equipment | $ 296,141 | $ 2,153 | $ 293,988 |

### 5. EQUITY INVESTMENTS:

The Company has an investment in six entities accounted for under the equity method. The six entities are Rumford Cogeneration Company LP, Selkirk Cogen Partners LP, Delta-Person Limited Partnership, Gregory Power Partners LP, Jamaica Private Power Limited Company and MASSPOWER. The Company owns its interests in Gregory Power Partners LP and a portion of its interest in Rumford Cogeneration Company LP through Javelin Energy LLC. An analysis of the investments is presented below:

| | |
|---|---|
| Equity investments, at the date of acquisition (note 2) | $ 142,777 |
| Equity income, net | 593 |
| Distributions received | (3,674) |
| Equity investments, end of period | $ 139,696 |

The fair value increment on acquisition of the investments has been allocated to property, plant and equipment and power purchase contracts.

## 6. POWER PURCHASE CONTRACTS:

| | | Cost (note 2) | | Accumulated amortization | | Net book value |
|---|---|---|---|---|---|---|
| Power purchase contracts | $ | 107,340 | $ | 1,426 | $ | 105,914 |

## 7. CREDIT FACILITY:

The Company has a $50,000 revolving term credit facility, which bears interest at a rate equal to LIBOR or U.S. Base Rate, plus an applicable margin to those rates. At December 31, 2004, $14,750 was allocated, but not drawn, to support letters of credit. The Company has to meet certain financial covenants. The facility is secured by pledges of assets and interests in subsidiaries and Projects.

## 8. LONG-TERM DEBT:

| | | |
|---|---|---|
| Subordinated Notes (Cdn $248,727) | $ | 206,927 |
| Project debt of joint ventures, interest ranging from 2% to 9.125%, expiring between 2006 and 2018 | | 99,066 |
| | | 305,993 |
| Less current portion of project debt of joint ventures | | 13,764 |
| | $ | 292,229 |

The Company has issued $176,560 of 11% Subordinated Notes in conjunction with its initial public offering of IPSs (note 10) and $30,367 of 11% Subordinated Notes separately. The Subordinated Notes will mature 12 years after the date of issuance subject to redemption under specified conditions at the option of the Company, commencing on or after November 18, 2009. Interest is payable monthly in arrears, commencing on January 31, 2005, and the principal repayment will occur at maturity. The Subordinated Notes are secured by a pledge of the Company's interest in Atlantic Holdings and certain of Atlantic Holdings subsidiaries and contain certain restrictive covenants.

Principal payments due under the Projects in the next five years and thereafter are as follows:

| | | |
|---|---|---|
| 2005 | $ | 13,764 |
| 2006 | | 14,674 |
| 2007 | | 14,319 |
| 2008 | | 13,461 |
| 2009 | | 4,329 |
| Thereafter | | 38,519 |
| | | 99,066 |
| Subordinated Notes due 2016 | | 206,927 |
| | $ | 305,993 |

The Project debt of joint ventures is secured by the respective facility with no other recourse to the Company. The loans have certain financial covenants which must be met.

## 9. OTHER LIABILITIES, NON-CONTROLLING INTEREST:

As of December 31, 2004, the Existing Investors have a 41.9% interest in Atlantic Holdings and also have the right to request, at any time, that Atlantic Holdings purchase for cancellation all or any portion of the Existing Investors' interests in Atlantic Holdings, subject to a minimum remaining 10% interest for a two-year period from November 18, 2004. The repurchase of the Existing Investors' interests is conditional upon Atlantic Holdings being able, after utilizing its best efforts, to complete or cause the completion of an equity financing on terms acceptable to the managers of Atlantic Holdings who are independent of the Existing Investors' and their affiliates, acting reasonably, to secure the necessary funds to enable it to purchase the Existing Investors' interests. Atlantic Holdings may only finance repurchases of Existing Investors' interests pursuant to the exercise of the rights by issuing additional equity securities. This may occur through the sale of equity interests to the Company, the purchase of which by the Company may be financed by a sale of IPSs or other equity securities of the Company. The Company is required to use its best efforts to effect an offering of IPSs or other equity securities on terms acceptable to the directors of the Company in order to provide equity funding to Atlantic Holdings for the repurchase of the Existing Investors' interests. Since there is a written put option, these interests are treated as a liability of the Company and are recorded at fair value on the consolidated balance sheet. To purchase the remaining 41.9% interest, 22,283,721 IPSs, would be required to be issued.

Any change in fair value of the non-controlling interest is recognized in the consolidated statement of operations and deficit as change in non-controlling interest. For the period ended December 31, 2004, a cost of $16,490 is reflected in the consolidated statement of operations and deficit.

## 10. SHARE CAPITAL:

The Company issued 32,000,000 IPSs for cash pursuant to its initial public offering on November 18, 2004, and a further 4,800,000 IPS on December 6, 2004. Each IPS was issued for Cdn $10.

Each IPS consists of one common share of the Company and Cdn $5.767 of aggregate principal amount of 11% Subordinated Notes of the Company (note 8).

Proceeds of $121,381 (net of offering costs of $7,593) were allocated to common stock.

## 11. INCOME TAXES:

The provision for income taxes in the consolidated statement of operations and deficit represents an effective tax rate of 36.94%. The Canadian enacted statutory rate is 36.12%. The differences are as follows:

| | | |
|---|---|---|
| Computed income tax expense at Canadian statutory rate | $ | (7,186) |
| Increase (decrease) resulting from: | | |
| Operating in countries with different income tax rates | | (164) |
| | | (7,350) |
| Valuation allowance | | 357 |
| | | (6,993) |
| Permanent differences: | | |
| Increase in obligation, non-controlling interest | | 6,092 |
| Distribution, non-controlling interest | | 969 |
| Other | | (68) |
| | | 6,993 |
| Income tax expense | $ | – |

The tax effect of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2004 are presented below:

| | | |
|---|---|---|
| Future tax assets: | | |
| Power purchase contracts | $ | 8,629 |
| Loss carryforwards expiring in 2024 | | 690 |
| Other | | 2,168 |
| Total future tax assets | | 11,487 |
| Valuation allowance | | (357) |
| | | 11,130 |
| Future tax liabilities: | | |
| Property plant and equipment | | 10,336 |
| IPS issuance costs | | 176 |
| Other | | 618 |
| Total future tax liabilities | | 11,130 |
| Net future tax asset (liability) | $ | – |

## 12. COMMITMENTS AND CONTINGENCIES:

(a) Letters of credit:

Onondaga has issued a letter of credit of $550 in favour of an investor-owned utility.

(b) Fuel supply and transportation agreements:

Typically the Projects have long-term contracts for supply and transportation of fuel. The contracts may have minimum volumetric commitments of delivery. Generally price indexes used in these contracts are designed to match as closely as possible the respective energy price indexes in the Projects' power purchase contracts.

Certain of the Projects in the normal course of operations have entered into long-term supply contracts for natural gas or derivative agreements to mitigate the risk of natural gas price movements.

(c) Legal matters:

The Company and the Projects are involved from time to time in various litigation matters, the ultimate settlement of which is currently not believed to have a material adverse impact on the Company.

(d) The Company entered into forward contracts to purchase Canadian dollars sufficient to make 60 monthly distributions at the current distribution level to all holders including Existing Investors, as well as interest payments on the separate Subordinated Notes at a rate of Cdn $1.2073/U.S. $1.00.

## 13. INDEXED SWAP:

A swap agreement (the "Indexed Swap") between the power utility and Onondaga has replaced the Projects' original power purchase contract. The Indexed Swap expires on June 30, 2008. The Indexed Swap is a financial instrument under which the utility company makes monthly payments to Onondaga based upon the differential between an indexed "contract price" and a market reference price for electricity. The indexed contract price fluctuates in relation to the market cost of a natural gas and a prescribed index of inflation. The notional quantity of electricity for the purpose of these calculations is fixed for the full 10-year term of the Indexed Swap.

In May 2004, Onondaga contributed the Indexed Swap to a newly formed wholly owned special purpose subsidiary, Onondaga Power Swap Holdings. LLC ("OPSH"). Onondaga has guaranteed OPSH's obligations to the utility company under the Indexed Swap. Also in May 2004, OPSH entered into commodity hedges (the "Indexed Swap Hedge"), in order to lock in favourable gas, power and capacity pricing under the Indexed Swap. The hedges extend through June 30, 2008 and remove almost all commodity exposure from the Indexed Swap through its term.

Changes related to the Indexed Swap are summarized below:

| | | |
|---|---|---|
| Fair value at acquisition date | $ | 101,468 |
| Increase in fair value during the period | | 1,880 |
| Settlements received | | (3,757) |
| Fair value, as of December 31, 2004 | $ | 99,591 |

Changes related to the Indexed Swap Hedge:

| | | |
|---|---|---|
| Fair value at acquisition date | $ | (29,566) |
| Increase in fair value during the period | | (606) |
| Settlements received | | (121) |
| Fair value, as of December 31, 2004 | $ | (30,293) |

## 14. RELATED PARTY TRANSACTIONS:

The Company has contracted with Atlantic Power Management, LLC (the "Manager"), a company owned by certain entities that form part of the non-controlling interest, for management services, including advice and consultation concerning business planning, support, guidance and policy-making and general management services. The manager will receive an annual management fee of $300 adjusted for inflation and future growth, cost reimbursements and an incentive fee equal to approximately 25% of cash distributions in excess of targeted cash distributions. In 2004, the manager was paid $620.

The Company has engaged Caithness Energy, a company affiliated with the non-controlling interest, to provide operations and maintenance at four of the Projects and accounting, taxes and other administrative functions for 12 of the Projects. In 2004, Caithness Energy was paid $687.

Certain of the Projects are managed by affiliates of other investors.

### 15. FAIR VALUES OF FINANCIAL INSTRUMENTS:

The fair values of cash and cash equivalents, reserve fund, restricted cash, accounts receivable, dividends payable, and accounts payable and accrued liabilities approximate carrying values due to the short-term nature of these balances.

The Indexed Swap, other liabilities, non-controlling interest and foreign exchange forward contract are carried at fair value.

The Indexed Swap is recorded at estimated fair value based on estimated future cash flows taking into account certain assumptions, including forecasts of future energy prices, inflation rates, discount rates and credit risk. Energy prices can be volatile and other assumptions can change from period to period. These factors can create significant fluctuations in the estimated fair value of this agreement.

The fair value of other liabilities, non-controlling interest is based on the quoted market value of the IPSs.

The fair value of forward exchange contracts is based primarily on the difference between the current exchange rate and the forward exchange rate under the contract.

Management believes that the fair value of long-term debt approximates its carrying value because the principal amount of the debt was recently issued.

The fair values of interest rate swap and gas swaps entered into by joint ventures are disclosed in note 3.

### 16. BASIC LOSS PER SHARE:

Basic loss per share has been calculated using the weighted average number of units outstanding during the period of 34,727,273.

### 17. SEGMENTED INFORMATION:

The Company operates 14 Projects in the United States. It has one Project in Jamaica, which is accounted for using the equity method.

The Company has one line of business being the sale of energy.

Revenue is earned primarily from contracts with large investor-owned utilities. Two investment-grade utilities contributed more than 10% of revenue (58% and 20% of revenue).

### 18. SUBSEQUENT EVENT:

On March 1, 2005, the Company received a distribution of $35,857 from the MASSPOWER Project. The distribution comprised: (a) a portion of the proceeds paid to the Project by two of its three utility power purchasers to terminate power purchase agreements that together account for approximately 66.5% of the project's output, (b) operating income, and (c) the release of restricted cash. The MASSPOWER project has repaid its outstanding debt and will continue to make available approximately 7.9% of its output under its remaining power purchase agreement through 2013, if and when it is dispatched and will have the option to sell the remainder of its output into the wholesale spot market. The Company has placed the distribution into its Reserve Fund, which is available to fund acquisitions and other growth opportunities to enhance the long-term stability of distributions.

# Corporate Information

## Atlantic Power Management

BARRY WELCH
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## Atlantic Power Corporation Directors

IRVING GERSTEIN
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Chairman of the Board
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Toronto, Ontario
*Mr. Gerstein is a retired executive and is currently a Director of Medical Facilities Corporation, Economic Investment Trust Limited and Student Transportation of America.*

KEN HARTWICK
Director and Chairman of the
Audit Committee
Atlantic Power Corporation
Toronto, Ontario
*Mr. Hartwick is currently the Chief Financial Officer of Ontario Energy Savings Corp., which is a wholly-owned subsidiary of, and provides administrative services to, Energy Savings Income Fund, an income trust traded on the TSX.*

JOHN MCNEIL
Director
Atlantic Power Corporation
Toronto, Ontario
*Mr. McNeil is President of Barker, Dunn & Rossi Canada, based in Toronto, Ontario. BDR, with headquarters in Washington D.C. and a regional office in Toronto, is an electricity consulting boutique.*

## Atlantic Power Holdings Managers

(in addition to the three Atlantic Power Corporation Directors listed above and Barry Welch)

DANIEL REVERS
Manager of Atlantic Holdings
Boston, Massachusetts
*Mr. Revers is co-founder and Managing Partner of ArcLight Capital Partners, Boston, Massachusetts.*

ROBB TURNER
Manager of Atlantic Holdings
New York, New York
*Mr. Turner is co-founder and Senior Partner of ArcLight Capital Partners.*

BILL WHITMAN
Manager of Atlantic Holdings
Ridgewood, New Jersey
*Mr. Whitman is currently the Senior Vice President of NW Financial Group, LLC, Jersey City, NJ, an investment bank specializing in municipal finance.*

## Atlantic Power Corporation

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IPS Issued & Outstanding:
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Exchange: TSX

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June 8, 2005

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