ATLANTIC POWER CORP
Form 10-12B
April 13, 2010

Use these links to rapidly review the document


Table of Contents

**As filed with the Securities and Exchange Commission on April 12, 2010**

**File No. [ ]**

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, DC 20549**

# FORM 10

**GENERAL FORM FOR REGISTRATION OF SECURITIES**
**PURSUANT TO SECTION 12(b) OR 12(g) OF**
**THE SECURITIES EXCHANGE ACT OF 1934**

# ATLANTIC POWER CORPORATION

(Exact name of registrant as specified in its charter)

| **British Columbia, Canada** | **55-0886410** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **200 Clarendon Street, Floor 25 Boston, Massachusetts, USA** | **02116** |
| (Address of Principal Executive Office) | (Zip Code) |

Registrant's telephone number, including area code:

**(617) 977-2400**

Securities to be registered pursuant to Section 12(b) of the Act:

| **Title of each class to be registered** | **Name of each exchange on which each class is to be registered** |
|---|---|
| Common Stock, no par value | New York Stock Exchange |

Securities to be registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange

Act.

| Large accelerated filer o | Accelerated filer o | Non-accelerated filer ý (Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

Table of Contents

**TABLE OF CONTENTS**

Table of Contents

## GENERAL

Certain capitalized terms used in this registration statement have the meaning set out under "Glossary of Terms." In this registration statement, references to "Cdn$" and "Canadian dollars" are to the lawful currency of Canada and references to "$" and "US$" and "U.S. dollars" are to the lawful currency of the United States. All dollar amounts herein are in U.S. dollars, unless otherwise indicated.

Unless otherwise stated, or the context otherwise requires, references in this registration statement to "we," "us," "our" and "Atlantic Power" refer to Atlantic Power Corporation, those entities owned or controlled by Atlantic Power Corporation and predecessors of Atlantic Power Corporation.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this registration statement, including documents incorporated by reference herein, constitute "forward-looking statements." Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook," "objective," "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "should," "plans," or "continue," or similar expressions suggesting future outcomes or events. Examples of such statements in this registration statement include, but are not limited to, statements with respect to the following:

- expected opportunities for accretive acquisitions;
- our planned application to have our common shares listed on the New York Stock Exchange;
- the expectation that our cash on hand and projected future cash flows from existing projects will be adequate to meet the current level of cash distributions to shareholders into 2015 without additional acquisitions or organic growth;
- the amount of distributions expected to be received from the projects for the full year 2010;
- estimated net cash tax refund in 2010;
- estimated levels of cash flow and estimated payout ratios for 2010, 2011 and 2012;
- our forecast of expected annual cash distributions from the Lake and Auburndale projects through 2012; and
- the expected resumption of distributions from our Chambers project in 2010 and our Selkirk project in 2011.

Such forward-looking statements reflect our current expectations regarding future events and operating performance and speak only as of the date of this registration statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to the assumption that the projects will operate and perform in accordance with our expectations. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors." Our business is both competitive and subject to various risks.

These risks include, without limitation:

a reduction in revenue upon expiration or termination of power purchase agreements;

the dependence of our projects on their electricity, thermal energy and transmission services customers;

exposure of certain of our projects to fluctuations in the price of electricity;

Table of Contents

projects not operating to plan;

the impact of significant environmental and other regulations on our projects;

increased competition, including for acquisitions; and

our limited control over the operation of certain minority-owned projects.

Other factors, such as general economic conditions, including exchange rate fluctuations, also may have an effect on the results of our operations. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. For a description of risks that could cause our actual results to materially differ from our current expectations, please see "Risk Factors" in this registration statement.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include third party projections of regional fuel and electric capacity and energy prices or cash flows that are based on assumptions about future economic conditions and courses of action. Although the forward-looking statements contained in this registration statement are based upon what are believed to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. Certain statements included in this registration statement may be considered "financial outlook" for the purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this registration statement.

These forward-looking statements are made as of the date of this annual information form and, except as expressly required by applicable law, we assume no obligation to update or revise them to reflect new events or circumstances.

Table of Contents

## ITEM 1. BUSINESS.

### OVERVIEW

Atlantic Power Corporation is a leading independent power producer, with power projects located in major markets in the United States. Our current portfolio consists of interests in 12 operational power generation projects across eight states, a 500 kilovolt 84-mile electric transmission line located in California, and six development projects in five states. Our power generation projects have an aggregate gross electric generation capacity of approximately 1,823 megawatts (or "MW") in which our ownership interest is approximately 808 MW.

The following map shows the location of our projects, including joint venture interests, across the United States:

We sell the capacity and power from our projects under power purchase agreements (or "PPAs") with a variety of utilities and other parties. Under the PPAs, which have expiration dates ranging from 2010 to 2037, we receive payments for electric energy sold to our customers (known as energy payments), in addition to payments for electric generation capacity (known as capacity payments). We also sell steam from a number of our projects under steam sales agreements to industrial purchasers. The transmission system rights (or "TSRs") we own in our power transmission project entitle us to payments indirectly from the utilities that make use of the transmission line.

Our coal and natural gas-powered projects generally operate pursuant to long-term supply agreements, typically accompanied by fuel transportation arrangements. In most cases, the fuel supply and transportation arrangements correspond to the term of the relevant PPAs and most of the PPAs and steam sales agreements provide for the pass-through or indexing of fuel costs to our customers.

We partner with recognized leaders in the independent power business to operate and maintain our projects, including Caithness Energy, LLC, Cogentrix Energy, Inc. and the Western Area Power Administration. Under these operation, maintenance and management agreements, the operator is typically responsible for operations, maintenance and repair services.

Atlantic Power Corporation is organized under the laws of the Province of British Columbia. Our registered office is located at 355 Burrard Street, Suite 1900, Vancouver, British Columbia V6C 2G8

Table of Contents

and our headquarters are located at 200 Clarendon Street, Floor 25, Boston, Massachusetts, USA 02116. Our website is atlanticpower.com. Information contained on our website is not part of this registration statement.

We completed our initial public offering on the Toronto Stock Exchange (TSX: ATP) in November 2004 and have applied to have our common shares listed on the New York Stock Exchange under the symbol [" "].

**OUR COMPETITIVE STRENGTHS**

***Diversified Projects.*** Our power generation projects have an aggregate gross electric generation capacity of approximately 1,823 MW, and our net ownership interest in the electric generation capacity of these projects is approximately 808 MW. Our power generation projects are diversified by geographic location, electricity and steam customers, and project operators. These projects are diversified across most of the deregulated and more liquid electricity markets in New England, New York, Mid-Atlantic, California and Texas, or are located in regions of high electricity demand growth such as Florida and New Mexico.

The power transmission project, known as Path 15, is an 84-mile, 500-kilovolt transmission line built in order to alleviate north-south transmission congestion in California. It is a traditional rate-base asset whose revenues are regulated by the Federal Energy Regulatory Commission ("FERC") and is operated by the Western Area Power Administration, a U.S. Federal power agency.

***Strong Customer Base.*** Our customers are generally large utilities, and other parties with investment-grade credit ratings. The largest customers of our power generation projects are Progress Energy Florida, Inc. ("PEF"), Tampa Electric Company ("TECO"), and Atlantic City Electric ("ACE"), which purchase approximately 40%, 15% and 11%, respectively, of the net electric generation capacity of our projects. No other electric customer purchases more than 7% of the net electric generation capacity of our power generation projects.

***Leading Third-Party Managers.*** Our power generation projects rely on a number of different operators for their operation, which are generally recognized leaders in the independent power business. Affiliates of Caithness Energy, LLC, Cogentrix Energy, Inc. and Babcock and Wilcox Power Generation Group, Inc. operate projects representing approximately 49%, 21% and 9%, respectively, of the net electric generation capacity of our power generation projects. No other operator is responsible for the operation of projects representing more than 8% of the net electric generation capacity of our power generation projects.

***Stability of Project Cash Flow.*** Each of our power generation projects has been in operation for over ten years. Cash flows from each project are generally supported by energy sales contracts with investment-grade utilities and other sophisticated counterparties. We believe that each project's combination of PPA(s), fuel supply agreement(s) and/or commodity hedges help stabilize operating margins as fuel prices fluctuate.

**OUR OBJECTIVES AND BUSINESS STRATEGY**

Our objectives include maintaining the stability and sustainability of dividends to shareholders and to maximize the value of our company. In order to achieve these objectives, we intend to focus on enhancing the operating and financial performance of the projects and on pursuing additional acquisitions primarily in the electric power industry in the U.S. and Canada.

Table of Contents

**Organic Growth**

We intend to enhance the operation and financial performance of our projects through:

- optimization of commercial arrangements such as PPAs, fuel supply and transportation contracts, steam sales agreements, and operations and maintenance agreements;
- achievement of improved operating efficiencies;
- upgrade or enhancement of existing equipment or plant configurations; and
- expansion of existing projects.

Successfully extending PPAs and fuel agreements may facilitate refinancings that provide capital to fund growth opportunities.

**Extending PPAs Following Their Expiration**

PPAs in our portfolio have expiration dates ranging from 2010 to 2037. In each case, we plan for expirations by evaluating various options in the market for maximizing project cash flows. New arrangements may involve responses to utility solicitations for capacity and energy, direct negotiations with the original purchasing utility for PPA extensions, arrangements with creditworthy energy trading firms for tolling agreements, full service PPAs or the use of derivatives to lock in value. We do not assume that pricing under existing PPAs will necessarily be sustained after PPA expirations, since most original PPAs included capacity payments related to return of and return on original capital invested and counterparties or evolving regional electricity markets may or may not provide similar payments under new or extended PPAs.

**Acquisition and Investment Strategy**

We believe that new electricity generation projects will be required in the United States and Canada over the next several years as a result of growth in electricity demand, transmission constraints and the retirement of older generation projects due to obsolescence or environmental concerns. There is also a very active secondary market for existing projects. We intend to expand our operations by making accretive acquisitions with a focus on power generation, transmission, distribution and related facilities in the United States and Canada. We may also invest in other forms of energy-related projects, utility projects and infrastructure projects, as well as additional investments in development stage projects or companies where the prospects for creating long-term predictable cash flows are attractive. Since the time of our initial public offering on the Toronto Stock Exchange in 2004, we have twice acquired the interest of another partner in one of our existing projects and will continue to look for such opportunities.

Our senior management has significant experience in the independent power industry and we believe the experience, reputation and industry relationships of our management team will provide us with unique access to future acquisition opportunities.

**Acquisition Guidelines**

We use the following general guidelines when reviewing and evaluating possible acquisitions:

- each acquisition or investment should result in an increase in cash available for distribution to shareholders;
- in the case of an acquisition of power generation facilities, facilities with long-term PPAs with major electrical utilities or other creditworthy customers will be preferred; and, for facilities without such agreements, market electricity price assumptions used in acquisition evaluations will be obtained from a recognized independent source; and

Table of Contents

in the case of an acquisition of a power generation facility, the expected useful life of the facility and associated structures will, with regular maintenance, be long enough to conform with our objective of providing stable long-term dividends to shareholders.

**POWER INDUSTRY OVERVIEW**

Historically, the North American electricity industry was characterized by vertically-integrated monopolies. During the late 1980s, several jurisdictions began a process of restructuring by moving away from vertically integrated monopolies toward more competitive market models. Rapid growth in electricity demand, environmental concerns, increasing electricity rates, technological advances and other concerns prompted government policies to encourage the supply of electricity from independent power producers.

In the independent power generation sector, electricity is generated from a number of sources, including natural gas, coal, water, waste products such as biomass (e.g., wood, wood waste, agricultural waste), landfill gas, geothermal, solar and wind. According to the North American Electric Reliability Council's Long-Term Reliability Assessment, published in December 2009, summer peak demand within the United States over the next ten years is projected to increase 14.8%, while winter peak demand in Canada is projected to increase 8.8%.

**The Non-Utility Power Generation Industry**

Our 12 power generation projects are non-utility electric generating facilities that operate in the U.S. electric power generation industry. The electric power industry is one of the largest industries in the United States, generating sales in excess of $365 billion in 2008, based on information published by the Energy Information Administration. A growing portion of the power produced in the United States is generated by non-utility generators. According to the Energy Information Administration, there were approximately 8,287 non-utility generators representing approximately 471 gigawatts of capacity in 2008, the most recent year for which data is available, (equal to 47% of total generating plants and 43% of nameplate capacity). Non-utility generators sell the electricity that they generate to electric utilities and other load-serving entities (such as municipalities and electric cooperatives) by way of bilateral contracts or open power exchanges. The electric utilities and other load-serving entities, in turn, generally sell this electricity to industrial, commercial and residential customers.

We believe that an active secondary market in the power generation sector will continue to provide us with meaningful acquisition and growth opportunities.

Table of Contents

**OUR POWER PROJECTS**

The following table summarizes key features of each of our operating projects. The projects are typically owned by holding companies, which hold limited partnership, general partnership or other equity interests. Our interests in each of the projects are held, directly or indirectly, through these holding companies.

| Project Name | Location (State) | Type | Total MW | Economic Interest[1] | Accounting Treatment[2] | Net MW[3] | Electricity Purchaser | Power Contract Expiry | Customer S&P Credit Rating |
|---|---|---|---|---|---|---|---|---|---|
| Auburndale | Florida | Natural Gas | 155 | 100.00% | C | 155 | Progress Energy Florida | 2013 | BBB+ |
| Lake | Florida | Natural Gas | 121 | 100.00% | C | 121 | Progress Energy Florida | 2013 | BBB+ |
| Pasco | Florida | Natural Gas | 121 | 100.00% | C | 121 | Tampa Electric Co. | 2018 | BBB |
| Chambers | New Jersey | Coal | 262 | 40.00% | E | 89[4] | ACE | 2024 | BBB |
| | | | | | | 16 | DuPont | 2024 | A |
| Path 15 | California | Transmission | N/A | 100.00% | C | N/A | California Utilities via CAISO[5] | N/A[6] | BBB+ to A[7] |
| Orlando | Florida | Natural Gas | 129 | 50.00% | E | 46 | Progress Energy Florida | 2023 | BBB+ |
| | | | | | | 19 | Reedy Creek Improvement District | 2013[8] | A[9] |
| Selkirk | New York | Natural Gas | 345 | 18.50%[10] | E | 15 | Merchant | N/A | N/R |
| | | | | | | 49 | Consolidated Edison | 2014 | A- |
| Gregory | Texas | Natural Gas | 400 | 17.10% | E | 59 | Fortis Energy Marketing and Trading | 2013 | A- |
| | | | | | | 9 | Sherwin Alumina | 2020 | NR |
| Topsham[11] | Maine | Hydro | 14 | 50.00% | E | 7 | Central Maine Power | 2011 | BBB+ |
| Badger Creek | California | Natural Gas | 46 | 50.00% | E | 23 | Pacific Gas & Electric | 2011 | BBB+ |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Rumford | Maine | Coal/Biomass | 85 | 23.50%[10] | E | 20 | Rumford Paper Co. | 2010 | N/R |
| Koma Kulshan | Washington | Hydro | 13 | 49.80% | E | 6 | Puget Sound Energy | 2037 | BBB |
| Delta-Person | New Mexico | Natural Gas | 132 | 40.00% | E | 53 | PNM | 2020 | BB- |

(1) Except as otherwise noted, economic interest represents the percentage ownership interest in the project held indirectly by Atlantic Power.

(2) Accounting Treatment: C Consolidated; and E Equity Method of Accounting (for additional details, see Note 2 of the consolidated financial statements for the year ended December 31, 2009).

(3) Represents our interest in each project's electric generation capacity based on our economic interest.

(4) Includes separate power sales agreement in which the project and ACE share profits on spot sales of energy and capacity not purchased by ACE under the base PPA.

(5) California utilities pay TACs to CAISO, who then pays owners of TSRs, such as Path 15, in accordance with its FERC approved annual revenue requirement.

(6) Path 15 is a FERC regulated asset with a FERC-approved regulatory life of 30 years: through 2034.

(7) Largest payers of TACs supporting Path 15's annual revenue requirement are PG&E (BBB+), SoCal Ed (BBB+) and SDG&E (A). CAISO imposes minimum credit quality requirements for any participants of A or better unless collateral is posted per CAISO imposed schedule.

(8) Upon the expiry of the Reedy Creek PPA, the associated capacity and energy will be sold to PEF.

(9) Fitch rating on Reedy Creek Improvement District bonds.

(10) Represents our estimated share of the cash flow from the project.

(11) We own our interest in this project as a lessor.

Table of Contents

Our projects are organized into the following six business segments:

| | |
|---|---|
| Auburndale | Chambers |
| Lake | Path 15 |
| Pasco | Other Project Assets |

***Auburndale Segment***

*General Description*

The Auburndale Segment consists of a 155 MW dual-fired (natural gas and oil), combined-cycle, cogeneration plant located in Polk County, Florida, which commenced operations in July 1994. We own 100% of the Auburndale project, which is a "qualifying facility" (or "QF") under the rules promulgated by the Federal Energy Regulatory Commission (or "FERC"). We acquired Auburndale from ArcLight Energy Partners Fund I, L.P. and Calpine Corporation in a transaction that was completed on November 21, 2008.

Auburndale is located on an 11-acre site in the City of Auburndale, Florida. Capacity and energy from the project is sold to Progress Energy Florida (or "PEF") under three PPAs expiring at the end of 2013. Auburndale typically operates as a mid-merit generator, which means that it is called upon by PEF to run during periods of peak electricity demand on most weekdays and occasionally during periods of lower electricity demand. Steam is supplied to Florida Distillers Company and Cutrale Citrus Juices USA, Inc. The Florida Distillers steam agreement is renewed annually, and the Cutrale Citrus Juices steam agreement expires in 2013.

Auburndale has non-recourse debt outstanding which fully amortizes over the term of its PPAs expiring in 2013. Atlantic Power Corporation has provided letters of credit in the total amount of $13.4 million to support Auburndale's obligations: $5.5 million to support its debt service obligation, $4.4 million to support its PPA obligations, and $3.5 million to support its fuel supply agreement.

*Power Purchase Agreement*

Auburndale sells electricity to PEF under three PPAs each expiring on December 31, 2013. Under the largest of the PPAs, Auburndale sells 114 MW of capacity and energy. An additional 17 MW of committed capacity is sold under two identical 8.5 MW agreements with PEF. Revenue from the sale of electricity under the three PPAs consists of capacity payments based on a fixed schedule of prices, and energy payments. Capacity payments under the largest PPA are dependent on the plant maintaining a minimum on-peak capacity factor of 92 percent on a rolling twelve-month average basis. On-peak capacity factor refers to the ratio of actual electricity generated during periods of peak demand to the capacity rating of the plant during such periods. The project has achieved the minimum on-peak capacity factor continuously since commercial operation. Capacity payments under the smaller two agreements are dependent on the project maintaining a minimum on-peak capacity factor of 70 percent. Energy payments under the largest PPA are comprised of a fuel component based on the delivered cost of coal at two PEF-owned coal-fired generating stations and a component intended to recover operating and maintenance costs. Energy payments under the smaller two agreements are based on the lesser of PEF's actual avoided energy cost or an energy price index based on the delivered fuel cost at a specific coal-fired power plant owned by PEF.

*Steam Sales Agreement*

Auburndale provides steam to Florida Distillers Company and Cutrale Citrus Juices USA, Inc. under two separate steam purchase agreements. The Florida Distillers agreement automatically extends on an annual basis, and can be terminated by either party with 90 days notice. The Cutrale Citrus Juices agreement terminates on December 31, 2013 and contains automatic two-year renewal terms.

Table of Contents

*Fuel Supply Arrangements*

Auburndale receives the majority of its required natural gas through a gas supply agreement with El Paso Merchant Energy, L.P. that expires on June 30, 2012. Under the agreement, El Paso provides a fixed amount of gas on a daily basis. The gas price is based on a fixed schedule of prices that escalate annually and is below current market prices. At historic utilization rates, the gas supplied under the El Paso contract has accounted for approximately 80% of the gas required by the project under its PPA commitments and the remaining required fuel is purchased at spot prices.

The required natural gas for the project is delivered through firm gas transportation agreements with Central Florida Gas Company and Florida Gas Transmission Company ("FGT") and is transported through the gas distribution system owned by Peoples Gas Transmission, Inc. ("Peoples"). The gas transportation agreements are co-terminus with the PPAs, expiring on December 31, 2013.

*Operations & Maintenance*

The Auburndale project is operated and maintained by an affiliate of Caithness Energy, LLC. In 2006, Auburndale entered into a maintenance agreement with Siemens Energy, Inc. for the long-term supply of certain parts, repair services and outage services related to the gas turbine. The term of the maintenance agreement is dependent on the number of maintenance inspections and is expected to expire in late 2012.

Auburndale entered into an agreement with TECO to transmit electric energy from the project to PEF. The agreement expires in 2024, unless extended as provided for in the agreement. Auburndale's cost for these services is based on a contractual formula derived from TECO's cost of providing such services.

*Factors Influencing Project Results*

Auburndale derives a significant portion of its revenue through capacity payments received under the PPAs with PEF. In the event the project's on-peak capacity factor falls below a specified level, capacity payments will be adjusted downward. Since it began commercial operation, the project has received full capacity payments.

During the term of the gas supply agreement, approximately 80% of the natural gas required to fulfill the project's PPAs is purchased at fixed prices. The remainder of the natural gas is purchased on the spot market. As a result, the project's operating margin is exposed to changes in market natural gas prices because the PPA does not effectively pass through those price changes to PEF. In order to mitigate this risk, Auburndale has entered into a series of financial swaps that effectively fix the price of natural gas to be purchased.

The following table summarizes the hedge position related to natural gas requirements to satisfy Auburndale's PPAs as of April 7, 2010:

| | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Amount of gas volumes currently hedged: | | | | |
| Contracted at fixed prices | 80% | 80% | 40% | 0% |
| Financially hedged with swaps | 15% | 13% | 32% | 79% |
| Total | 95% | 93% | 72% | 79% |
| Average price of financially hedged volumes (per million British thermal units, or "Mmbtu")(US$) | $6.30 | $6.68 | $6.51 | $6.92 |

We will continue to periodically analyze whether to execute further hedge transactions intended to mitigate natural gas price exposure at Auburndale through the expiration of the PPAs with PEF.

Table of Contents

The energy portion of Auburndale's revenue under the largest PPA with PEF is impacted by changes in the price of coal purchased by two power plants in Florida owned by PEF. Because these power plants purchase a significant portion of their coal through contracts of varying lengths, the price of coal burned at those plants is not directly correlated with changes in spot coal prices. Accordingly, changes in the price of coal procured by these two power plants will impact Auburndale's energy revenue.

***Lake Segment***

*General Description*

The Lake Segment consists of a 121 MW dual-fuel, combined-cycle QF cogeneration plant located in Florida, which began commercial operation in July 1993. We own 100% of the Lake project. In late 2007, the existing combustion turbines at the facility were upgraded to increase their efficiency by approximately 4% and output from 110 MW to 121 MW.

The Lake project is located on a 16-acre site at a citrus processing facility in Umatilla, Florida. Lake sells all of its capacity and electric energy to PEF under the terms of a PPA expiring in July 2013. The project is operated as a mid-merit facility typically running during 11 peak hours daily. Steam is sold to Citrus World, Inc. for use at its citrus processing facility and is also used to make distilled water in distillation units.

The Lake project does not have any debt outstanding. Atlantic Power Corporation has provided a $4.3 million letter of credit in favor of PEF to support the Lake project's obligations under its PPA.

*Power Purchase Agreement*

Electricity is sold to PEF pursuant to a PPA that expires on July 1, 2013. Revenues from the sale of electricity consist of a fixed capacity payment and an energy payment. Capacity payments are subject to the project maintaining a capacity factor of at least 90% during on-peak hours (11 hours daily), on a 12-month rolling average basis. Lake is subject to reductions in its capacity payment should it not achieve the 90% on-peak capacity factor. The project generally has achieved the minimum on-peak capacity factor continuously since commercial operation. Energy payments are comprised of a fuel component based on the cost of coal consumed at two PEF-owned coal-fired generating stations, a component intended to recover operations and maintenance costs, a voltage adjustment and an hourly performance adjustment. During off-peak hours, energy payments are made in accordance with a prescribed formula based on the price of natural gas, although Lake usually does not operate during off-peak hours.

*Steam Sales Agreement*

The Lake project provides steam to Citrus World under a steam purchase agreement that expires in 2013. The project also supplies steam to an affiliate that uses steam to make distilled water, which is sold to unaffiliated third parties.

*Fuel Supply Arrangements*

The natural gas requirements for the facility are provided by Iberdrola Renewables, Inc. and TECO Gas Services, Inc. ("TGS"). Both the Iberdrola and TGS agreements contain market index based prices, commenced on July 1, 2009 and expire on July 31, 2013.

Natural gas is transported to the project from supply points in Texas, Louisiana and Mississippi to Florida under contracts with Peoples Gas System.

Table of Contents

*Operations & Maintenance*

The Lake project is operated and maintained by an affiliate of Caithness Energy, LLC.

Lake also has a contractual services agreement and a lease engine agreement in place with General Electric (or "GE"). The contractual services agreement provides for planned and unplanned maintenance on the two gas turbines at the plant. The lease engine agreement provides temporary replacement gas turbines to Lake to support operations when the Lake turbines require significant maintenance.

*Factors Influencing Project Results*

The Lake project derives a significant portion of its operating margin through capacity revenues received under the PPA with PEF. In the event the facility's on-peak capacity factor falls below a specified level, capacity payments will be adjusted downward, although the project rarely experiences such reductions. During the term of the current gas supply agreement, effective July 1, 2009, Lake's operating margins are exposed to changes in natural gas prices through the end of the PEF PPA in 2013. As a result, we have entered into a series of financial swaps that effectively fix the price of natural gas supplied to Lake thereby reducing fuel price risk.

The following table summarizes the volumes hedged relative to natural gas requirements under Lake's PPA as of April 7, 2010:

| | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Amount of gas volumes currently hedged: | | | | |
| Contracted at fixed prices | 0% | 0% | 0% | 0% |
| Financially hedged with swaps | 80% | 78% | 90% | 65% |
| Total | | | | |