

Atlantic Power Announces Private Placement of 8,600,000 IPSs and Cdn \$3.0 million Principal Amount of 11% Subordinated Notes due 2016

Proceeds to be Used to Purchase Sponsors' Interest in Atlantic Power Holdings

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Atlantic Power Corporation (TSX: ATP.UN) ("Atlantic Power" or the "Company") announced today that it has agreed to sell, on a private placement basis, a total of 8,600,000 Income Participating Securities ("IPSs") at a net price of \$10 per IPS to three institutional investors, including the Caisse de dépôt et placement du Québec ("Caisse"), as well as Cdn \$3.0 million principal amount of 11% subordinated notes due 2016 (the "Private Placement"). The \$10 price per IPS was established using a 20-day average of the Company's volume-weighted average trading price less a 3% discount, subject to a minimum price of \$10 per IPS. It is anticipated that the transaction will close on or about December 21, 2006.

The net proceeds from the Private Placement will be used by Atlantic Power to purchase additional membership interests in Atlantic Power Holdings, LLC ("Holdings") which will in turn use the proceeds of that transaction to redeem all of the remaining membership interests in Holdings held by subsidiaries of ArcLight Energy Partners Funds I and II and another investor (the "Existing Investors"). The purchase and the redemption will occur when regulatory approval is obtained, which is expected in the first quarter of 2007. Until the purchase and redemption occur, the proceeds of the Private Placement will be placed in escrow and the Existing Investors will reimburse Atlantic Power for the difference between interest earned on those funds and distributions on the new IPSs. Following the purchase by Atlantic Power and the redemption of the Existing Investors, the Existing Investors will no longer hold any retained interest in Holdings and Holdings will become a wholly-owned subsidiary of Atlantic Power. The Private Placement will result in no dilution to public holders of IPSs and all expenses of the Private Placement will be borne by the Existing Investors. Should regulatory approval for the redemption not be obtained or could contain unacceptable conditions, Atlantic Power will be required to repurchase the IPSs sold under the Private Placement using the funds held in escrow at the same price as the IPSs were initially sold under the Private Placement.

At the time of Atlantic Power's initial public offering ("IPO") in November, 2004, the Existing Investors were granted a liquidity right (the "Liquidity Right") allowing them to request that Holdings redeem all or a portion of their interest in Holdings, subject to holding a minimum 10% interest during the first two years after the IPO. Following delivery of a liquidity notice from the Existing Investors, Holdings is obligated to use its best efforts to fund the redemption through the sale of additional securities of Atlantic Power, which in turn is obligated to use its best efforts to raise funds through the issuance of IPSs or other securities. The Private Placement is being conducted pursuant to the Existing Investors' exercise of the Liquidity Right.

Following closing of the Private Placement and the redemption transaction, ArcLight Energy Partners Funds I and II will continue to indirectly own 100% of Atlantic Power Management, LLC, which is the Manager for both Atlantic Power and Holdings under a long-term management agreement.

"We anticipate continued cooperation from ArcLight as a result of its longstanding working relationship with Atlantic and because it has a financial incentive under the management agreement to facilitate continued Atlantic growth through acquisitions that lead to increased distributions for our shareholders" said Barry Welch, Atlantic Power's President and CEO.

Caisse will own approximately 19% of the outstanding IPSs of Atlantic Power on closing of the Private Placement, increased from approximately 14% previously; a new institutional investor and another existing institutional investor will each own approximately 7% of the outstanding IPSs after the closing of the Private Placement.

"We are very pleased to add a significant new institutional investor in the Company and to have increased ownership by both the Caisse and the other existing institutional investor. We believe these represent strong endorsements of our future prospects," Mr. Welch added.

The Company also announced today that Mr. William Whitman has been appointed to the board of the Company. Mr. Whitman is currently the Senior Vice President of NW Financial Group, LLC, an investment bank specializing in municipal finance, and has served on Holdings' Board of Managers since the time of Atlantic

Power's IPO. "We are delighted that Mr. Whitman has accepted our invitation to join the Board of Directors", said Mr. Irving Gerstein, Chairman of the Company's Board.

When used in this news release, the words "will be", "anticipate", "expect", "project", "believe", "estimate", "forecast" and similar expressions are intended to identify forward-looking statements, which include statements relating to the Private Placement and the use of proceeds thereof (including the redemption of the ownership interests in Holdings held by the Existing Investors which is intended to occur in the first quarter of 2007). Such statements are subject to certain risks, uncertainties and assumptions which may cause the actual results, performance or achievements of Atlantic Power to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained in this news release represent our expectations as of the date of this news release and, accordingly, are subject to change after such date. Except as required by applicable law, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About Atlantic Power Corporation:

Atlantic Power Corporation owns interests in a diversified portfolio of 15 power generation projects and one transmission line located primarily in major markets in the United States. Atlantic Power's objectives are to sustain and grow its cash distributions over the long term by enhancing the performance of its existing assets and by making accretive acquisitions.

About Caisse de dépôt et placement du Québec

The Caisse de dépôt et placement du Québec is a financial institution that manages funds primarily for public and private pension and insurance plans. As at December 31, 2005, it held CA\$122.2 billion of net assets. The Caisse invests in the main financial markets as well as in private equity and real estate. Its private equity team focuses mainly on companies that offer predictable current income for its infrastructures portfolio. The Caisse partners with dynamic companies in various sectors, offering them a wide range of financing products, with emphasis on equity investments and loans. As at December 31, 2005, the private equity portfolios held CA\$10.9 billion of net assets. For more information: www.lacaisse.com.

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