

Atlantic Power Corporation Announces Strong Third Quarter 2007 Results

BOSTON, MASSACHUSETTS – Atlantic Power Corporation (TSX: ATP.UN, ATP.DB) (the “Company”) today announced its results for the three and nine months ended September 30, 2007. All amounts are in U.S. dollars unless otherwise indicated.

Highlights:

- **Adjusted Project EBITDA up 15% in third quarter compared to prior year period**
- **Distributable cash increases 15% through first nine months of 2007**
- **Nine month payout ratio remains a conservative 84%**
- **Acquisition of remaining 50% of the Pasco Project supports future cash flow growth**
- **Installation of upgraded gas turbines at Lake will be completed this month**

“Acquisitions, strong operating performance and other enhancements have all contributed to our growth and solid financial performance in 2007,” commented Barry Welch, President and CEO. “Looking ahead, the accretive transactions, new power purchase agreements and equipment upgrades completed during and subsequent to the end of the third quarter will help to further augment cash flow going forward.”

Cash Flow Available for Distribution

For the nine months ended September 30, 2007, Cash Flow Available for Distribution was \$53.3 million compared to \$46.2 million for the same period last year. Distributions paid for the first nine months of 2007 were \$44.7 million, resulting in a payout ratio of 84%. The increase in Cash Flow Available for Distribution for the nine-month period was primarily due to higher operating cash flow, attributable to a full period contribution from Path 15 transmission line since the completion of its acquisition in September 2006, and improved results at the Chambers and Pasco projects.

For the three months ended September 30, 2007, Cash Flow Available for Distribution was \$15.1 million compared to \$14.8 million for the same period last year. Distributions paid in the third quarter of 2007 were \$15.7 million, generating a payout ratio of 104%. The increase in Cash Flow Available for Distribution in the third quarter of 2007 from the comparable prior year period is due to strong operating results at our existing Projects and the inclusion of Path 15, which was acquired on September 15, 2006. Despite this improved performance, operating cash flow decreased, primarily attributable to increases in working capital of \$7 million at Lake and Orlando due to the receipt of monthly power payments on the first business day after the end of the quarter, and the use of \$3 million from the debt financing at Path 15 to fund its required debt service reserve.

Strong Operating Performance

Adjusted EBITDA at the Projects, including earnings from equity investments, increased 15% to \$36.1 million and \$104.2 million in both the three and nine month periods, respectively, of 2007 compared to the same periods last year. The increase in Adjusted EBITDA was driven by a number of factors including:

- The contribution from the Path 15 Project, which was acquired September 15, 2006;
- Increased generation and efficiency and lower maintenance expense at Pasco resulting from turbine upgrades in 2006;
- Strong performance at Chambers due to higher levels of generation due to a planned outage in the prior year period and stronger spot market pricing.
- The absence of a non-cash charge recorded at Stockton in the third quarter of 2006 related to future asset retirement obligations; and

These increases were partially offset by:

- Lower Adjusted EBITDA at the Orlando Project attributable to higher fuel prices in 2007;
- An impairment charge of \$5.1 million at the Jamaica project related to the sale of the Company’s interest in the Project; and
- Lower Adjusted EBITDA at Selkirk and no Adjusted EBITDA contribution from Gregory in 2007 due to these Projects now being recorded under the cost method of accounting.

Under the cost method of accounting, Adjusted EBITDA is equal to distributions received. The Selkirk Project pays distributions in the second and fourth quarter of each year and distributable cash at Gregory is currently restricted under the terms of its project-level debt agreement. Based on operating assumptions and the terms of its debt, Gregory is expected to commence distributions beginning in 2008, as previously announced.

The Company generated project income of \$14.2 million in the third quarter, which included non-cash mark-to-market losses of \$1.4 million related to changes in the fair value of the Chambers PPA. For the first nine months of 2007, the Company generated a project loss of \$18.0 million, which included \$74.9 million of non-cash mark-to-market losses related to the Chambers PPA. The fair value adjustment to the Chambers PPA arises due to adoption by the Company at January 1, 2007 of the new accounting standard for financial instruments. Partially offsetting these losses was the net change in fair value of the indexed swap derivative instruments at the Onondaga Project in the amount of \$0.7 million for the third quarter and \$2.3 million for the first nine months of the year. Excluding these non-cash items and related future taxes, project income was \$14.3 million for the three months and \$24.6 million for the nine months ended September 30, 2007, compared to \$13.6 million and \$42.6 million respectively, for the same periods last year.

The net loss for the three and nine months ended September 30, 2007 was \$18.7 million or \$0.30 per IPS and \$75.0 million or \$1.22 per IPS, respectively. Excluding the non-cash change in fair value of derivative instruments and related future taxes, the net loss for the three and nine months ended September 30, 2007 would have been \$18.6 million or \$0.30 per IPS and \$32.3 million or \$0.53 per IPS, respectively.

Recent Transactions

In July 2007, a subsidiary of the Company entered into an agreement to sell its equity investment in the Jamaica Project for \$6.2 million. The carrying value of the Jamaica Project at June 30, 2007 exceeded the sale price and, accordingly, an impairment charge in the amount of \$5.1 million was recorded in the second quarter of 2007. The sale transaction closed on October 30, 2007.

In July 2007, the Gregory Project executed a PPA with Fortis Energy Marketing and Trading GP (“Fortis”). The PPA begins when the current PPA at the Project expires in 2009 and extends for five years, through 2013. The PPA is structured as a tolling agreement whereby the Project receives rental payments for making the plant available and is not exposed to fuel or electricity price risk. Based on the terms of the new PPA, the terms of the project-level financing arrangements and the forecasted operations of the plant, the Company expects to receive project distributions from Gregory in the range of \$10 million to \$12 million in 2008, including approximately \$8 million attributable to the release of project-level debt service reserves.

In August 2007, the Pasco Project signed a new ten-year tolling agreement with Tampa Electric Company (“TECO”). Under the terms of the tolling agreement, which is effective from 2009-2018, all of the capacity and energy of the Project is dedicated to TECO and the Project does not retain any fuel or electricity price risk. The agreement is subject to customary approval by the Florida Public Service Commission.

In August 2007, the Company amended its revolving credit facility. Under the terms of the amendment, the total amount available under the credit facility has been increased from \$75 million to \$100 million, of which \$50 million may be utilized for letters of credit. The November 2008 maturity date of the credit facility has been extended to August 2012 with an option for the Company to extend the maturity date by one additional year.

In August 2007, the Chambers Project executed a three-year renewal of its power sales agreement (“PSA”) with Atlantic City Electric (“ACE”) for the period August 2007 through July 2010. The PSA has historically been renewed on an annual basis. Under the terms of the PSA, ACE markets all energy and capacity from the Project that is not otherwise purchased by ACE under the Project’s base PPA. The volume of electricity that will be sold under the PSA varies based on market prices and the requirements of ACE under the base PPA. The Project and ACE share the profits on electricity and capacity sold under the PSA. As a result of the developing capacity market in the region, the new PSA is expected to result in improved financial performance at the Chambers Project and the Company projects that it could receive additional distributions from the Project of approximately \$1 million per year over current levels.

In September 2007, a subsidiary of the Company entered into a permanent financing arrangement for the Path 15 Project. The financing is a fully amortizing term loan with final maturity in 2027 and bears interest at a fixed rate of 7.9%. Principal and interest payments are due in June and December of each year during the term of the loan. The term loan is secured by the Company’s investment in the Path 15 Project and is non-recourse to the Company.

In October 2007, the Stockton Project extended its existing PPA with Pacific Gas and Electric by one year. The extended PPA expires in March 2009.

In November 2007, the Company entered into an agreement to acquire the remaining 50.1% of the Pasco Project from its existing partners for approximately \$25 million. The transaction is expected to close before the end of 2007. Based on management’s current expectations of operating cash flow and debt service reserve releases, the acquisition of the remaining interest in Pasco is expected to increase distributions to Atlantic Power from Pasco by approximately \$2.5 million in 2007 and \$7.0 million in both 2008 and 2009. In 2010 through 2018, based on management’s expectations of operating performance and the terms of the new tolling agreement at the Project, the additional ownership in Pasco is expected to provide additional distributions to the Company of approximately \$2 million per year. The Company expects to finance the equity purchase price of approximately \$25 million with cash on hand. The Company will also assume an additional \$7.5 million of existing debt at Pasco which is non-recourse to Atlantic Power and matures on December 31, 2008.

In the second quarter, the Company elected to purchase two upgraded gas turbines at its Lake Project, which are being installed this month with further enhancements made by year end. The total cost of the improvements will be approximately \$6.9 million, which is net of both the sale of the old turbines and use of an existing major maintenance reserve. Factoring in improved heat rate and output, projected gas prices plus changes to the turbine service agreement and major maintenance timing, the Company expects net improvement in distributions of approximately \$3.0 million in 2008, \$1.7 million in 2009 and between \$0.4 and \$0.7 million per year thereafter.

“The last few months have been extremely busy and productive for everyone at Atlantic Power,” Mr. Welch concluded. “Going forward, we will continue to evaluate additional acquisitions that add to our asset base and cash flow, while ensuring our project portfolio operates at maximum efficiency for the benefit of our investors.”

The calculation of Cash Flow Available for Distribution and a summary of Adjusted EBITDA by individual project for the three and nine months ended September 30, 2007 are attached to this news release.

The Company’s financial statements for the period and management’s discussion and analysis for the three and nine months ended September 30, 2007 are available on the Company’s website at www.atlanticpowercorporation.com and on SEDAR at www.sedar.com.

Certain statements in this news release constitute forward-looking statements, which reflect the expectations of the management of Atlantic Power Management, LLC, the manager of the Company, regarding the Projects and the anticipated financial results and operations of the Projects. Words such as "will", "anticipate", "expect", "project", "believe", "estimate", "forecast" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements reflect current expectations regarding future events and operating performance and speak only as of the date of this news release. Forward-looking statements involve a variety of significant risks, uncertainties and assumptions pertaining to operating performance, regulatory parameters, fuel and electricity prices, weather, economic conditions and other factors that could cause actual results to differ materially from those contemplated by these statements and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or when 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 risks and uncertainties discussed in the Company's management's discussion and analysis for the year ended December 31, 2006 and the factors discussed under "Risk Factors" contained in the Company's annual information form dated March 28, 2007. Although the forward-looking statements contained in this news release 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. These forward-looking statements are made as of the date of this news release and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Cash Flow Available for Distribution is not a measure recognized under Canadian generally accepted accounting principles ("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 Cash Flows from Operating Activities to Cash Flow Available for Distributions is attached to this news release and is also included in the Company's management's discussion and analysis for the three and nine months ended September 30, 2007. Investors are cautioned that the Company may calculate this measure in a manner that is different from other companies.

Adjusted EBITDA, earnings before interest, taxes, depreciation and amortization, is not a measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Management uses Adjusted EBITDA at the Project-level to provide comparative information about Project performance. Investors are cautioned that the Company may calculate this measure in a manner that is different from other issuers.

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	Three months ended September 30,		Nine months ended September 30,	
(unaudited)	2007	2006	2007	2006
Cash flows from operating activities	8,007	9,322	38,717	33,326
Project-level debt repayment	(4,643)	(4,505)	(24,425)	(15,743)
Interest on IPS portion of Subordinated Notes	9,390	6,289	26,758	18,741
Income tax installments recoverable (net) ⁽¹⁾⁽²⁾	3,123	4,461	15,518	12,858
Purchase of property, plant and equipment ⁽³⁾	(778)	(757)	(3,238)	(2,993)
Cash flow available for distribution, US\$	15,099	14,810	53,330	46,189
Cash flow available for distribution, Cdn\$	15,553	16,543	57,602	52,674

Interest on IPS Subordinated Notes	9,390	6,289	26,758	18,741
<u>Dividends on IPS Common Shares</u>	<u>6,305</u>	<u>4,025</u>	<u>17,969</u>	<u>11,798</u>
Total IPS distributions, US\$	15,695	10,314	44,727	30,539
Total IPS distributions, Cdn\$	16,296	11,532	48,886	34,376
Weighted average basic IPSS outstanding	61,470,500	44,339,500	61,470,500	44,339,500
Cash flow available for distribution per basic IPS, Cdn\$	\$0.25	\$0.37	\$0.94	\$1.19
Cash flow available for distribution per diluted IPS, Cdn\$	\$0.25	\$0.37	\$0.91	\$1.19
Total distribution declared per IPS, US\$	\$0.26	\$0.23	\$0.73	\$0.69
<u>Total distribution declared per IPS, Cdn\$</u>	<u>\$0.27</u>	<u>\$0.26</u>	<u>\$0.80</u>	<u>\$0.78</u>

1. Income tax installments recoverable represents management's estimate of U.S. federal income tax installment payments that will be recovered in future periods. The amount presented is comprised of installment payments made during the period, offset by the current tax provision recorded in the consolidated statement of operations and deficit and any income tax refunds received. These adjustments have the effect of removing changes in working capital resulting from the timing of tax payments from the calculation of cash flow available for distribution. In addition, during the third quarters of both 2007 and 2006, the respective prior year tax returns were finalized. As a result, the previously recorded tax provisions were adjusted to reflect the actual tax liability on the final tax returns. These amounts are included in this table as additions to income tax installments recoverable in the amounts of \$1,544 and \$2,195 for the three and nine months ended September 30, 2007 and 2006 respectively.
2. During the second quarter of 2007, the Company settled a long-term gas transportation contract liability for a \$9.75 million cash payment. The cash payment is expected to create a taxable loss in 2007 that will be carried back to prior years and result in a refund of approximately \$3.2 million. This expected refund is included in income tax installments recoverable for the three and nine month periods ended September 30, 2007.
3. Capital expenditures excludes \$7,794 spent at the Lake Project during the third quarter of 2007 to purchase and install upgraded gas turbines.

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Project Adjusted EBITDA¹ (in thousands of U.S. dollars)

(unaudited)	Three months ended September 30,		Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Adjusted EBITDA from consolidated and proportionately consolidated Projects				
Badger Creek	669	512	2,795	2,898
Chambers	7,899	7,372	23,066	20,300
Koma Kulshan	188	94	873	651
Lake	7,154	6,898	21,409	22,358
Mid-Georgia	2,812	2,374	4,605	3,773
Onondaga	(286)	218	274	455
Orlando	2,112	2,705	6,122	7,679
Pasco	3,659	1,982	10,592	6,535
Stockton	879	(389)	2,537	901
Topsham	415	415	1,561	1,711
Path 15	8,152	1,455	23,389	1,455
Other	274	192	739	482

Total adjusted EBITDA from consolidated and proportionately consolidated Projects	33,927	23,826	97,962	69,198
Amortization	12,893	7,770	38,396	28,711
Interest expense, net	7,461	5,955	18,108	10,497
Change in the fair value of derivative instruments	729	(1,050)	72,637	(3,874)
<u>Other income</u>	(8)	=	(10,040)	(2,499)
Earnings (loss) from consolidated and proportionately consolidated Projects	12,852	<u>11,153</u>	(21,139)	<u>36,363</u>
Adjusted EBITDA from equity and cost method Projects				
Delta-Person	574	837	1,697	1,928
Gregory ²	–	2,107	–	3,890
Jamaica ³	–	818	(2,734)	2,691
Rumford	657	203	1,930	1,242
Selkirk ²	862	3,608	5,529	11,395
<u>Other</u>	48	<u>(33)</u>	(221)	<u>(93)</u>
Total adjusted EBITDA from equity and cost method Projects	2,141	7,540	6,201	21,053
Amortization	486	3,342	1,485	9,692
Interest expense, net	248	1,365	949	4,404
Other Expense	–	242	–	242
<u>Income tax</u>	12	<u>134</u>	594	<u>434</u>
Equity income from cost and equity investments	1,395	2,457	3,173	6,281
Project income				
Total adjusted EBITDA from all Projects	36,068	31,366	104,163	90,251
Amortization	13,379	11,111	39,881	38,403
Interest expense, net	7,709	7,319	19,057	14,901
Other (income) expense	(8)	242	(10,040)	(2,257)
Change in the fair value of derivative instruments	729	(1,050)	72,637	(3,874)
<u>Income taxes</u>	12	<u>134</u>	594	<u>434</u>
Project income (loss) as reported in the statement of income	14,247	<u>13,610</u>	(17,966)	<u>42,644</u>
Earnings (loss) from consolidated and proportionately consolidated Projects	12,852	11,153	(21,139)	36,363
<u>Income from cost and equity method Projects</u>	1,395	<u>2,457</u>	3,173	<u>6,281</u>
Project income (loss) as reported in the statement of income	14,247	<u>13,610</u>	(17,966)	<u>42,644</u>

1 Adjusted EBITDA is not a measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization and changes in fair value of derivative instruments. Management uses adjusted EBITDA at the Projects to provide comparative information about Project performance.

2 Effective January 1, 2007, the Gregory and Selkirk Projects are accounted for under the cost method of accounting. See “Changes in Accounting Policies” in this MD&A for additional information.

3 Sale of the Company's equity investment in the Jamaica Project for \$6.2 million closed on October 30, 2007. Adjusted EBITDA for the Jamaica Project includes an impairment in the amount of \$5.1 million recorded in the second quarter of 2007.

<https://investors.atlanticpower.com/2007-03-13Atlantic-Power-Corporation-Announces-Strong-Third-Quarter-2007-Results>