Atlantic Power Corporation

Atlantic Power Corporation Announces Fourth Quarter and Year End 2008 Results

TORONTO, ONTARIO -- (MARKET WIRE) -- 03/30/09 -- Atlantic Power Corporation (TSX: ATP.UN)(TSX: ATP.DB) (the "Company") today announced strong results for the three months and year ended December 31, 2008. All amounts are in U.S. dollars unless otherwise indicated.

2008 Highlights:

- Cash available for distribution up 29%, including one-time items

- Accretive acquisition in fourth quarter to generate positive contribution

- Increased cash distributions by 3.2% to annualized Cdn$1.094 per IPS in fourth quarter

- Extended currency hedge on cash distributions two years through December 2013

- Management reiterates its previous guidance regarding sustainability of distributions

"We continue to generate solid operating results, while the acquisition of Auburndale in the fourth quarter will make significant contributions to our cash flow going forward," commented Barry Welch, President and CEO. "We were very pleased to have increased cash distributions again in 2008, the third increase in the last four years."

Operating Performance

Adjusted EBITDA at the Projects, including earnings from equity investments, increased by $2.9 million or 7% for the quarter ended December 31, 2008 compared to the same period last year. Adjusted EBITDA in the fourth quarter was affected by a number of factors, including:

- The acquisition of the Auburndale project in November 2008.

- The receipt of a partial settlement of business interruption insurance claims at Orlando related to the unplanned outage earlier in the year.

- The absence of revenue at Onondaga as the plant was shut down in the second quarter of 2008.

- The delay in timing of distributions from Selkirk as a result of restrictions required under the terms of the Project's non-recourse debt due to a coverage test that was subsequently passed in December.

For the year ended December 31, 2008, Adjusted EBITDA increased approximately $1.8 million or 1% compared to 2007. In addition to the factors described above for the fourth quarter, Adjusted EBITDA was affected by the following factors:

- The receipt of an $8.2 million distribution in the first quarter of 2008 from the Gregory Project resulting from a release of debt services reserve.

- Increased Adjusted EBITDA at the Lake project in 2008 due to higher power prices and higher plant efficiency as a result of the turbine upgrades performed in the fourth quarter of 2007.

- Higher Adjusted EBITDA at Pasco due to the acquisition of the additional interest in the Project in December 2007 and higher power prices, partially offset by higher fuel costs as a result of market price purchases following the expiration of its fuel supply agreement on June 30, 2008. Beginning January 1, 2009, a new ten-year PPA at the Pasco Project requires the PPA counterparty to provide natural gas required to operate the plant so the Project will no longer be exposed to changes in market prices of natural gas.

Cash Flow Available for Distribution

For the three months ended December 31, 2008, Cash Flow Available for Distribution declined to $37.2 million compared to $42.3 million for the same period last year. The decrease is due primarily to a larger income tax refund in the 2007 fourth quarter, partially offset by the release of debt service reserves at Pasco in the fourth quarter of 2008 as a result of the final payment of the Project's debt. In addition, the working capital change in the fourth quarter of 2007 was positively impacted by a timing difference in the receipt of revenues at the Lake and Orlando Projects. Distributions declared in the fourth quarter of 2008 were $13.4 million, resulting in a payout ratio of 36% compared to a payout ratio of 39% in last year's fourth quarter.

For the year ended December 31, 2008, Cash Flow Available for Distribution rose to $103.7 million compared to $80.1 million for the same period last year. The increase is attributable to higher operating cash flow in 2008, which reflects higher Project Adjusted EBITDA and the positive impact of certain non-recurring cash flows in 2008. The most significant of the non-recurring cash flow items in 2008 were the release of debt service reserves at Pasco and the reduced working capital investment at Onondaga associated with the shut-down of that facility. See Recent Developments below for additional details about redevelopment efforts at Onondaga. Distributions declared for 2008 were $61.3 million, resulting in a payout ratio of 59% compared to 77% in the prior year.

Recent Developments

The Federal Energy Regulatory Commission (FERC) issued its initial order regarding Path 15's 2008-2010 rates on February 19, 2008. That order granted approval of the Company's proposed 13.5% return on equity and set certain other matters for hearing. On March 23, 2009, Path 15, FERC staff, and the intervenors in the Project's rate case filed an uncontested settlement with the FERC. The terms of the settlement will allow Path 15 to make distributions to the Company that are consistent with management's expectations in 2009 and 2010. The Company expects the FERC to approve the settlement in the next 2-3 months. Once it is approved, Path 15 will be making a refund of approximately $1.3 million, comprising the amount collected above the settlement rates since the initial order in February, 2008. Independently, the final resolution of pending landowner litigation over right-of-way issues was resolved recently, which will result in approximately $6 million being released in the second quarter to Path 15 from a construction reserve account.

During the fourth quarter, management reviewed the recoverability of its investment in the Stockton project. The review was undertaken as a result of the current and long-term market conditions for coal-fired generation assets in California, including the price of natural gas which sets marginal electricity prices. Based on this review, management determined that the Stockton project was impaired and recorded a pre-tax impairment of $18.4 million, which represents the entire carrying value of the project's property, plant and equipment at December 31, 2008. The 50MW project, in which the Company has a 50% interest, has contributed an average of only about 2% of project distributions over the past few years. The Company is considering a variety of options to recover some of its investment in the Stockton project.

On November 21, 2008, the Company acquired Auburndale Power Partners, Limited Partnership ("Auburndale"), which owns and operates a 155 MW natural gas-fired combined cycle cogeneration facility located in Polk County, Florida. The purchase price was approximately $140 million and was funded by cash on hand, a borrowing under the Company's credit facility and $35 million of non-recourse acquisition debt. Auburndale is the last of the projects in which the Company was granted a right of first offer by ArcLight Energy Partners Fund I, L.P. at the time of the Company's initial public offering.

On July 25, 2008, the Toronto Stock Exchange ("TSX") approved a normal course issuer bid to purchase up to four million IPSs, representing approximately 8% of the Company's public float. As of December 31, 2008, the Company had acquired and cancelled 558,620 IPSs at an average price of Cdn$8.78 under the terms of the issuer bid.

As previously disclosed since the Company's IPO, the Onondaga Project was formally taken offline on April 30, 2008, although payments continued under the Project's swap and indexed hedge agreements through June. The Project has sold gas turbines, spare parts and other equipment no longer being used, with proceeds from the sales of $7.5 million received during the year. The Company is continuing its efforts with an experienced developer to redevelop the site into a 35-40 MW biomass plant and has contributed certain remaining assets of the Onondaga Project to the new joint venture.

Guidance

As of the date of this release, the Company reiterates its previous guidance that based on management projections, the Company's cash on hand and projected future cash flows from existing Projects are sufficient to meet the current level of cash distributions to IPS holders into 2015 before considering any positive impact from potential acquisitions or organic growth opportunities.

Based on year-to-date results and management projections for the remainder of the year, the Company expects to receive distributions from its Projects in the range of $90 million to $95 million for the full year 2009. This amount represents a decrease of approximately $30 million to $35 million over distributions received from the Projects in 2008 and is partially attributable to non-recurring positive cash flows in 2008 and anticipated changes to contractual cash flows as more fully described in the Company's management's discussion and analysis for the year ended December 31, 2008. A decrease in 2009 Project distributions has historically been included in management's long-term cash flow projections and does not change the Company's ability to continue paying distributions to shareholders at current levels.

The calculation of Cash Flow Available for Distribution and a summary of Adjusted EBITDA by individual project for the three months and year ended December 31, 2008 are attached to this news release.

The Company's financial statements for the period and management's discussion and analysis for the three months and year ended December 31, 2008 are available on the Company's website at www.atlanticpowercorporation.com and on SEDAR at www.sedar.com.

Atlantic Power Corporation owns interests in a diversified portfolio of 14 power generation projects and one transmission line located 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.

Certain statements in this news release may constitute "forward-looking statements", which reflect the expectations of Atlantic Power Management, LLC (the "Manager") regarding future growth, results of operations, performance and business prospects and opportunities of Atlantic Power Corporation (the "Company"), and the Projects (as defined below). Examples of such statements include the expectation that the Company's cash on hand and projected future cash flows will be adequate to meet the current level of cash distributions to IPS holders into 2015 and the amount of distributions expected to be received from the Projects for the full year 2009. 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 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" section in the Company's management's discussion and analysis for the year ended December 31, 2008 and under "Risk Factors" in the Company's annual information form dated March 30, 2009. 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, except as expressly required by applicable law, 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 year ended December 31, 2008. 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 (including non-cash impairment charges), is not a measure recognized under GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers 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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Cash Available for Distribution

(In thousands of U.S. dollars, except as otherwise stated) (unaudited)	Three months ended December 31, 2008	Three months ended December 31, 2007(1)	Years ended December 31, 2008	Years ended December 31, 2007(1)
Cash flows from operating activities	42,311	47,184	107,243	85,901
Project-level debt repayments	(13,584)	(13,156)	(38,277)	(37,581)
Interest on IPS portion of Subordinated Notes	7,923	9,968	36,560	36,726
Purchase of property, plant and equipment	527	(1,691)	(1,798)	(4,930)
Cash Flow Available for Distribution(2), US$	37,177	42,305	103,728	80,116
Interest on IPS Subordinated Notes	7,923	9,968	36,560	36,726
Dividends on IPS Common Shares	5,463	6,693	24,693	24,662

Total IPS distributions, US$	13,386	16,661	61,253	61,388
Payout ratio	36%	39%	59%	77%
Cash Flow Available for Distribution per IPS, US$				
Basic	$0.61	$0.69	$1.69	$1.30
Diluted	$0.59	$0.66	$1.62	$1.26
Total distribution declared per IPS, US$	$0.22	$0.27	$1.00	$1.00
Cash Flow Available for Distribution, Cdn$	45,065	41,542	110,719	86,005
Total IPS distributions, Cdn$	16,328	16,295	65,143	65,181
Cash Flow Available for Distribution per IPS, Cdn$				
Basic	$0.74	$0.68	$1.81	$1.40
Diluted	$0.71	$0.65	$1.73	$1.35
Total distribution declared per IPS, Cdn$	$0.27	$0.27	$1.06	$1.06

1 Amounts previously reported in 2007 have been revised to conform to the calculation of Cash Available for Distribution adopted in 2008, which does not include any adjustment for income taxes recoverable. Through the end of 2007, the Company was required to pay tax instalments based on estimates of taxable income without the benefit of the interest deduction related to the Subordinated Notes and Debentures. This requirement resulted in the payment of significant tax instalments to the IRS, followed by a refund of most of the instalment payments when the actual tax returns were filed in subsequent periods with the full benefit of the interest deductions on the Subordinated Notes and Debentures. As of January 1, 2008, the Company is permitted to calculate tax instalment payments with the full benefit of these interest payments factored into estimated taxable income. As a result, management expects significant fluctuations in working capital related to tax instalments and subsequent refunds to decrease and the adjustment to Cash Flow Available for Distribution is no longer needed.

2 Cash Flow Available for Distribution is not a recognized measure under GAAP and does not have any standardized meaning prescribed by GAAP. Therefore, this measure may not be comparable to similar measures presented by other issuers. See "Non-GAAP Financial Measures".

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Project Adjusted EBITDA(1)

(in thousands of U.S. dollars)	Three months ended December 31,		Years ended December 31,	
(unaudited)	2008	2007	2008	2007
Adjusted EBITDA(1) from consolidated and proportionately consolidated Projects				
Auburndale	4,461	-	4,461	-
Badger Creek	1,098	1,314	3,762	4,109
Chambers	6,066	4,962	27,603	28,028
Koma Kulshan	259	323	912	1,196
Lake	7,830	6,633	32,892	28,042
Mid-Georgia	590	982	4,206	5,587
Onondaga	(467)	4,681	7,865	21,966
Orlando	5,170	2,214	8,206	8,336
Pasco	4,660	3,633	21,953	14,225
Stockton	777	968	1,780	3,505
Topsham	958	470	2,629	2,031
Path 15	6,317	8,175	28,872	31,564
Other	384	248	964	987

Total adjusted EBITDA(1) from consolidated and proportionately consolidated Projects	38,103	34,603	146,105	149,576
Amortization	12,564	9,792	49,267	48,188
Interest expense, net	7,428	8,868	26,473	26,975
Change in the fair value of derivative instruments	(77,493)	38,730	(55,061)	128,377
Other expense	18,795	77,934	13,330	67,897
Earnings (loss) from consolidated and proportionately consolidated Projects	76,809	(100,721)	112,096	(121,861)
Adjusted EBITDA(1) from equity and cost method Projects				
Delta-Person	536	558	2,012	2,255
Jamaica	-	-	-	2,381
Gregory(2)	1,478	-	10,411	-
Rumford	601	655	2,395	2,585
Selkirk(2)	2,834	4,821	8,032	10,350
Other	-	16	(164)	(205)
Total adjusted EBITDA(1) from equity and cost method Projects	5,449	6,050	22,686	17,366
Amortization	454	463	1,824	1,948
Interest expense, net	190	223	728	1,172
Other Expense(3)	-	-	-	5,115
Income tax	-	73	-	665
Income from cost and equity investments	4,805	5,291	20,134	8,466
Project income				
Total adjusted EBITDA(1) from all Projects	43,552	40,653	168,791	166,942
Amortization	13,018	10,255	51,091	50,136
Interest expense, net	7,618	9,091	27,201	28,147
Change in the fair value of derivative instruments	(77,493)	38,730	(55,061)	128,377
Other expense	18,795	77,934	13,330	73,012
Income taxes	-	73	-	665
Project income (loss) as reported in the statement of income	81,614	(95,430)	132,230	(113,395)
Earnings (loss) from consolidated and proportionately consolidated Projects	76,809	(100,721)	112,096	(121,861)
Equity income from equity and costs investments	4,805	5,291	20,134	8,466
Project income (loss) as reported in the statement of income	81,614	(95,430)	132,230	(113,395)

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 (including non-cash impairment charges) and changes in fair value of derivative instruments. Management uses adjusted EBITDA at the Projects to provide comparative information about Project performance. See "Non-GAAP Financial Measures" in this MD&A.

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Source: Atlantic Power Corporation

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