

## **Atlantic Power Corporation Proposes Conversion to Traditional Common Share Structure**

TORONTO, ONTARIO -- (MARKET WIRE) -- 10/13/09 -- Atlantic Power Corporation (TSX: ATP.UN)(TSX: ATP.DB) (the "Company") today announced that it would be seeking the vote of holders of the Company's Income Participating Securities (the "IPs") to approve a conversion from the Company's current IPS structure to a traditional common share structure (the "Conversion"). Full details of the proposed Conversion will be contained in a Management Information Circular to be mailed later this month to all holders of the IPs and common shares.

In addition, the Company also announced that it has reached an agreement with ArcLight Capital Partners, LLC ("ArcLight") to terminate the management agreement between the Company and Atlantic Power Management, LLC (the "Manager"), an ArcLight-controlled company, and fully internalize the management function of the Company.

### **Proposed Conversion**

Following completion of the Conversion, the Company will maintain its current business strategy and its current distribution levels. Under the proposed Conversion, each IPS will be exchanged for one new common share of the Company. Following the Conversion, the Company's entire current monthly cash distribution of Cdn\$0.0912 per IPS will be paid as a dividend on the new common shares.

The Board of Directors believes that a traditional common share structure will provide significant benefits to the Company and its stakeholders and recommends a vote in favour of the Conversion. These benefits include the following:

- Effectively increases after-tax cash distributions to taxable investors in Canada and the U.S.
- Reduces the complexity associated with the Company's current capital structure, which is expected to result in reduced costs and enhance the Company's ability to raise new capital or undertake transactions in furtherance of its business strategy.
- Broadens the base of potential investors in the Company to those investing in traditional common share structures, which the Board of Directors expects will enhance the Company's access to, and cost of capital.
- Enables a planned application to list the new common shares on the New York Stock Exchange ("NYSE") during the first half of 2010. The Company has been pre-approved by the NYSE to apply for listing.
- Reduces the Company's financial leverage and eliminates the refinancing risk associated with the scheduled maturity in 2016 of the Subordinated Notes that form part of the IPs.

"Both management and the Board of Directors believe that the current IPS structure limits our ability to achieve our growth and performance objectives," stated Barry Welch, President and CEO. "Converting to a traditional common share structure will provide us with more flexibility and enhance our access to, and cost of capital."

Given the more favourable tax treatment of qualified dividends compared to interest income, the Conversion will provide a substantial increase in after-tax distributions to taxable holders of IPs. Management estimates that a taxable individual investor in Ontario paying tax at the highest marginal rate would enjoy an after-tax increase in cash distributions of approximately 19% as a result of lower federal and provincial taxes. Similarly, most taxable individual U.S. investors would receive an estimated after-tax increase in distributions of approximately 16% due to lower federal taxes.

### **Approval Process and Support**

BMO Capital Markets has provided the Board of Directors with an opinion that the consideration to be received by the holders of IPs (the "IPS Holders") pursuant to the Conversion is fair, from a financial point of view, to the IPS Holders. The Board of Directors of the Company, based upon their own investigations, including their consideration of the fairness opinion of BMO Capital Markets, have concluded that the Conversion is fair to IPS Holders and common shareholders and is in the best interest of the Company, the IPS Holders and common shareholders, and recommends that IPS Holders and common shareholders vote in favour of the Conversion. In addition, UBS Securities LLC and BMO Capital Markets acted as financial advisors to the Board of the Directors of the Company in respect of the Conversion.

The Company's directors and officers have indicated that they intend to vote in favour of the Conversion. In addition the Company's largest holder of IPSs, the Caisse de Depot et Placement du Quebec, which owns approximately 19% of the outstanding IPSs and Cdn\$36.5 million principal amount of separate subordinated notes, has expressed its support of the Conversion and indicated their intention to vote their IPSs in favour of the Conversion.

A meeting of holders of IPSs will be held at 9:00 a.m. EST on November 24, 2009 to consider the proposed Conversion. Full details of the meeting will be contained in the Notice of Special Meeting to be mailed with the Management Information Circular. The proposed Conversion is subject to the approval of the Supreme Court of British Columbia and the Toronto Stock Exchange.

In connection with the proposed Conversion, a meeting of the holders of the Corporation's 6.25% convertible secured debentures due October 3, 2011 (the "Debentures") will be held in order to seek approval of a supplemental indenture to make certain amendments to the indenture governing the Debentures, including an increase in the annual interest rate from 6.25% to 6.50% and separately, an extension of the maturity date from October 2011 to October 2014. Details will be contained in an information circular to be mailed later this month to all holders of the Debentures in connection with the meeting.

#### Management Internalization

Separate from the proposed Conversion, the Company has agreed to pay ArcLight an aggregate of \$15 million to terminate its management agreements, satisfied by a payment of \$6 million at the termination date, expected at the end of 2009, and additional payments of \$5 million, \$3 million and \$1 million on the respective first, second and third anniversaries of the termination date. In connection with the termination of the management agreement, the Company will hire all current employees of the Manager and will enter into new employment agreements with the officers of the Manager.

"The internalization of the Company's management function will further align management and the Company's shareholders, enhancing the Company's strong corporate governance practices", commented Irving Gerstein, Chairman of the Board of Directors of the Company.

#### Conference Call

A telephone conference to discuss the proposed Conversion will be held on October 13, 2009 at 11:00 a.m. EST. The telephone numbers for the conference call are: Local/International: (416) 849-2698 or North American Toll Free: (866) 400-2270. The Conference Call will also be broadcast over the Company's website at [www.atlanticpower.com](http://www.atlanticpower.com). Please log on at least 10 minutes before the call commences.

A slide presentation to accompany management's comments during the conference call will be available. To view the slides, access the "Investors" page of the Atlantic Power web site at [www.atlanticpower.com](http://www.atlanticpower.com).

The telephone numbers to listen to the conference call after it is completed (Instant Replay) are local (416) 915-1035 or toll free (866) 245-6755. Please enter the passcode 748807# when instructed. The Instant Replay will be available until midnight, October 19, 2009. The conference call and accompanying slides will also be archived on the Company's web site.

#### Disclaimer Statements

The common shares to be issued in exchange for the IPSs in the Conversion have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or the laws of any state or other jurisdiction of the United States and will be issued in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof. Neither the U.S. Securities and Exchange Commission nor any state securities commission in the United States has approved or disapproved of the common shares or passed upon the accuracy of the information circular. Any representation to the contrary is a criminal offence.

Certain statements in this news release may constitute "forward-looking statements", which reflect the expectations of the Manager regarding the Conversion and the benefits expected to be achieved therefrom. 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. Some of the specific forward looking statements contained in this press release include, statements with respect to: (i) the intention of the Company to continue to pay out the same level of distributions following the completion of the Conversion; (ii) the intention of the Company to seek a listing of the New Common Shares on the NYSE in the first half of 2010; (iii) the expected favourable tax treatment of dividends payable to taxable IPS Holders following completion of the Conversion; (iv) the expected increase in the Company's investor base as a result of the Conversion; and (v) the

expected access to, and cost of capital following the completion of the Conversion. Material factors or assumptions that were applied in making these forward-looking statements include, but are not limited to, the Company's future growth potential, its results of operations, future cash flows, the continued performance and business prospects and opportunities of the Company and the projects, the Company's future levels of indebtedness, the tax laws as currently in effect and remaining unchanged and the current general regulatory environment and economic conditions remaining unchanged.

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. In addition to the assumptions and risks described above, reference should also be had to the factors discussed 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.

#### About Atlantic Power

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. The Company's objectives are to maintain the stability of cash distributions to its holders of IPSs and increase the long term value of the Company by enhancing the performance of its existing assets and by making accretive acquisitions. For more information, please visit the Company's website at [www.atlanticpower.com](http://www.atlanticpower.com).

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