



DIVIDEND REINVESTMENT PLAN

August 8, 2012

ATLANTIC POWER CORPORATION

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1. **PURPOSE**

The Atlantic Power Corporation Dividend Reinvestment Plan (the “**Plan**”) enables eligible holders of our common shares (“**Common Shares**”) of Atlantic Power Corporation (the “**Company**”) to invest cash dividends, if, as and when declared by our board of directors and paid on our Common Shares to acquire additional Common Shares of the Company. Common Shares purchased under the Plan will be purchased directly from treasury by an Agent (as defined in Section 3 below) who acts on behalf of participants (“**Participants**”) under the Plan. Proceeds from Common Shares purchased from treasury under the Plan will be used by the Company for general corporate purposes, which may include the repayment or refinancing of outstanding indebtedness, among other purposes.

2. **ADVANTAGES**

Under the Plan:

- A Participant may purchase additional Common Shares with the cash dividends (net of any applicable withholding taxes) paid on the Common Shares which are held by the Participant or held in a Participant’s account maintained pursuant to the Plan.
- The price at which Common Shares will be issued from treasury on reinvestment of cash dividends on Common Shares will be equal to the Average Market Price (as defined in Section 6 below), less a discount of 3%.
- No commissions, service charges or brokerage fees are payable by Participants in connection with the issuance of Common Shares from treasury to Participants under the Plan.
- Full investment of Participants’ funds is possible under the Plan because the Plan permits fractions of Common Shares as well as whole Common Shares to be purchased and held for Participants.
- Dividends in respect of Common Shares purchased under the Plan will be held by the Agent for the Participants’ accounts and automatically invested under the Plan in additional Common Shares of the Company.

3. **ADMINISTRATION**

Computershare Trust Company of Canada (the “**Agent**”) acts as the Agent for the Participants under the Plan pursuant to an agreement which may be terminated by the Company or the Agent at any time upon 60 days prior written notice to the other party. On each dividend payment date, the Company shall pay to the Agent on behalf of the Participants all cash dividends payable in respect of such Participants’ Common Shares (less any applicable withholding taxes). The Agent shall use such funds to purchase Common Shares for the Participants. Common Shares purchased under the Plan will be registered in the name of the Agent, as agent for Participants in the Plan. Should Computershare Trust Company of

Canada cease to act as Agent under the Plan, another agent will be designated by the Company, in its discretion.

The terms of the Plan are intended to comply with the requirements of the Tax Act (as defined in Section 21 below) and the administrative policies and assessing practices of the Canada Revenue Agency, and shall be interpreted and administered in accordance with all such requirements notwithstanding any other provision of this Plan to the contrary.

4. **ELIGIBILITY**

All holders of Common Shares who are Canadian or U.S. residents are eligible to participate in the Plan at any time by enrolling in the Plan as described below.

Upon ceasing to be eligible to participate in the Plan, a Participant shall forthwith notify the Agent in writing and terminate his, her or its participation in the Plan. The right to participate in the Plan may not be transferred or assigned by a Participant.

5. **ENROLLMENT**

Any eligible registered shareholder may become a Participant in the Plan (a “**Registered Participant**”) at any time by completing an Enrollment Form (as defined below) online or by downloading and duly completing and signing a Reinvestment Enrollment – Participation Declaration Form (the “**Enrollment Form**”) at www.computershare.com/investorcentrecanada and returning it to the Agent no later than 4:00 p.m. (Toronto time) on the fifth business day immediately preceding a dividend record date.

A shareholder who is a beneficial owner and not an owner of record of Common Shares (e.g., whose shares are held by, and registered in the name of, a bank, trust company, investment dealer or other intermediary for the account of the Participant) (a “**Beneficial Participant**”) must make arrangements with the bank, trust company, investment dealer or other intermediary through which they hold their Common Shares to enroll as a Participant in the Plan, as described above, or will be required to transfer such Common Shares into his, her or its own name or into a specific segregated registered account such as a numbered account with a bank, trust company, investment dealer or other intermediary in order for that person to become a Registered Participant.

Once a Registered Participant or Beneficial Participant has enrolled in the Plan, participation continues automatically unless terminated in accordance with the Plan.

An Enrollment Form may be accessed online as described above or may be obtained at any time upon written request addressed to the Agent at the address set forth in Section 22 below.

If the Agent receives the completed Enrollment Form after 4:00 p.m. (Toronto time) on the fifth business day immediately preceding a dividend record date, the cash dividend in respect of that dividend record date will be paid to the shareholder in the usual manner and participation in the Plan will commence with the next dividend.

Once a Participant is enrolled, the Company will forward to the Agent all of the Participant’s cash dividends on Common Shares (less any applicable withholding taxes) and direct the Agent to invest such

amounts in Common Shares of the Company for the benefit of the Participant. The Agent will apply such funds received under the Plan to the purchase of additional Common Shares under the Plan.

No interest will be paid to Participants on any funds held for investment under the Plan.

6. PURCHASE AND VALUATION OF SHARES UNDER THE PLAN

The subscription price of Common Shares purchased from treasury under the Plan will be the weighted average of the trading price for Common Shares on the stock exchange with the highest volume of Common Shares traded for the five trading days preceding the relevant dividend payment date (the “**Average Market Price**”) as determined by the Company, less a discount of 3%. If that stock exchange is the New York Stock Exchange (the “**NYSE**”), the exchange rate from U.S. dollars to Canadian dollars shall be the Bank of Canada noon rate of exchange on the dividend payment date.

Each Registered Participant’s account will be credited with that number of Common Shares purchased for the Registered Participant, including fractional Common Shares computed to six decimal places, which is equal to the amounts to be invested for each Registered Participant divided by the applicable purchase price. In the case of Beneficial Participants, this account will be maintained by CDS Clearing and Depository Services Inc. (“**CDS**”) or the Beneficial Participant’s financial institution or stock brokerage holding Common Shares as registered shareholder. Beneficial Participants should contact their financial institution or stock brokerage as to the manner in which fractional entitlements will be held.

Dividends paid on Common Shares held by the Agent for the account of a Participant under the Plan will be automatically reinvested in Common Shares during the relevant month for such dividend payment.

7. COSTS

There are no commissions, service charges or brokerage fees payable by Participants with respect to share purchases under the Plan because the Participant purchases new Common Shares directly from the Company. All administrative costs of the Plan, including the fees and expenses of the Agent, are borne by the Company.

8. REPORTS TO PARTICIPANTS

An account will be maintained by the Agent for each Registered Participant in the Plan. An unaudited statement of account will be mailed to each Registered Participant quarterly as soon as practicable following the last day of each of March, June, September and December. These statements are a Registered Participant’s continuing record of purchases and should be retained for income tax purposes. In addition, each Registered Participant will be sent annually by the Agent the appropriate information for tax reporting purposes. Registered Participants are responsible for calculating and monitoring their own adjusted cost base in Common Shares for income tax purposes, as certain averaging rules may apply and such calculations may depend on the cost of other Common Shares held by the Participant. Beneficial Participants should consult their financial institution or stock brokerage in order to determine the type of reporting they will receive.

9. CERTIFICATES FOR COMMON SHARES

Common Shares purchased under the Plan will be registered in the name of the Agent (or its nominee), as agent for Participants in the Plan, and certificates for such Common Shares will not be issued to Registered Participants unless specifically requested.

A Registered Participant who is enrolled in the Plan may withdraw whole Common Shares under the Plan without terminating his, her or its participation in the Plan by duly completing the withdrawal portion of the voucher located on the reverse of the Registered Participant's periodic statement of account and sending such completed voucher to the Agent. Upon receipt of such duly completed voucher, the Agent will arrange to have a Common Share certificate or a Direct Registration System Advice ("**DRS Advice**") issued in the Registered Participant's name. Normally, a Common Share certificate or DRS Advice will be sent to a Registered Participant within two weeks of receipt by the Agent of a Registered Participant's duly completed voucher requesting withdrawal of whole Common Shares. Any remaining whole Common Shares and fractions of a Common Share will continue to be held for the Registered Participant's account under the Plan.

Each Registered Participant's account under the Plan is maintained in the name in which the Registered Participant entered the Plan. Consequently, certificates or a DRS Advice for whole Common Shares will be similarly registered when issued.

Beneficial Participants should consult their financial institution or stock brokerage in order to obtain certificates for Common Shares purchased on their behalf under the Plan.

Common Shares held by the Agent for a Participant under the Plan may not be pledged, sold or otherwise disposed of by the Participant while so held. A Participant who wishes to effect any such transaction must request that certificates or a DRS Advice for such shares be issued in the Participant's name.

10. TERMINATION OF PARTICIPATION

Participation in the Plan may be terminated by a Registered Participant who is enrolled in the Plan at any time by duly completing and signing the termination portion of the voucher located on the reverse of the Registered Participant's periodic statement of account and sending such completed and signed voucher to the Agent no later than 4:00 p.m. (Toronto time) on the fifth business day immediately preceding a dividend record date or by following the instructions at the Agent's Investor Centre web portal, at www.computershare.com/investorcentrecanada within such timeframe. A Beneficial Participant's participation in the Plan may be terminated by giving notice to his, her or its financial institution or stock brokerage through which its Common Shares are held.

If the completed voucher is received by 4:00 p.m. (Toronto time) at least five business days prior to a dividend record date, termination of the Registered Participant's participation in the Plan will be effective in respect of that dividend record date. Otherwise, the termination will be effective in respect of the next succeeding dividend record date. For greater certainty, termination by a Registered Participant will not prevent such shareholder from participating in the Plan at a later date. No certificate or DRS Advice requests will be processed between the dividend record date and the related dividend payment date.

When a Registered Participant terminates participation in the Plan, the Registered Participant will receive a certificate or DRS Advice for the whole Common Shares held for such Registered Participant's account and a cash payment for any fraction of a Common Share so held. Fractional Common Shares will be sold by the Agent on the TSX on a commingled basis, and the cash payment for a fractional Common Share interest will be calculated using the closing market price on the TSX or otherwise on the open market, as applicable, on the date of the sale of such Common Shares. Beneficial Participants should contact their financial institution or stock brokerage as to the manner in which the termination of their participation in the Plan will be handled, including with respect to fractional Common Share entitlements.

Participation in the Plan will be terminated automatically upon receipt by the Agent of a written notice of the death of a Registered Participant. A certificate for whole Common Shares or DRS Advice held for the deceased Registered Participant's account will be issued by the Agent in the name of the deceased Registered Participant or in the name of the estate of the deceased Registered Participant, as appropriate, and the Agent will send such certificate or DRS Advice and a cash payment for any fraction of a Common Share calculated in accordance with the previous paragraph to the legal representative of the deceased Registered Participant. No such termination will be made upon the death of a Beneficial Participant unless appropriate requests are made through such Participant's financial institution or stock brokerage.

Participation in the Plan may be terminated, at the option of the Company, if the number of Common Shares purchased through the Plan by a Participant over a period of 12 consecutive months does not exceed a certain minimum number of whole Common Shares determined by the Company, at its discretion, from time to time. Initially, this minimum number is set at one whole Common Share. Written notice of any such termination shall be given by the Company to the Plan Agent no later than 4:00 p.m. (Toronto time) at least five business days prior to a dividend record date. In the event that participation is terminated by the Company for this reason, share certificates or a DRS Advice will be issued for all whole Common Shares held in the Participant's account. Payment in respect of any fractional shares will be made to the Participant in cash, calculated in same manner as set out for the treatment of fractional shares on termination of participation in the Plan as described above in this Section 10.

11. RIGHTS OFFERING

In the event the Company makes available to holders of Common Shares rights to subscribe for additional Common Shares or other securities, and issues certificates representing such rights, certificates will be issued by the Company to each Registered Participant (including CDS and financial institutions and stock brokerages holding Common Shares as registered holder on behalf of Beneficial Participants) in respect of whole Common Shares held for a Registered Participant's account under the Plan on the record date for such rights issue.

12. STOCK SPLITS AND STOCK DIVIDENDS

If Common Shares are distributed pursuant to a stock split or stock dividend on Common Shares, such Common Shares received by the Agent for Participants under the Plan will be retained by the Agent and credited by the Agent proportionately to the accounts of the Registered Participants (including CDS and financial institutions and stock brokerages holding Common Shares as registered holder on behalf of Beneficial Participants) in the Plan.

13. SHAREHOLDER VOTING

Common Shares held for a Registered Participant's account under the Plan on the record date for a vote of shareholders will be voted in accordance with the instructions of the Registered Participant given on a form to be furnished to the Registered Participant by the Agent. Common Shares for which instructions are not received will not be voted. Beneficial Participants wishing to vote Common Shares held for their benefit under the Plan should consult their financial institution or stock brokerage.

14. RESPONSIBILITIES OF THE COMPANY AND THE AGENT

Neither the Company nor the Agent shall be liable for any act, or for any omission to act, in connection with the Plan including, without limitation, any claims for liability:

- (a) arising out of failure to terminate a Registered Participant's account upon such Registered Participant's death prior to receipt of notice in writing of such death;
- (b) with respect to the prices at which Common Shares are purchased for the Participant's account and the times such purchases are made;
- (c) arising out of any contravention by any Participant of applicable securities laws with respect to his, her or its participation in the Plan or the acquisition or disposition of Common Shares;
- (d) with respect to any actions taken as a result of inaccurate and incomplete information or instructions;
- (e) arising in connection with income taxes (together with any applicable interest and/or penalties) payable by Participants in connection with their participation in the Plan; and
- (f) with respect to any decision to amend, suspend, terminate or replace the Plan in accordance with the terms hereof.

Registered Participants and Beneficial Participants should recognize that neither the Company nor the Agent can assure a profit or protect them against a loss of the Common Shares purchased under the Plan. No assurance is given that dividends will be declared in any particular amount or at all on the Common Shares.

15. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

The Company reserves the right to amend or suspend, in whole or in part, or terminate the Plan at any time subject, in the case of amendments, to any required stock exchange approval, but such action shall have no retroactive effect that would prejudice the interests of the Participants. All Registered Participants (including CDS and financial institutions and stock brokerages holding Common Shares as registered holder on behalf of Beneficial Participants) will be sent written notice of any such amendment, suspension or termination.

In the event of termination of the Plan by the Company, certificates or a DRS Advice for whole Common Shares held for Registered Participants' accounts (including CDS and financial institutions and stock brokerages holding Common Shares as registered holder on behalf of Beneficial Participants) under the Plan and cash payments for any fraction of a Common Share will be remitted with due dispatch by the Agent to the Registered Participants (including CDS and financial institutions and stock brokerages holding Common Shares as registered holder on behalf of Beneficial Participants). Fractional Common Shares will be sold by the Agent on the TSX on a commingled basis, and the cash payment for a fractional Common Share interest will be calculated using the closing market price on the TSX or otherwise on the open market, as applicable, on the date of the sale of such Common Shares. In the event of suspension of the Plan by the Company, no investment will be made by the Agent on the dividend payment date immediately following the effective date of such suspension. Any dividends on Common Shares which are subject to the Plan and which are paid after the effective date of such suspension will be remitted in cash by the Agent to the Registered Participants (including CDS and financial institutions and stock brokerages holding Common Shares as registered holder on behalf of Beneficial Participants).

16. RULES AND REGULATIONS

The Company, in conjunction with the Agent, may from time to time adopt rules and regulations to facilitate the administration of the Plan. The Company also reserves the right to regulate and interpret the Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Plan.

17. COMPLIANCE WITH LAWS

The operation and implementation of the Plan is subject to compliance with all applicable legal requirements, including obtaining all appropriate regulatory approvals and exemptions from registration and prospectus requirements, and the requirements of any stock exchange on which the Common Shares are listed. The Company may limit the Common Shares issuable under the Plan in connection with any discretionary exemptive relief relating to the Plan granted by any securities regulatory authority.

18. GOVERNING LAW

The Plan shall be construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

19. RISK OF MARKET PRICE FLUCTUATIONS

Participants should recognize that Common Shares acquired under the Plan are no different from an investment in Common Shares directly held. Accordingly, neither the Company nor the Agent can assure a profit or protect Participants against a loss on the Common Shares purchased under the Plan.

20. CURRENCY

All monetary amounts identified in the Plan are stated in Canadian dollars, unless otherwise expressly stated.

21. TAX CONSIDERATIONS

Participants are urged to consult with their tax advisors in their country of residence as to the tax consequences of participating in the Plan in their particular circumstances.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally applicable to a Participant that, at all relevant times, for purposes of the application of the *Income Tax Act* (Canada) (the “Tax Act”) and the Income Tax Regulations (the “Regulations”), deals at arm's length with and is not affiliated with the Company and holds shares acquired under the Plan as capital property (a “Typical Participant”). This summary is not exhaustive of all possible Canadian federal income tax considerations, and does not take into account Canadian provincial or territorial income tax laws, or foreign tax considerations.

Shares acquired under the Plan generally will be considered capital property to a Participant for purposes of the Tax Act unless the Participant holds such shares in the course of carrying on a business of buying and selling securities or the Participant has acquired or holds them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Participants whose shares acquired under the Plan might not otherwise constitute capital property may be entitled to elect that such shares be deemed capital property by making an irrevocable election under subsection 39(4) of the Tax Act to treat all “Canadian securities”, as defined in the Tax Act, owned by the Participant as capital property. Participants contemplating such an election should first consult their own tax advisors.

This summary does not apply to a Participant: (i) that is subject to the “mark-to-market” rules under the Tax Act applicable to certain “financial institutions”; (ii) that is a “specified financial institution”; (iii) an interest in which is a “tax shelter investment”; (iv) to which the “functional currency” reporting rules apply; or (v) that has entered, or will enter, into, with respect to the shares acquired under the Plan, a “derivative forward agreement” (all as defined in the Tax Act).

This summary is based on the current provisions of the Tax Act and the Regulations in force as of the date hereof and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (“CRA”) publicly available prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and assumes that the Tax Proposals will be enacted in the form proposed. No assurance can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any other changes in law, whether by judicial, governmental or legislative decision or action or changes in the administrative policies or assessing practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, that may differ materially from those described in this summary. Further, this summary is not applicable to a Participant that (i) is a corporation resident in Canada and (ii) is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of Common Shares under the Plan, controlled by a non-resident corporation for the purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. Any such Participant should consult its own tax advisor.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Participant under the Plan. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective Participants should consult their own tax advisors having regard to their own particular circumstances, including the application and effect of the income and other taxes of any country, province or other jurisdiction in which the Participant resides or carries on business.

Canadian Residents

This portion of the summary is generally applicable to a Typical Participant that, at all relevant times, for purposes of the application of the Tax Act, is or is deemed to be resident in Canada (a “Canadian Participant”).

All cash dividends paid on Common Shares that are reinvested on behalf of a Canadian Participant will generally be subject to the tax treatment normally applicable to taxable dividends from taxable Canadian corporations. For example, in the case of a Canadian Participant who is an individual (including a trust), such dividends will be included in computing the individual's income for tax purposes and will be subject to the normal gross-up and credit rules normally applicable to dividends received from "taxable Canadian corporations", as defined in the Tax Act. A dividend will be eligible for the enhanced gross-up and dividend tax credit for "eligible dividends", as defined in the Tax Act, paid by taxable Canadian corporations, to the extent that the Company designates such dividend as an eligible dividend. A Canadian Participant that is a corporation will include dividends paid on Common Shares that are reinvested on behalf of such corporation in computing its income for tax purposes, and generally will be entitled to deduct the amount of such dividends in computing its taxable income. In the case of a Canadian Participant that is a "private corporation" or "subject corporation", as such terms are defined in the Tax Act, a refundable tax will generally apply to the amount of the dividend to the extent that such dividend is deductible in computing taxable income. Other taxes could apply depending on the circumstances of the Canadian Participant.

The right granted under the terms of the Plan to reinvest cash dividends paid on Common Shares in Common Shares newly-issued from treasury at the Average Market Price, less a discount of 3% of the Average Market Price, and the exercise of such right, should not give rise to a taxable benefit under the Tax Act, based on current CRA administrative policies and assessing practices.

A Canadian Participant will not realize any taxable income when the Participant receives certificates for whole Common Shares credited to the Participant's account, either upon the Participant's request, upon termination of participation or upon termination of the Plan.

The cost to a Canadian Participant of Common Shares acquired under the Plan will be the price paid for the shares by the Canadian Participant. For the purpose of computing the adjusted cost base of such shares to the Canadian Participant, the cost of the shares will be averaged with the adjusted cost base of all Common Shares of the Company held by the Canadian Participant as capital property.

A Canadian Participant may realize a capital gain or loss on the disposition of shares acquired through the Plan, including on the disposition of a fraction of a Common Share in consideration for cash upon termination of participation in the Plan or upon termination of the Plan. A Canadian Participant will generally be required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in that year. Such Canadian Participants will be required to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Canadian Participant in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, subject to and in accordance with the detailed rules contained in the Tax Act.

The amount of any capital loss realized on the disposition of a Common Share acquired through the Plan by a Canadian Participant that is a corporation may, to the extent and under the circumstances specified by the Tax Act, be reduced by the amount of any dividends received or deemed to have been received by the corporation on such share (or on a share for which such share is substituted or exchanged). Similar rules may apply where shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Canadian Participants to whom these rules may be relevant should consult their own advisors.

A Canadian Participant that is throughout the year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax on certain investment income, including taxable capital gains, interest and certain dividends. Capital gains realized by a Canadian Participant who is an individual or a trust, other than certain specified trusts, will be taken into account in determining liability for alternative minimum tax under the Tax Act.

Common Shares acquired under the Plan will be “qualified investments”, as defined in the Tax Act, for a trust governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a registered education savings plan, a registered disability savings plan, a tax-free savings account (“TFSA”), or a deferred profit sharing plan at any particular time, provided that, at that time, the Common Shares are listed on a “designated stock exchange” (which currently includes the TSX and NYSE) or the Company is a “public corporation”, as defined in the Tax Act.

Notwithstanding that such Common Shares may be qualified investments for a TFSA or a trust governed by a RRSP or RRIF, the holder of a TFSA or an annuitant of a RRSP or RRIF, as applicable, will be subject to a penalty tax under the Tax Act in respect of Common Shares held in a TFSA, RRSP or RRIF, as applicable, if such Common Shares are a “prohibited investment”, as defined in the Tax Act, for such plan. The Common Shares acquired under the Plan generally will not be prohibited investments unless the holder or annuitant, as the case may be, (i) does not deal at arm’s length with the Company for purposes of the Tax Act, or (ii) has a “significant interest” in the Company for purposes of the prohibited investment rules in the Tax Act.

U.S. Residents

This portion of the summary is generally applicable to a Typical Participant that, at all relevant times: (i) is not resident nor deemed to be resident in Canada for purposes of the Tax Act or the *Canada-U.S. Income Tax Convention* (1980), as amended (the “Treaty”), (ii) is a resident of the United States for the purposes of the Treaty, and (iii) does not carry on business in Canada (a “U.S. Participant”). Special rules, which are not discussed in this summary, may apply to a U.S. Participant that is an insurer that carries on an insurance business in Canada and elsewhere.

All cash dividends paid on Common Shares that are reinvested on behalf of a U.S. Participant will generally be subject to the tax treatment normally applicable to taxable dividends from taxable Canadian corporations. Dividends that a U.S. Participant designates for investment under the Plan will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding tax to which the U.S. Participant is entitled under the Treaty. Where a U.S. Participant is fully entitled to benefits under the Treaty and is the beneficial owner of the dividends, the applicable rate of Canadian withholding tax is generally reduced to 15%. The amount of dividends to be invested under the Plan will be reduced by the amount of tax withheld.

The disposition of a fraction of a Common Share in consideration for cash, either upon the U.S. Participant's request, upon termination of participation or upon termination of the Plan, may give rise to a deemed dividend subject to withholding tax, as discussed immediately above.

Gains on the disposition of Common Shares acquired under the Plan by a U.S. Participant (including upon the disposition of a fractional common share) are generally not subject to Canadian income tax unless such shares are or are deemed to be “taxable Canadian property”, within the meaning of the Tax Act, and the U.S. Participant is not entitled to relief under the Treaty. If the Common Shares are listed on a “designated stock exchange” (which currently includes the TSX and the NYSE) at a particular time, such shares will not constitute taxable Canadian property to a U.S. Participant at such time unless, at any time during the sixty-month period that ends at that time, either: (a) one or any combination of the U.S. Participant or persons with which the U.S. Participant did not deal at arm's length, or partnerships in which the U.S. Participant or a person with which the U.S. Participant did not deal at arm’s length holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of any class or series of shares of the capital stock of the Company; and (b) such Common Shares derived, directly or indirectly, more than 50% of their fair market value from one or any combination of real or immovable property situated in Canada, “Canadian resource properties”, as defined in the Tax Act, “timber resource properties”, as defined in the Tax Act, or options in respect of, or interests in, or for civil law rights in, any such properties (whether or not such property exists). U.S. Participants whose Common Shares may constitute taxable Canadian property should consult their own tax advisors for advice having regard to their particular circumstances.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain U.S. federal income tax consequences to U.S. Holders (as defined below) who are residents of the United States for purposes of the current Canada-United States Income Tax Convention (1980), as amended (the "Treaty"), of the purchase, ownership and disposition of the Common Shares. This summary is not a comprehensive description of all of the tax considerations that may be relevant to the purchase of the Common Shares, particularly if the purchaser is subject to special tax rules. Each Holder should consult its own tax advisor concerning personal tax consequences, including the consequences under state, local, or foreign tax laws, and the potential effect of the Medicare Contribution tax, of an investment in the Common Shares.

The following summary only applies if the U.S. Holder of the Common Shares acquired them at the offering price, and the Common Shares are held as a capital asset. This summary does not apply to special classes of holders such as dealers in securities or currencies, holders whose functional currency is not the U.S. dollar, tax-exempt organizations, financial institutions, securities traders that elect to account for their investment in the Common Shares on a mark-to-market basis, insurance companies, real estate investment trusts, partnerships and the partners therein, persons holding the Common Shares in a hedging transaction or as part of a straddle or conversion transaction, U.S. Holders that own, directly, indirectly, or constructively, 5% or more of the total combined voting power of the Company and holders liable for the alternative minimum tax. Holders in any of these categories should consult their own tax advisors.

This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), proposed, temporary and final Treasury Regulations promulgated under the Code, and judicial and administrative interpretations of the Code and Treasury Regulations, all of which are subject to change, possibly with retroactive effect. The Code, Treasury Regulations and judicial and administrative interpretations thereof are also subject to various interpretations, and there can be no guarantee that the Internal Revenue Service (the "IRS") or U.S. courts will agree with the tax consequences described in this summary.

For the purposes of this summary, a "U.S. Holder" is a beneficial owner of the Common Shares that is a citizen or resident of the United States or a domestic corporation or otherwise subject to United States federal income tax on a net income basis in respect of the Common Shares.

Taxation of Distributions

A U.S. Holder who participates in the Plan generally will be treated for U.S. federal income tax purposes as having received a distribution from the Company with respect to its Common Shares equal to the sum of (a) the fair market value of the Common Shares credited to the U.S. Holder's Plan account on the date of the distribution, (b) any cash distributions actually received by the U.S. Holder with respect to the Common Shares not included in the Plan, and (c) any Canadian withholding tax subtracted from the distribution prior to the purchase of Common Shares under the Plan. Accordingly, a U.S. Holder's taxable income with respect to the distribution may be in excess of the amount of cash dividend reinvested in Common Shares under the Plan. The total amount of cash dividends and other distributions will be reported to the U.S. Holder and to the IRS on the appropriate tax form after the end of each year.

The Company will pay certain costs of administering the Plan. Consistent with the conclusion reached by the IRS in a private letter ruling, the Company intends to take the position that these administrative costs do not constitute a distribution which is either taxable to U.S. Holders or which would reduce a U.S. Holder's basis in its Common Shares. However, because the private letter ruling was not issued to the Company, the Company has no legal right to rely on its conclusions. Thus, it is possible that the IRS might view a U.S. Holder's share of such administrative costs as a taxable distribution to such U.S. Holder and/or a distribution which reduces the U.S. Holder's basis in its Common Shares. Accordingly, the Company may in the future take a different position with respect to such administrative costs.

The gross amount of distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) with respect to the Common Shares (including the amount of any Canadian taxes withheld) generally will be taxed as dividend income at the time of receipt by a U.S. Holder or at the time of reinvestment into Common Shares under the Plan. The Code requires this treatment even though a U.S. Holder will not actually receive the reinvested dividends as a current distribution. Subject to the discussion below, the dividends generally will be treated as foreign-source income and will not be eligible for the dividends-received deduction available to domestic corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in its Common Shares and thereafter as capital gain. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

The amount of any dividend paid in Canadian dollars will equal the U.S. dollar value of the Canadian dollars received calculated by reference to the exchange rate in effect on the date the dividend is received by a U.S. Holder regardless of whether the Canadian dollars are converted into U.S. dollars on such date. If such a dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. If the Canadian dollars received in the distribution are not converted into U.S. dollars on the date of receipt, a U.S. Holder of the Common Shares will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any gain or loss recognized upon a subsequent conversion or other disposition of the Canadian dollars will be treated as U.S.-source ordinary income or loss for foreign tax credit limitation purposes.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual and certain other non-corporate U.S. Holders from a qualified foreign corporation may be subject to reduced rates of taxation. A non-U.S. corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares that are readily tradable on an established securities market in the United States. Treasury Department guidance indicates that upon the listing of our Common Shares on the NYSE, the Common Shares are considered readily tradable on an established securities market in the United States.

A U.S. Holder's tax basis in the Common Shares acquired by reinvesting cash distributions under the Plan generally will equal the fair market value of the Common Shares determined in U.S. dollars on the date of the distribution. The holding period for Common Shares purchased under the Plan (including fractional shares) generally will begin on the day following the date of acquisition. U.S. Holders should save account statements in order to calculate their adjusted tax basis in each common share.

With certain exceptions as described below and subject to the discussion in the last paragraph of this section, Canadian withholding tax that is imposed on distributions with respect to the Common Shares will be treated as a foreign income tax that is eligible (subject to generally applicable limitations and conditions under U.S. tax laws) for credit against a U.S. Holder's federal income tax liability or, at the U.S. Holder's election, for deduction in computing the Holder's taxable income. If a refund of the tax withheld is available under the laws of Canada or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder's U.S. federal income tax liability (and will not be eligible for the deduction against a U.S. Holder's U.S. federal taxable income). The use of foreign tax credits is subject to complex rules and limitations. Generally, the total amount of allowable foreign tax credits in any year cannot exceed the U.S. Holder's regular U.S. tax liability for the year attributable to foreign-source taxable income. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Dividend income generally will constitute "passive category" income, or in the case of certain U.S. Holders, "general category" income. In addition, foreign tax credits may not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities. Holders are urged to consult their tax advisor concerning their eligibility for benefits under the Treaty, whether, and to what extent, a foreign tax credit will be available, and, if so, whether to claim a credit or deduction.

Canadian withholding tax must be translated into U.S. dollars using (i) the average exchange rate for the taxable year to which it relates (in the case of accrual basis U.S. Holders) or (ii) the exchange rate in effect on the day the tax is withheld (in the case of cash basis U.S. Holders and accrual basis U.S. Holders that make an election to translate foreign taxes using the exchange rate for the date of the payment of such foreign tax). Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made and all subsequent taxable years of the U.S. Holder, unless revoked with the consent of the IRS.

It is possible that the Company is, or at some future time will be, at least 50% owned by U.S. persons.

Dividends paid by a foreign corporation that is at least 50% owned by U.S. persons may be treated as U.S.-source income (rather than foreign-source income) for foreign tax credit purposes to the extent the foreign corporation has more than an insignificant amount of U.S.-source income. The effect of this rule may be to treat a portion of any dividends the Company pays as U.S.-source income. Treatment of the dividends as U.S.-source income in whole or in part may limit a U.S. Holder's ability to claim a foreign tax credit for the Canadian withholding taxes payable in respect of the dividends. Subject to certain limitations, the Code permits a U.S. Holder entitled to benefits under the Treaty to elect to treat any Company dividends as foreign-source income for foreign tax credit purposes. U.S. Holders should consult their own tax advisors about the desirability of making, and the method of making, such an election.

Sale or Other Disposition of Common Shares

A U.S. Holder will not realize gain or loss for U.S. federal income tax purposes merely upon withdrawal of Common Shares from a U.S. Holder's Plan account. However, a U.S. Holder will realize gain or loss when the Common Shares are sold or exchanged, whether pursuant to the U.S. Holder's request upon termination of its participation in the Plan or by the U.S. Holder after withdrawal of the Common Shares from the Plan, and in the case of any fraction of a common share, when the U.S. Holder receives a cash adjustment for a fraction of a common share. Upon a sale, exchange, or other taxable disposition of the Common Shares, the U.S. Holder will generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the Common Shares that are disposed of. Such gain or loss generally will be U.S.-source gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the Common Shares for more than one year. Net long-term capital gain recognized by a non-corporate U.S. Holder generally will be taxed at a preferential rate. The deductibility of capital losses is subject to limitations.

The Agent intends to use the "first in first out" (or "FIFO") basis method (as defined in applicable Treasury Regulations) for computing the tax basis of individual Common Shares acquired by or for a U.S. Holder under the Plan, unless a U.S. Holder provides notice to the Agent that the U.S. Holder elects to use another permitted method of computing the tax basis in the U.S. Holder's shares under the Plan. U.S. Holders should consult their tax advisors regarding whether the "average basis method," for example is available for some or all of the Common Shares acquired under the Plan and which tax basis methods and elections are appropriate for each U.S. Holder.

If a U.S. Holder sells or otherwise disposes of the Common Shares for an amount in Canadian dollars, the amount realized on the sale or disposition will be the U.S. dollar value of this amount on the date of sale or disposition, except as otherwise described below. On the settlement date, if later than the date of sale or disposition, the U.S. Holder will recognize U.S.-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale (even though the trade date will be the date of disposition for U.S. federal income tax purposes), and no exchange gain or loss will be recognized at that time. If an accrual basis U.S. Holder makes an election described above, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Foreign currency received on the sale or other disposition of Common Shares will have a tax basis equal to its U.S. dollar value at the time of the sale or other disposition. Any gain or loss recognized on a sale or other disposition of foreign currency (including its use to purchase common stock or an exchange for U.S. dollars) generally will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

Information returns will be filed with the IRS in connection with distributions on the Common Shares and the proceeds from a taxable disposition of the Common Shares. A U.S. Holder will be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Tax consequences will vary depending on each U.S. holder's specific circumstances. Each U.S. holder should discuss specific tax questions regarding participation in the Plan with one's own tax advisor.

22. NOTICES

All notices required to be given under the Plan shall be mailed to each Registered Participant (including CDS and financial institutions and stock brokerages holding Common Shares as registered holder on behalf of Beneficial Participants) at the address shown on the records of the Agent or at a more recent address as furnished by the Registered Participant.

Notices to the Agent shall be addressed as follows:

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
North Tower
Toronto, Ontario CANADA
M5J 2Y1

Attention: Dividend Reinvestment Department

Or the National Customer Contact Centre at 1-800-564-6253

Or by visiting www.computershare.com/service Notices to the Company shall be addressed as follows:

Atlantic Power Corporation
One Federal Street, 30th Floor
Boston, MA 02110

Attention: Corporate Secretary Fax
No: (617) 977-2410

23. EFFECTIVE DATE OF THE PLAN

The effective date of the Plan is August 8, 2012.