

ATLANTIC POWER CORP  
Form 10-K/A  
February 06, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K/A**

(Amendment No. 2)

- x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

OR

- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from        to

Commission file number 001-34691

**ATLANTIC POWER CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

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**British Columbia, Canada**  
(State of Incorporation)

**55-0886410**  
(I.R.S. Employer Identification No.)

**One Federal Street, Floor 30**  
**Boston, MA**  
(Address of Principal Executive Offices)

**02110**  
(Zip Code)

**(617) 977-2400**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

| <b>Title of Each Class</b>            | <b>Name of Each Exchange on Which Registered</b>      |
|---------------------------------------|---|
| Common Shares, no par value per share | The New York Stock Exchange<br>Toronto Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2011, the aggregate market value of the voting and nonvoting common equity held by non-affiliates of the registrant was \$1.0 billion based upon the last reported sale price on the New York Stock Exchange. For purposes of the foregoing calculation only, all directors and executive officers of the registrant have been deemed affiliates.

As of February 24, 2012, 113,526,182 of the registrant's Common Shares were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for its 2012 Annual Meeting of Shareholders, to be filed not later than 120 days after the end of the registrant's fiscal year, are incorporated by reference into Items 10 through 14 of Part III of this Annual Report on Form 10-K.

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**Explanatory Note**

This Amendment No. 2 to the Annual Report on Form 10-K of Atlantic Power Corporation (the Company) for the year ended December 31, 2011 as filed with the Securities and Exchange Commission (the SEC) on February 29, 2012 (the Original Form 10-K), as amended by Amendment No. 1 to the Original Form 10-K as filed with the SEC on April 2, 2012 (Amendment No. 1) and, together with the Original Form 10-K, the Amended Form 10-K, is being filed for the purpose of including consents of our independent auditors in regards to the Company's Registration Statement on Form S-8, which were inadvertently omitted from the Amended Form 10-K.

As required by the rules of the SEC, this Amendment No. 2 sets forth an amended Item 15. Exhibits and Financial Statement Schedules in its entirety and includes the new certifications from the Company's chief executive officer and chief financial officer.

Except as otherwise expressly noted herein, this Amendment No. 2 does not modify or update in any way the financial position, results of operations, cash flows, or other disclosures in, or exhibits to, the Amended Form 10-K, nor does it reflect events occurring after the filing of the Amended Form 10-K. Accordingly, this Amendment No. 2 should be read in conjunction with the Amended Form 10-K.

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**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a)(1) Financial Statements:

The Company's financial statements and supplementary information are listed in the Index to Consolidated Financial Statements appearing on page F-1 of the Original Form 10-K.

(a)(2) Financial Statement Schedules:

See Index to Consolidated Financial Statements appearing on page F-1 of the Original Form 10-K.

See Index to Financial Statements on page F-1 of this Amendment No. 2.

Schedules other than that listed have been omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto.

(a)(3) Exhibits:

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 2.1                | Plan of Arrangement of Atlantic Power Corporation, dated as of November 24, 2005 (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)  |
| 2.2                | Arrangement Agreement, dated as of June 20, 2011, among Capital Power Income L.P., CPI Income Services Ltd., CPI Investments Inc. and Atlantic Power Corporation (incorporated by reference to our Current Report on Form 8-K filed on June 24, 2011)  |
| 3.1                | Articles of Continuance of Atlantic Power Corporation, dated as of June 29, 2010 (incorporated by reference to our registration statement on Form 10-12B filed on July 9, 2010)  |
| 4.1                | Form of common share certificate (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)  |
| 4.2                | Trust Indenture, dated as of October 11, 2006 between Atlantic Power Corporation and Computershare Trust Company of Canada (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)                            |
| 4.3                | First Supplemental Indenture to the Trust Indenture Providing for the Issue of Convertible Secured Debentures, dated November 27, 2009, between Atlantic Power Corporation and Computershare Trust Company of Canada (incorporated by reference to our |

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- registration statement on Form 10-12B filed on April 13, 2010)
- 4.4 Trust Indenture Providing for the Issue of Convertible Unsecured Subordinated Debentures, dated as of December 17, 2009, between Atlantic Power Corporation and Computershare Trust Company of Canada (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)
  - 4.5 Form of First Supplemental Indenture to the Trust Indenture Providing for the Issue of Convertible Unsecured Subordinated Debentures, between Atlantic Power Corporation and Computershare Trust Company of Canada (incorporated by reference to our registration statement on Form S-1/A (File No. 33-138856) filed on September 27, 2010)
  - 4.6 Indenture, dated as of November 4, 2011, by and among Atlantic Power Corporation, the Guarantors named therein and Wilmington Trust, National Association (incorporated by reference to our Current Report on Form 8-K filed on November 7, 2011)
  - 4.7 First Supplemental Indenture, dated as of November 5, 2011 (incorporated by reference to our Current Report on Form 8-K filed on November 7, 2011)
  - 4.8 Second Supplemental Indenture, dated as of November 5, 2011 (incorporated by reference to our Current Report on Form 8-K filed on November 7, 2011)
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- 4.9 Registration Rights Agreement, dated as of November 4, 2011, by and among, Atlantic Power Corporation, the Guarantors listed on Schedule A thereto and Morgan Stanley & Co. LLC and TD Securities (USA) LLC, as representatives of the several Initial Purchasers (incorporated by reference to our Current Report on Form 8-K filed on November 7, 2011)
- 10.1 Amended and Restated Senior Secured Credit Agreement dated November 4, 2011 among Atlantic Power Corporation and Bank of Montreal, Union Bank, Toronto Dominion and Morgan Stanley (incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 29, 2012)
- 10.2 Employment Agreement, dated as of December 31, 2009 between Atlantic Power Corporation and Barry Welch (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)
- 10.3 Employment Agreement, dated as of December 31, 2009 between Atlantic Power Corporation and Paul Rapisarda (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)
- 10.4 Deferred Share Unit Plan, dated as of April 24, 2007 of Atlantic Power Corporation (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)
- 10.5 Third Amended and Restated Long-Term Incentive Plan (incorporated by reference to our registration statement on Form 10-12B filed on July 9, 2010)
- 10.6 Fourth Amended and Restated Long-Term Incentive Plan (incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 29, 2012)
- 16.1 Letter from KPMG LLP, Chartered Accountants, to the Securities and Exchange Commission, dated August 10, 2010 (incorporated by reference to our Current Report on Form 8-K filed on August 10, 2010)
- 21.1 Subsidiaries of Atlantic Power Corporation (incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 29, 2012)
- 23.1\* Consent of KPMG LLP
- 23.2\* Consent of KPMG LLP
- 23.3\* Consent of PricewaterhouseCoopers LLP
- 23.4\* Consent of KPMG LLP
- 31.1\* Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934
- 31.2\* Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934
- 32.1\*\* Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\*\* Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following materials from our Annual Report on Form 10-K for the year ended December 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements (incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 29, 2012)

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\* Filed herewith.

\*\* Furnished herewith.

(b) Exhibits:

See Item 15(a)(3) above.

(c) Financial Statement Schedules:

See Item 15(a)(2) above.



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**SIGNATURE**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 6, 2013

Atlantic Power Corporation

By: /s/ TERRENCE RONAN

Name: Terrence Ronan

Title: *Chief Financial Officer*

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**Chambers Cogeneration Limited Partnership Index**

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The consolidated financial statements of Chambers Cogeneration Limited Partnership and Subsidiary for the years ended December 31, 2011 and 2009, are presented herein without the related report of independent accountants.

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**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

Consolidated Financial Statements

December 31, 2011 and 2010

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Table of Contents**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

Consolidated Balance Sheets

December 31, 2011 and 2010

(Dollars in thousands)

|  | 2011       | As<br>Restated<br>2010 |
|--|------------|------------------------|
| <b>Assets</b>  |            |                        |
| Current assets:  |            |                        |
| Cash and cash equivalents  | \$ 50      | 53                     |
| Restricted cash  | 6,108      | 8,292                  |
| Accounts receivable  | 9,601      | 15,195                 |
| Inventory  | 8,725      | 8,201                  |
| Emission allowances  |            |                        |
| Other assets   | 360        | 469                    |
| Total current assets   | 24,844     | 32,210                 |
| Construction in progress   | 683        | 9                      |
| Property and equipment, net of accumulated depreciation of \$306,824 and \$288,412, respectively | 238,395    | 255,428                |
| Deferred financing costs net of accumulated amortization of \$5,386 and \$5,182, respectively    | 1,444      | 1,648                  |
| Other asset  | 13         |                        |
| Total assets   | \$ 265,379 | 289,295                |
| <b>Liabilities and Partners Capital</b>  |            |                        |
| Current liabilities:   |            |                        |
| Current portion of long-term debt  | \$ 30,666  | 28,235                 |
| Accounts payable   | 4,230      | 4,670                  |
| Due to affiliates  | 2,004      | 1,887                  |
| Accrued liabilities  | 2,631      | 1,822                  |
| Interest rate swap   | 2,169      | 4,470                  |
| Total current liabilities  | 41,700     | 41,084                 |
| Long-term debt   | 129,818    | 159,376                |
| Interest rate swap   | 1,560      | 3,243                  |
| Asset retirement obligation  | 10,943     | 10,357                 |
| Total liabilities  | 184,021    | 214,060                |
| Commitments and contingencies  |            |                        |
| Partners capital:  |            |                        |
| General partners   | 81,183     | 75,964                 |
| Limited partner  | 820        | 767                    |
| Accumulated other comprehensive loss   | (645)      | (1,496)                |
| Total partners capital   | 81,358     | 75,235                 |
| Total liabilities and partners capital   | \$ 265,379 | 289,295                |

See accompanying notes to consolidated financial statements.



Table of Contents**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

Consolidated Statements of Operations

Years ended December 31, 2011 and 2010

(Dollars in thousands)

|  | 2011      | As Restated 2010 |
|--|-----------|------------------|
| Operating revenues:                    |           |                  |
| Energy                                 | \$ 46,741 | 62,440           |
| Capacity                               | 59,760    | 59,996           |
| Steam                                  | 15,420    | 16,443           |
| Total operating revenues               | 121,921   | 138,879          |
| Operating expenses:                    |           |                  |
| Fuel                                   | 48,903    | 59,129           |
| Operations and maintenance             | 27,170    | 25,910           |
| General and administrative             | 6,087     | 6,270            |
| Depreciation                           | 18,412    | 18,385           |
| Total operating expenses               | 100,572   | 109,694          |
| Operating income                       | 21,349    | 29,185           |
| Other income (expense):                |           |                  |
| Interest income                        | 1         | 1                |
| Miscellaneous income                   | 4         | 133              |
| Unrealized gain on interest rate swaps | 3,984     | 2,980            |
| Interest expense                       | (10,566)  | (11,747)         |
| Net income                             | \$ 14,772 | 20,552           |

See accompanying notes to consolidated financial statements.

Table of Contents**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

## Consolidated Statements of Changes in Partners' Capital and Comprehensive Income

Years ended December 31, 2011 and 2010

(Dollars in thousands)

|  | General<br>partners | Limited<br>partner | Comprehensive<br>income | Accumulated<br>other<br>comprehensive<br>loss | Total   |
|--|---------------------|--------------------|-------------------------|---|---------|
| Partners' capital at December 31, 2009, as restated                      | \$ 37,909           | 25,270             |                         | \$ (2,784)                                    | 60,395  |
| Conversion of partnership interest                                       | 26,809              | (26,809)           |                         |   |         |
| Net income, as restated  | 18,176              | 2,376              | \$ 20,552               |   | 20,552  |
| Amortization of previously deferred loss on interest rate swap agreement |                     |                    | 1,288                   | 1,288   | 1,288   |
| Total comprehensive income, as restated                                  |                     |                    | \$ 21,840               |   |         |
| Capital distributions  | (6,930)             | (70)               |                         |   | (7,000) |
| Partners' capital at December 31, 2010,                                  |                     |                    |                         |   |         |
| Conversion of partnership interest as restated                           | 75,964              | 767                |                         | (1,496)                                       | 75,235  |
| Net income   | 14,624              | 148                | \$ 14,772               |   | 14,772  |
| Amortization of previously deferred loss on interest rate swap agreement |                     |                    | 851                     | 851   | 851     |
| Total comprehensive income   |                     |                    | \$ 15,623               |   |         |
| Capital distributions  | (9,405)             | (95)               |                         |   | (9,500) |
| Partners' capital at December 31, 2011                                   | \$ 81,183           | 820                |                         | \$ (645)                                      | 81,358  |

See accompanying notes to consolidated financial statements.



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## Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

(Dollars in thousands)

|   | 2011      | As<br>Restated<br>2010 |
|---|-----------|------------------------|
| Cash flows from operating activities:               |           |                        |
| Net income  | \$ 14,772 | 20,552                 |
| Noncash items included in net income:               |           |                        |
| Amortization of deferred interest rate swap losses  | 851       | 1,288                  |
| Unrealized gain on interest rate swaps              | (3,984)   | (2,980)                |
| Depreciation  | 18,412    | 18,385                 |
| Amortization of deferred financing costs            | 204       | 225                    |
| Accretion of asset retirement obligation            | 586       | 555                    |
| Loss on disposal of assets                          |           |                        |
| Changes in operating assets and liabilities:        |           |                        |
| Accounts receivable                                 | 5,594     | (3,230)                |
| Inventory   | (524)     | (966)                  |
| Emission allowances                                 |           | 2,540                  |
| Other assets  | 96        | 773                    |
| Accounts payable                                    | (440)     | (736)                  |
| Due to affiliates                                   | 117       | 103                    |
| Accrued liabilities                                 | 752       | 160                    |
| Net cash provided by operating activities           | 36,436    | 36,669                 |
| Cash flows from investing activities:               |           |                        |
| (Decrease) increase in restricted cash              | 2,184     | (1,987)                |
| Proceeds from the sale of assets                    |           |                        |
| Capital expenditures                                | (1,996)   | (100)                  |
| Net cash (used in) provided by investing activities | 188       | (2,087)                |
| Cash flows from financing activities:               |           |                        |
| Repayments of long-term debt                        | (27,127)  | (27,628)               |
| Capital distributions                               | (9,500)   | (7,000)                |
| Cash used in financing activities                   | (36,627)  | (34,628)               |
| Net decrease in cash and cash equivalents           | (3)       | (46)                   |
| Cash and cash equivalents:                          |           |                        |
| Beginning of period                                 | 53        | 99                     |
| End of period                                       | \$ 50     | 53                     |
| Supplemental disclosure of cash flow information    |           |                        |
| Cash paid for interest                              | \$ 7,396  | 10,312                 |
| Noncash investing and financing activities:         |           |                        |
| Capital lease                                       | \$ 151    |                        |

See accompanying notes to consolidated financial statements.



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## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

**(1) Organization and Business**

Chambers Cogeneration Limited Partnership (the Partnership) is a Delaware limited partnership formed on August 17, 1988. The general partners are Peregrine Power, LLC (Peregrine), a California limited liability company, and EIF/Carneys Point, LLC (EIF/Carneys), a Delaware limited liability company, who own 60% of the partnership collectively. As of December 31, 2011, EIF/Carneys and Peregrine were each wholly owned indirect subsidiaries of Calypso Energy Holdings, LLC (Calypso). The following entities, managed by EIF Management, LLC, collectively hold 100% of the partnership interests of Calypso:

|                     |     |
|---------------------|-----|
| EIF Calypso, LLC    | 80% |
| EIF Calypso II, LLC | 20% |

Prior to May 2011, the 20% interest in Calypso was owned by Cogentrix Energy, LLC (CELLC). Epsilon Power (Epsilon), a wholly owned indirect subsidiary of Atlantic Power Corporation holds a 40% interest in the Partnership. In May 2010, Epsilon converted 39% of their 40% limited partnership interest to a general partnership interest.

The Partnership was formed to construct, own and operate a 262-megawatt (MW) coal-fired cogeneration station (the Facility) at DuPont's Chambers Works chemical complex in Carneys Point, New Jersey. The Facility produces energy for sale to Atlantic City Electric Company (AE), and energy and process steam to E.I. DuPont de Nemours & Company (DuPont) for use in its industrial operations. The Facility achieved final completion and commercial operations in 1994.

The net income and losses of the Partnership are allocated to Peregrine, EIF/Carneys and Epsilon (collectively, the Partners) based on the following ownership percentages:

|   |     |
|---|-----|
| Peregrine   | 50% |
| EIF/Carneys   | 10% |
| Epsilon (39% general Partnership, 1% limited partnership) | 40% |

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All distributions other than liquidating distributions are made based on the Partners' percentage interests, as shown above, in accordance with the Partnership documents and at such times and in such amounts as the Board of Control of the Partnership determines.

### *Carneys Point Generating Company, L.P.*

The Partnership has a lease agreement with Carneys Point Generating Company, L.P. (CPGC), which is equally owned by Topaz Power, LLC (Topaz) and by Garnet Power, LLC (Garnet), both of which are wholly owned direct subsidiaries of Calypso. CPGC leases the facility and subleases the site from the Partnership. In addition, certain contracts and agreements related to the Partnership have been assigned to CPGC by the Partnership. The lease commenced on September 20, 1994 and has a 24-year term. CPGC's operations have been established to effectively break-even under the lease agreement.

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**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

On January 1, 2010, the Partnership adopted an accounting standards update that changes when and how to determine, or re-determine, whether an entity is a variable interest entity (VIE), which could require consolidation. In addition, the accounting standards update replaces the quantitative approach for determining who has a controlling financial interest in a VIE with a qualitative approach and requires ongoing assessments of whether an entity is the primary beneficiary of a VIE.

The Partnership is required to consolidate any entities that they control. In most cases, control can be determined based on majority ownership or voting interests. However, for certain entities, control is difficult to discern based on ownership or voting interests alone. These entities are referred to as VIEs. A VIE is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties, or whose equity investors lack any characteristics of a controlling financial interest. An enterprise has a controlling financial interest if it has the obligation to absorb expected losses or receive expected gains that could potentially be significant to a VIE and the power to direct activities that are most significant to a VIE's economic performance. An enterprise that has a controlling financial interest is known as the VIE's primary beneficiary and is required to consolidate the VIE. The Partnership reassesses its determination of whether the Partnership is the primary beneficiary of a VIE at each reporting date or if there are changes in facts and circumstances that could potentially alter the Partnership's assessment.

The Partnership has determined that CPGC is a VIE of the Partnership primarily due to its lease arrangements with CPGC. The Partnership has determined that it is the primary beneficiary of the VIE and therefore the Partnership consolidates CPGC in its financial statements. All material intercompany transactions have been eliminated.

**(b) Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses

during the reporting period. Actual results could differ from those estimates.

(c) ***Cash and Cash Equivalents***

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

(d) ***Restricted Cash***

Restricted cash includes both cash and cash equivalents that are held in accounts restricted for debt service, major maintenance and other specifically designated accounts under a disbursement agreement. Restricted cash associated with transactions expected to occur beyond one-year are classified as long-term. All restricted accounts are classified as current assets.

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**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

*(e) Inventory*

Fuel is valued using the average cost method and includes the fuel contract purchase price as well as the transportation and related costs incurred to deliver the fuel to the Facility (note 3).

Spare parts are recorded at the lower of average cost or market and consist of Facility equipment components and supplies required to facilitate maintenance activities. Spare parts are classified as current in the accompanying consolidated balance sheets (note 3).

The Partnership performs periodic assessments to determine the existence of obsolete, slow-moving and unusable inventory and records necessary provisions to reduce such inventories to market.

*(f) Emission Allowances*

Emission allowances are valued under the weighted average costing method subject to the lower of cost or market principle. In applying the lower of cost or market principle, a reduction in the carrying value is not recognized so long as the Partnership will recover/pass-through the cost in its operating margin.

The historical cost of emission allowances is calculated as follows:

- Granted from regulatory body-emission allowances obtained via grants are not assigned any value by the Partnership as their cost is zero.

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- Acquired as part of an acquisition-emission allowances are recorded at fair value as of the acquisition date, subject to pro rata reduction if overall purchase price is less than the entity's fair value.
- Purchased from third parties-emission allowances that are transferable and can be purchased or sold in the normal course of business are recorded at cost.

As of December 31, 2011 the partnership has accrued approximately \$91,000 in emission allowances which are classified as current and included in accrued liabilities in the accompanying consolidated balance sheets.

(g) *Derivative Contracts*

In accordance with guidance on accounting for derivative instruments and hedging activities all derivatives should be recognized at fair value. Derivatives or any portion thereof, that are not designated as, and effective as, hedges must be adjusted to fair value through earnings. Derivative contracts are classified as either assets or liabilities on the consolidated balance sheets. Certain contracts that require physical delivery may qualify for and be designated as normal purchases/normal sales. Such contracts are accounted for on an accrual basis. The Partnership's interest rate swap agreement (note 8), power purchase agreement (PPA) (note 10) and power sales agreement (PSA) (note 10) meet the definition of a derivative. The Partnership's PPA qualifies for, and the Partnership has elected, the normal purchases and normal sales exception and accordingly accounts for the PPA on an accrual basis. The Partnership's PSA is marked to market through earnings.

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**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

The Partnership engages in activities to manage risks associated with changes in interest rates. The Partnership has entered into swap agreements to reduce exposure to interest rate fluctuations on certain debt commitments (note 5). These agreements were designated and qualified as cash flow hedging instruments through December 31, 2004. The Partnership discontinued applying cash flow hedge accounting on January 1, 2005. The balance of accumulated other comprehensive loss, as of December 31, 2004, is amortized as interest expense in the accompanying consolidated statements of operations in accordance with the originally forecasted interest payments schedule through the expiration of the interest rate swaps on March 31, 2014.

**(h) Fair Value Measurements**

The Partnership uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
  
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
  
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement (note 8). As of December 31, 2011 and 2010, the Partnership does not have any nonfinancial assets or liabilities remeasured at fair value on a recurring basis.

(i) *Property and Equipment*

Property and equipment are recorded at cost, net of accumulated depreciation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the lease term of the land using the straight-line method (note 4).

The Partnership's depreciation is based on the Facility being considered a single property unit. Certain components within the Facility will require replacement or overhaul several times over its estimated life. Costs associated with overhauls are recorded as an expense in the period incurred. However, in instances where a replacement of a Facility component is significant and the Partnership can reasonably estimate the original cost of the component being replaced, the Partnership will write-off the replaced component and capitalize the cost of the replacement. The component will be

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**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

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depreciated over the lesser of the EUL of the component or the remaining useful life of the Facility and also the lease term, when the component is a capitalized modification to leased property.

The Partnership reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.

*(j) Deferred Financing Costs*

Deferred financing costs, which consist of the costs incurred to obtain financing, are deferred and amortized into interest expense in the accompanying consolidated statements of operations using the effective interest method over the term of the related financing (note 5).

*(k) Asset Retirement Obligations*

Asset retirement obligations, including those conditioned on future events, are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset in the same period. In each subsequent period, the liability is accreted to its present value and the capitalized cost is depreciated over the EUL of the long-lived asset. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Partnership recognizes a gain or loss on settlement. The Partnership recognized an asset retirement obligation at December 31, 2011 and 2010 of approximately \$10,943,000 and \$10,357,000, respectively. This obligation represents the weighted average probability of costs the Partnership would incur to perform environmental clean-up and remove or sell the facility.

*(l) Income Taxes*

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As partnerships, the income tax effects attributable to Chambers Cogeneration Partnership Limited accrue directly to the partners. Each partner is individually responsible for its share of the respective Partnerships' and CPG taxable income or loss.

In addition, during 2010 and 2011, there were no unrecognized tax benefits, current income taxes or penalties and interest related to income taxes recognized in the consolidated statements of operations or the consolidated statements of financial position. If interest or penalties were incurred, they would be recognized in income tax expense in the accompanying consolidated statements of operations.

The tax years that remain subject to examination are December 31, 2008 through December 31, 2011.

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**(m) Revenue Recognition**

Revenues from the sale of energy and steam are recorded based on monthly output delivered as specified under contractual terms or current market conditions and are recorded on a gross basis on the accompanying consolidated statements of operations as energy and steam revenues, respectively, with the associated costs recorded in operating expenses.

**(n) Reclassifications**

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on the previously reported results of operations or partners' capital.

**(o) Subsequent Events**

The Partnership evaluated subsequent events through March 30, 2012.

**(3) Inventory**

Inventory consisted of the following as of December 31:

2011

2010

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(In thousands of dollars)

|             |    |       |       |
|-------------|----|-------|-------|
| Coal        | \$ | 3,958 | 3,727 |
| Fuel oil    |    | 444   | 335   |
| Lime        |    | 103   | 120   |
| Spare parts |    | 4,220 | 4,019 |
|             | \$ | 8,725 | 8,201 |

(4) **Property and Equipment**

Property and equipment consisted of the following components as of December 31:

|                               |    | 2011                      | 2010<br>Restated |
|-------------------------------|----|---------------------------|------------------|
|                               |    | (In thousands of dollars) |                  |
| Facility                      | \$ | 538,652                   | 537,273          |
| Other equipment               |    | 6,567                     | 6,567            |
| Construction in progress      |    | 683                       | 9                |
|                               |    | 545,902                   | 543,849          |
| Less accumulated depreciation |    | (306,824)                 | (288,412)        |
|                               | \$ | 239,078                   | 255,437          |

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The EUL for significant property and equipment categories are as follows:

|                 |               |
|-----------------|---------------|
| Facility        | 30 years      |
| Other equipment | 5 to 30 years |

**(5) Long-Term Debt**

Long-term debt consisted of the following as of December 31(In thousands of dollars):

| Description                          | As of December 31, 2011 |             |                        | Year ended<br>December 31, 2011 |                          |
|--------------------------------------|-------------------------|-------------|------------------------|---------------------------------|--------------------------|
|                                      | Commitment<br>amount    | Due<br>date | Balance<br>outstanding | Interest<br>expense             | Letter of<br>credit fees |
| Bonds payable (1) (6)                | \$ 100,000              | 7/1/21      | \$ 100,000             | 1,573                           | N/A                      |
| Credit agreement:                    |                         |             |                        |                                 |                          |
| Term loans (3) (6)                   | 59,376                  | 3/31/14     | 59,376                 | 1,216                           | N/A                      |
| Bond letter of credit (4) (6) (7)    | 102,466                 | 12/31/12    |                        | N/A                             | 1,527                    |
| Debt service reserve                 |                         |             |                        |                                 |                          |
| letter of credit (5) (6) (7) (8) (9) | 22,750                  | 12/15/12    |                        | N/A                             | 394                      |
| Loan Payable (2)                     | 1,108                   | 06/30/16    | 1,108                  | 42                              | N/A                      |
|                                      |                         |             | 160,484                |                                 |                          |
| Less current portion                 |                         |             | 30,666                 |                                 |                          |
|                                      |                         |             | \$ 129,818             |                                 |                          |

| Description                       | As of December 31, 2010 |             |                        | Year ended<br>December 31, 2010 |                          |
|-----------------------------------|-------------------------|-------------|------------------------|---------------------------------|--------------------------|
|                                   | Commitment<br>amount    | Due<br>date | Balance<br>outstanding | Interest<br>expense             | Letter of<br>credit fees |
| Bonds payable (1) (6)             | \$ 100,000              | 7/1/21      | \$ 100,000             | 352                             | N/A                      |
| Credit agreement:                 |                         |             |                        |                                 |                          |
| Term loans (3) (6)                | 87,611                  | 3/31/14     | 87,611                 | 1,695                           | N/A                      |
| Bond letter of credit (4) (6) (7) | 102,466                 | 12/31/12    |                        | N/A                             | 1,480                    |
|                                   | 22,750                  | 12/31/12    |                        | N/A                             | 386                      |

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|  |    |         |
|--|----|---------|
| Debt service reserve letter of credit<br>(5) (6) (7) |    | 187,611 |
| Less current portion                                 |    | 28,235  |
|  | \$ | 159,376 |

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- 
- (1) The bonds are collateralized by an irrevocable letter of credit and provide for interest at variable rates. The weighted average interest rates on the bonds were 1.58% and 0.36% for the years ended December 31, 2011 and 2010, respectively. Remarketing fees paid to the remarketing agent were approximately \$100,000 in both 2011 and 2010. These fees are included in interest expense in the accompanying consolidated statements of operations.
- (2) Loan payable is collateralized by equipment. The term is 60-months commencing July 2011 with interest fixed at 5.69%.
- (3) The term loans accrue interest at the applicable London Interbank Offered Rate (LIBOR), plus an applicable margin (1.25% at December 31, 2011 and December 31, 2010). The weighted average interest rates on the term loan were 1.58% and 1.62% for 2011 and 2010, respectively.
- (4) The letter of credit fee for 2011 and 2010 was 1.25%. In addition, the facility provides for a fronting fee of 0.30% effective August 12, 2011 (previously 0.175%) on the stated amount which is included in interest expense in the accompanying consolidated statements of operations.
- (5) The letter of credit fee for 2011 through December 19 and 2010 was 1.50%. In addition, the facility provided for a fronting fee of 0.175% on the stated amount which is included in interest expense in the accompanying consolidated statements of operations.
- (6) All bonds, loans and credit facilities are collateralized by the assets of the Facility and the real estate covered by the ground lease (note 1) and are nonrecourse to the Partners.
- (7) As of December 31, 2011 and 2010, there were no amounts drawn under the letter of credit commitments.

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(8) On December 15, 2011, EIF Calypso, LLC, EIF United States Power Fund IV, LP, and Atlantic Power Corporation posted acceptable replacement security letters of credit totaling \$22,750,000 replacing the previous debt service reserve letter of credit. The replacement letters of credit each expire on December 15, 2012 with an automatic one (1) year extension unless the issuing bank(s) give 90 days written notification.

(9) As of December 31, 2011, there were no amounts drawn on the DSR letter of credit.

Accrued interest payable of \$17,000 and \$3,000 is included in accrued liabilities in the consolidated balance sheets as of December 31, 2011 and 2010, respectively.

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## Notes to Consolidated Financial Statements

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Future minimum principal payments as of December 31, 2011 are as follows (dollars in thousands):

|            |    |         |
|------------|----|---------|
| 2012       | \$ | 30,666  |
| 2013       |    | 27,197  |
| 2014       |    | 2,235   |
| 2015       |    | 269     |
| 2016       |    | 117     |
| Thereafter |    | 100,000 |
|            | \$ | 160,484 |

In connection with the various agreements discussed above, certain financial covenants must be met and reported on an annual basis. The Partnership was in compliance with all debt covenants at December 31, 2011 with the exception of two, for which the Partnership has obtained a waiver for one violation and is expected to cure the second violation within the designated cure period.

***Interest Rate Swap Agreements***

The Partnership is a party to one amortizing interest rate swap agreement with an outstanding notional amount of \$59,376,000 at December 31, 2011 and expiring on various dates through March 31, 2014. Swap payments related to the agreements covering the variable rate bank debt are made based on the spread between 6.18% (weighted average of the outstanding agreement as of December 31, 2011) and LIBOR multiplied by the notional amounts outstanding. Net amounts paid to the counterparties were approximately \$4,569,000 and \$6,170,000 in 2011 and 2010, respectively. These amounts were recorded as interest expense in the accompanying consolidated statements of operations.

**(6) Operating Leases**

The Partnership leases certain equipment, land and buildings under noncancelable operating leases expiring at various dates through 2024. For the years ended December 31, 2011 and 2010, the Partnership incurred lease expense of approximately \$205,000 and \$208,000, respectively, which is included in operations and maintenance expense and general and administrative expense in the accompanying consolidated statements of operations.

Future minimum lease payments, as of December 31, 2011, are as follows (dollars in thousands):

|            |    |       |
|------------|----|-------|
| 2012       | \$ | 204   |
| 2013       |    | 204   |
| 2014       |    | 204   |
| 2015       |    | 200   |
| 2016       |    | 192   |
| Thereafter |    | 974   |
|            | \$ | 1,978 |

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## Notes to Consolidated Financial Statements

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**(7) Payment in Lieu of Taxes**

In January 1991, the Partnership entered into a Payment in Lieu of Taxes (PILOT) agreement with the Township of Carneys Point, a municipal corporation of the state of New Jersey, which exempts the Partnership from certain property taxes. The agreement commenced on January 1, 1994, and will terminate on December 31, 2033. PILOT payments are paid annually and are expensed on a straight-line basis as incurred over the term of the agreement. Property taxes are due and paid quarterly and are deducted from the annual PILOT payments made. The Partnership expensed approximately \$2,800,000 and \$2,700,000 related to the PILOT which is included in general and administrative in the accompanying consolidated statements of operations for the years ended December 31, 2011 and 2010, respectively.

As of December 31, 2011, future payments remaining under the PILOT are as follows (dollars in thousands):

|            |    |         |
|------------|----|---------|
| 2012       | \$ | 3,000   |
| 2013       |    | 3,400   |
| 2014       |    | 3,700   |
| 2015       |    | 3,900   |
| 2016       |    | 4,100   |
| Thereafter |    | 110,600 |
|            | \$ | 128,700 |

**(8) Fair Value of Financial Instruments**

The Partnership's swap agreements and PSA are accounted for as derivative contracts (note 2). The Partnership uses a valuation model to derive the fair value of its derivative contracts based upon the present value of known or estimated cash flows taking into consideration multiple inputs including contractual terms of the swap agreements and PSA, observable market based inputs when available, interest rate curves, and counterparty credit risk. The models used reflect the contractual terms of, and specific risks inherent in, the contracts as well as the availability of pricing information in the market. Where possible, the Partnership verifies the values produced by its pricing model to market transactions. Due to the fact that the Partnership's PSA contract trades in less liquid markets, model selection requires significant judgment because such contracts tend to be more complex and pricing information is less available in these markets. Price transparency is inherently more limited for more complex structures because of the nature, location and tenor of the arrangement, which requires additional inputs such as correlations and volatilities. In addition to model selection, management makes significant judgments based upon the Partnership's proprietary views of market factors and conditions regarding price and correlation inputs in unobservable periods and adjustments to reflect various factors such as liquidity, bid/offer spreads and credit considerations. If available, these adjustments are based on market evidence.

The Partnership adjusts the inputs to its valuation models only to the extent that changes in these inputs can be verified by similar market transactions, third-party pricing services and/or broker quotes, or can be derived from other substantive evidence such as empirical market data. In circumstances where the Partnership cannot verify the models to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

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## Notes to Consolidated Financial Statements

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The following table sets forth the Partnership's financial assets and liabilities and other fair value measurements made on a recurring basis by fair value hierarchy level at December 31, 2011:

|                     | Quoted<br>prices in<br>active<br>markets for<br>identical<br>assets or<br>liabilities<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>other<br>unobservable<br>inputs<br>(Level 3) | Total   |
|---------------------|--|---|---|---------|
| Assets:             |  |   |   |         |
| Interest Rate Swaps | \$   |   |   |         |
| PSA                 |  |   |   |         |
| Liabilities:        |  |   |   |         |
| Interest Rate Swaps |  |   | (3,729)   | (3,729) |
| PSA                 |  |   | (1,420)   | (1,420) |
|                     | \$   |   | (5,149)   | (5,149) |

The following table sets forth a reconciliation of changes in the fair value of derivatives that are based on significant unobservable inputs for the year ended December 31, 2011 (dollars in thousands).

|   |    |         |
|---|----|---------|
| Fair value of derivatives based on significant unobservable inputs at January 1, 2011   | \$ | (7,713) |
| Unrealized gains, net (1)   |    | 2,564   |
| Fair value of derivatives based on significant unobservable inputs at December 31, 2011 | \$ | (5,149) |

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The following table sets forth the Partnership's financial assets and liabilities and other fair value measurements made on a recurring basis by fair value hierarchy level at December 31, 2010:

|                     | Quoted<br>prices in<br>active<br>markets for<br>identical<br>assets or<br>liabilities<br>(Level 1) | Significant<br>other<br>observable<br>inputs<br>(Level 2) | Significant<br>other<br>unobservable<br>inputs<br>(Level 3) | Total   |
|---------------------|--|---|---|---------|
| <b>Assets:</b>      |  |   |   |         |
| Interest Rate Swap  | \$   |   |   |         |
| <b>Liabilities:</b> |  |   |   |         |
| Interest Rate Swap  |  |   | (7,713)   | (7,713) |
|                     | \$   |   | (7,713)   | (7,713) |

The following table sets forth a reconciliation of changes in the fair value of derivatives that are based on significant unobservable inputs for the year ended December 31, 2010 (dollars in thousands).

|   |    |          |
|---|----|----------|
| Fair value of derivatives based on significant unobservable inputs at January 1, 2010   | \$ | (10,693) |
| Unrealized losses (1)   |    | 2,980    |
| Fair value of derivatives based on significant unobservable inputs at December 31, 2010 | \$ | (7,713)  |

(1) Unrealized gain on the interest swap is recognized in operating expenses in the consolidated statements of operations for the years ended December 31, 2010 and 2011. Unrealized loss on the PSA is recognized in revenue in the consolidated statement of operations for the year ended December 31, 2011. Each of the contracts contributing to the unrealized gain, net was still held by the Partnership at December 31, 2011.

The Partnership's additional financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, other assets, accounts payable, due to affiliates, and accrued liabilities. These instruments approximate their fair values as of December 31, 2011 and 2010 due to their



short-term nature.

The fair value of the Partnership's bonds and long term loans payable approximates their carrying value due to the variable nature of the interest obligations thereon.

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Notes to Consolidated Financial Statements

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**(9) Concentrations of Credit Risk**

Credit risk is the risk of loss the Partnership would incur if counterparties fail to perform their contractual obligations. The Partnership primarily conducts business with counterparties in the energy industry. This concentration of counterparties may impact the Partnership's overall exposure to credit risk in that its counterparties may be similarly affected by changes in economic, regulatory or other conditions. The Partnership mitigates potential credit losses by dealing, where practical, with counterparties that are rated investment grade by a major credit rating agency or have a history of reliable performance within the energy industry.

The Partnership's credit risk is primarily concentrated with AE and DuPont. AE and DuPont provided 76% and 24%, respectively, of the Partnership's revenues for the year ended December 31, 2011 and accounted for approximately 72% and 28%, respectively, of the Partnership's trade accounts receivable balance at December 31, 2011. The Partnership has a coal supply contract with Consolidated Coal Company, Consolidated Pennsylvania Coal Company, Consolidated Coal Sales Company and Nineveh Coal Company (together Consol) who are responsible for providing 100% of the Partnership's coal requirements through 2014. The Partnership's credit risk is also impacted by the credit risk associated with its issuing bank of the bond letter of credit, BNP Paribas (previously Dexia Credit Locale).

The Partnership is exposed to credit-related losses in the event of nonperformance by counterparties to the Partnership's interest rate swap agreements (notes 2 and 5). The Partnership does not obtain collateral or other security to support such agreements, but continually monitors its positions with, and the credit quality of, the counterparties to such agreements.

**(10) Commitments and Contingencies**

**(a) Power Purchase Agreement**

The Partnership has a power purchase agreement (PPA) with AE for sales of the Facility's power output during a 30-year period commencing in 1994. The PPA provides AE with dispatch rights over the Facility, with a contractual minimum of the equivalent of 3,500 hours of full load operation. The pricing structure provides for both capacity and energy payments. Capacity payments are fixed over the life of the contract. Energy payments are based on a contractual formula which is adjusted annually, as defined in the PPA, based on a utility coal index.

*(b) Power Sales Agreement*

The Partnership has entered into a supplemental power sales agreement (PSA) with AE which provides the Partnership self-dispatch rights for both undischarged PPA and excess energy as well as the right to market excess capacity. The pricing structure provides for both capacity and energy payments. The Partnership shares margins on the self-dispatched energy with AE based on hourly wholesale prices. Excess capacity is sold in PJM's periodic auctions and the resulting revenue is shared between the Partnership and AE. The PSA expired on December 31, 2011. The Partnership has entered into a new PSA with AE in December 2011 that commences January 1, 2012 and expires on December 31, 2012.

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(c) ***Steam and Electricity Sales Agreement***

The Partnership has a steam and electricity sales agreement with DuPont (the DuPont Agreement) for a 30-year period commencing in 1994. Thereafter, the agreement will remain in effect unless terminated by either party upon at least 36-months notice. DuPont is required to purchase a minimum of 525,600,000 pounds of process steam per year and no minimum amount of electricity. The steam price is adjusted quarterly based on coal price index formulas defined in the agreement. The electricity price is also adjusted quarterly based on coal price index formulas and the AE average retail rate, as defined in the agreement. The Partnership has ongoing litigation with DuPont over the electric energy payment calculation. Amounts under dispute have not been reflected in revenues in the accompanying consolidated statements of operations.

(d) ***Fly Ash Disposal Agreement***

As of November 1, 2011, the Partnership entered into an Ash Management Services Agreement (Ash Agreement) with HEI of PA, Inc. (HEI) for disposal of a minimum of 50,000 tons per calendar year (prorated for any partial year) of bottom ash and fly ash, including pugged ash and dry ash generated or produced at the facility. The contract has an initial term of ten (10) years commencing November 1, 2011 with three (3) additional five (5) year period automatic extensions unless either party gives written notice of nonextension to the other party twelve (12) months prior to the expiration of the then current term. Disposal pricing is adjusted annually, as defined in the Ash Agreement, beginning on the third anniversary date.

(e) ***Reverse Osmosis Boiler Feed Water System***

In 2011, the Partnership entered into a capital lease agreement with Wells Fargo Equipment Finance, Inc (Wells Fargo) to lease a Reverse Osmosis Boiler Feed Water System (RO) that was designed, fabricated, and installed by Western Reserve Water Systems. The capital lease is for a term of 60 months commencing in July 2011. At the end of the lease term, the Partnership will have the option to purchase the RO for \$1.

(f) ***Other***

The Partnership experiences routine litigation in the normal course of business. Management is of the opinion that none of this routine litigation will have a material adverse effect on the Partnership's consolidated financial position or results of operations.

**(11) Related Parties**

**(a) *Operations and Maintenance Agreement***

The Partnership is party to an Operations and Maintenance Agreement (O&M Agreement) with US Operating Services Company, LLC (USOSC), a wholly owned subsidiary of Calypso, for the operation and maintenance (O&M) of the Carneys Point Project. During the third quarter 2010, ownership of USOSC was acquired by Calypso from CELLC. The O&M Agreement expires on April 1, 2014. Thereafter, the O&M agreement will be automatically renewed for periods of five-years, until terminated by either party with 12-months prior notice. Compensation to OSC under the agreement includes (i) an annual base fee, of which a portion is subordinate to debt service and certain other costs, (ii) certain earned fees and bonuses based on the Facility's performance and (iii)

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reimbursement for certain costs, including payroll, supplies, spare parts, equipment, certain taxes, licensing fees, insurance and indirect costs expressed as a percentage of payroll and personnel costs. The fees are adjusted annually by a measure of inflation as defined in the agreement. If targeted Facility performance is not reached on a monthly basis, OSC may be required to pay liquidated damages to the Partnership. The Partnership incurred related expense of approximately \$10,479,000 and \$9,771,000 which is recorded in operations and maintenance in the consolidated statements of operations during the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, the Partnership owed OSC \$1,712,000 and \$1,844,000, respectively, under the O&M Agreement, which is included in due to affiliates in the accompanying consolidated balance sheets. Under the terms of the agreement, approximately \$560,000 and \$350,000 of the amounts owed at December 31, 2011 and 2010, respectively, is subordinate to the debt service for the Partnership's bonds payable and term loans.

USOSC is party to a Technical Services Agreement (TSA) with Power Services Company, LLC (PSC), a wholly owned subsidiary of Calypso, for services to assist in the day-to-day O&M of the Carneys Point Project. During the third quarter 2010, ownership of PSC was acquired by Calypso from CELLC.

PSC and NAES Corporation (NAES), an independent third-party O&M provider, are parties to a subcontract (NAES Agreement) for NAES to perform all tasks commercially and reasonably necessary to operate, maintain and manage the Company, including administering, managing, monitoring, and performing all of USOSC's obligations and responsibilities of the O&M agreement between USOSC and the Partnership. The NAES agreement expires on August 23, 2015.

**(b) Management Services Agreement**

The Partnership has a Management Services Agreement (MSA) with PSC to provide day-to-day management and administration services to the Carneys Point Project through September 20, 2018. PSC and Power Plant Management Services, LLC (PPMS), an independent third party management services provider, are parties to a subcontract formalized under a Project Management and Administrative Services Agreement (PMAS) for the Carneys Point Project. The initial term of the PMAS agreement expires on August 23, 2015. The initial term automatically extends for successive two year periods or, if the Facility MSA is scheduled to terminate or expire pursuant to its own terms prior to the expiration of any two year period, a shorter period equal to the time remaining under the Facility MSA unless either party notifies the other party at least three months prior to expiration of the then existing term. Under the PMAS, PPMS provides overall project management, administrative, and related support services as may be necessary to the Partnership and oversees the execution of the NAES agreement on behalf of the Partnership. Compensation to PSC under the agreement includes a monthly fee of \$50,000, and PMAS pass-through costs. Payments to PSC of \$1,292,000 and \$1,731,000 are included in operations and maintenance in the consolidated statements of operations in 2011 and 2010, respectively. As of December 31, 2011 and 2010, the Partnership owed PSC approximately \$50,000 for each of 2011 and 2010, which is included in due to affiliates in the accompanying consolidated balance sheets and is subordinate to debt service for the Partnership's bonds payable and term loans.

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**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

Notes to Consolidated Financial Statements

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**(12) Restatement of Previously Issued Financial Statements**

Following a review of its accounting policies, the Partnership determined that it had incorrectly calculated depreciation expense of the Facility. The Partnership has a ground lease for the Facility with a term of 30 years from the start of the lease with no renewal options. The lease term began with the commencement of commercial operations of the Facility in 1994. The Partnership had been depreciating the Facility over an EUL of 60 years. The Partnership should have been depreciating the Facility over the lesser of its EUL or the term of the ground lease. Therefore, the Partnership understated previously reported depreciation expense and overstated the carrying value of its property and equipment. Additionally, the Partnership determined that it had incorrectly calculated its estimate of the fair value of asset retirement obligations and related accretion and depreciation expense. As a result, the Partnership restated its financial statements for the years ended December 31, 2010 and 2009. These non-cash adjustments had no material impact on the Partnership's previously reported cash flows, cash position or revenues in any period, or on the Partnership's compliance with any of its debt covenants.

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December 31, 2011 and 2010

The impact of the corrections to 2010 previously issued financial statements is as follows:

| (in thousands of dollars)  | Amount<br>previously<br>reported | Adjustments     | As<br>Restated |
|--|----------------------------------|-----------------|----------------|
| <b>Assets</b>  |                                  |                 |                |
| Current assets   |                                  |                 |                |
| Cash and cash equivalents  | \$ 53                            |                 | 53             |
| Restricted cash  | 8,292                            |                 | 8,292          |
| Accounts receivable  | 15,195                           |                 | 15,195         |
| Inventory  | 8,201                            |                 | 8,201          |
| Other assets   | 469                              |                 | 469            |
| <b>Total current assets</b>  | <b>32,210</b>                    |                 | <b>32,210</b>  |
| Construction in Progress   |                                  |                 |                |
| Property and equipment, net of accumulated depreciation of \$288,412<br>(previously reported as \$189,541) | 350,800                          | (95,372)        | 255,428        |
| Deferred financing costs, net of accumulated amortization of \$5,182                                       | 1,648                            |                 | 1,648          |
| <b>Total assets</b>  | <b>384,667</b>                   | <b>(95,372)</b> | <b>289,295</b> |
| <b>Liabilities and Partners Capital</b>  |                                  |                 |                |
| Current liabilities  |                                  |                 |                |
| Current portion on long-term debt  | \$ 28,235                        |                 | 28,235         |
| Accounts payable   | 4,670                            |                 | 4,670          |
| Due to affiliates  | 1,887                            |                 | 1,887          |
| Accrued liabilities  | 1,822                            |                 | 1,822          |
| Interest rate swap   | 4,470                            |                 | 4,470          |
| <b>Total current liabilities</b>   | <b>41,084</b>                    |                 | <b>41,084</b>  |
| Long-term debt   |                                  |                 |                |
| Interest rate swap   | 3,243                            |                 | 3,243          |
| Asset retirement obligation  | 2,107                            | 8,250           | 10,357         |
| <b>Total liabilities</b>   | <b>205,810</b>                   | <b>8,250</b>    | <b>214,060</b> |
| Partners capital   |                                  |                 |                |
| General partners   | 178,549                          | (102,585)       | 75,964         |
| Limited partner  | 1,804                            | (1,037)         | 767            |

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|   |         |           |         |
|---|---------|-----------|---------|
| Accumulated other comprehensive loss    | (1,496) |           | (1,496) |
| Total partners' capital                 | 178,857 | (103,622) | 75,235  |
| Total liabilities and partners' capital | 384,667 | (95,372)  | 289,295 |

(Continued)

Table of Contents**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

| (in thousands of dollars)              | Amount<br>previously<br>reported | Adjustments | As<br>Restated |
|--|----------------------------------|-------------|----------------|
| <b>Operating revenues</b>              |                                  |             |                |
| Energy                                 | \$ 62,440                        |             | 62,440         |
| Capacity                               | 59,996                           |             | 59,996         |
| Steam                                  | 16,443                           |             | 16,443         |
| Total operating revenues               | 138,879                          |             | 138,879        |
| <b>Operating expenses</b>              |                                  |             |                |
| Fuel                                   | 59,129                           |             | 59,129         |
| Operations and maintenance             | 25,910                           |             | 25,910         |
| General and administrative             | 5,824                            | 446         | 6,270          |
| Depreciation                           | 8,173                            | 10,212      | 18,385         |
| Total operating expenses               | 99,036                           | 10,658      | 109,694        |
| Operating income                       | 39,843                           | (10,658)    | 29,185         |
| <b>Other income (expense)</b>          |                                  |             |                |
| Interest income                        | 1                                |             | 1              |
| Miscellaneous income                   | 133                              |             | 133            |
| Unrealized gain on interest rate swaps | 2,980                            |             | 2,980          |
| Interest expense                       | (11,747)                         |             | (11,747)       |
| Net income                             | \$ 31,210                        | (10,658)    | 20,552         |

(Continued)

Table of Contents**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

| (in thousands of dollars)  | Restated<br>General<br>Partners | Restated<br>Limited<br>Partner | Restated<br>Comprehensive<br>Income | Restated<br>Accumulated<br>Other<br>Comprehensive<br>Loss | Restated<br>Total |
|--|---------------------------------|--------------------------------|-------------------------------------|---|-------------------|
| <b>Partners capital at December 31, 2009 (as restated)</b>               | \$ 37,909                       | 25,270                         |                                     | (2,784)   | 60,395            |
| Conversion of partnership interest (as previously reported)              | 64,652                          | (64,652)                       |                                     |   |                   |
| Restatement adjustment   | (37,843)                        | 37,843                         |                                     |   |                   |
| Net income (as previously reported)                                      | 27,140                          | 4,070                          | 31,210                              |   | 31,210            |
| Restatement adjustment   | (8,964)                         | (1,694)                        | (10,658)                            |   | (10,658)          |
| Amortization of previously deferred loss on interest rate swap agreement |                                 |                                | 1,288                               | 1,288   | 1,288             |
| <b>Total comprehensive income</b>  |                                 |                                | <b>\$ 21,840</b>                    |   |                   |
| Capital distributions  | (6,930)                         | (70)                           |                                     |   | (7,000)           |
| <b>Partners capital at December 31, 2010 (as restated)</b>               | <b>\$ 75,964</b>                | <b>767</b>                     |                                     | <b>\$ (1,496)</b>   | <b>75,235</b>     |

(Continued)

Table of Contents**CHAMBERS COGENERATION LIMITED PARTNERSHIP**

## Notes to Consolidated Financial Statements

December 31, 2011 and 2010

| (in thousands of dollars)                            | Amount<br>previously<br>reported | Adjustments | As<br>Restated |
|--|----------------------------------|-------------|----------------|
| <b>Cash flows from operating activities</b>          |                                  |             |                |
| Net income   | \$ 31,210                        | (10,658)    | 20,552         |
| Noncash items included in net income:                |                                  |             |                |
| Amortization of deferred interest rate swap losses   | 1,288                            |             | 1,288          |
| Unrealized gain on interest rate swaps               | (2,980)                          |             | (2,980)        |
| Depreciation   | 8,173                            | 10,212      | 18,385         |
| Amortization of deferred financing costs             | 225                              |             | 225            |
| Accretion of asset retirement obligation             | 109                              | 446         | 555            |
| Loss on disposal of assets                           |                                  |             |                |
| Changes in operating assets and liabilities:         |                                  |             |                |
| Accounts receivable                                  | (3,230)                          |             | (3,230)        |
| Inventory  | (966)                            |             | (966)          |
| Emission allowances                                  | 2,540                            |             | 2,540          |
| Other assets   | 773                              |             | 773            |
| Accounts payable                                     | (736)                            |             | (736)          |
| Due to affiliates                                    | 103                              |             | 103            |
| Accrued liabilities                                  | 160                              |             | 160            |
| Net cash provided by operating activities            | 36,669                           |             | 36,669         |
| <b>Cash flows from investing activities</b>          |                                  |             |                |
| (Decrease) increase in restricted cash               | (1,987)                          |             | (1,987)        |
| Proceeds from the sale of assets                     |                                  |             |                |
| Capital expenditures                                 | (100)                            |             | (100)          |
| Net cash (used in) providing by investing activities | (2,087)                          |             | (2,087)        |
| <b>Cash flows from financing activities</b>          |                                  |             |                |
| Repayments of long-term debt                         | (27,628)                         |             | (27,628)       |
| Capital distributions                                | (7,000)                          |             | (7,000)        |
| Cash used in financing activities                    | (34,628)                         |             | (34,628)       |
| Net decrease in cash and cash equivalents            | (46)                             |             | (46)           |
| <b>Cash and cash equivalents</b>                     |                                  |             |                |
| Beginning of period                                  | 99                               |             | 99             |
| End of period  | \$ 53                            |             | 53             |

**Supplemental disclosure of cash flow information**

|                        |    |        |        |
|------------------------|----|--------|--------|
| Cash paid for interest | \$ | 10,312 | 10,312 |
|------------------------|----|--------|--------|

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**Chambers Cogeneration Limited Partnership**

**Consolidated Financial Statements**

**December 31, 2010 and 2009**

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**Report of Independent Auditors**

To the Board of Control of  
Chambers Cogeneration Limited Partnership:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in partners' capital and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of Chambers Cogeneration Limited Partnership and its subsidiaries at December 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Company has restated its financial statements for the years ended December 31, 2010 and 2009 to correct errors.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

March 16, 2011, except for the Restatement of Previously Issued Financial Statements section of Note 2, which is as of March 30, 2012

Table of Contents**Chambers Cogeneration Limited Partnership****Consolidated Balance Sheets****December 31, 2010 and 2009**

| <b>Assets</b>  |    |         |            |
|--|----|---------|------------|
| Current assets   |    |         |            |
| Cash and cash equivalents  | \$ | 53      | \$ 99      |
| Restricted cash  |    | 8,292   | 6,305      |
| Accounts receivable  |    | 15,195  | 11,965     |
| Inventory  |    | 8,201   | 7,235      |
| Emission allowances  |    |         | 2,540      |
| Other assets   |    | 469     | 1,162      |
| Total current assets   |    | 32,210  | 29,306     |
| Construction in Progress   |    | 9       |            |
| Property and equipment, net of accumulated depreciation of \$288,412 and \$270,027, respectively |    | 255,428 | 273,715    |
| Deferred financing costs, net of accumulated amortization of \$5,182 and \$4,957 respectively    |    | 1,648   | 1,873      |
| Other assets   |    |         | 80         |
| Total assets   | \$ | 289,295 | \$ 304,974 |
| <b>Liabilities and Partners Capital</b>  |    |         |            |
| Current liabilities  |    |         |            |
| Current portion of long-term debt  | \$ | 28,235  | \$ 27,628  |
| Accounts payable   |    | 4,670   | 5,406      |
| Due to affiliates  |    | 1,887   | 1,784      |
| Accrued liabilities  |    | 1,822   | 1,655      |
| Interest rate swap   |    | 4,470   | 5,851      |
| Total current liabilities  |    | 41,084  | 42,324     |
| Long-term debt   |    | 159,376 | 187,611    |
| Interest rate swap   |    | 3,243   | 4,842      |
| Asset retirement obligation  |    | 10,357  | 9,802      |
| Total liabilities  |    | 214,060 | 244,579    |
| Commitments and contingencies  |    |         |            |
| Partners capital   |    |         |            |
| General partners   |    | 75,964  | 37,909     |
| Limited partner  |    | 767     | 25,270     |
| Accumulated other comprehensive loss   |    | (1,496) | (2,784)    |
| Total partners capital   |    | 75,235  | 60,395     |
| Total liabilities and partners capital   | \$ | 289,295 | \$ 304,974 |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Chambers Cogeneration Limited Partnership****Consolidated Statements of Operations****Years Ended December 31, 2010 and 2009**

|  |  |           |           |
|--|--|-----------|-----------|
| <b>Operating revenues</b>              |  |           |           |
| Energy                                 |  | \$ 62,440 | \$ 52,727 |
| Capacity                               |  | 59,996    | 59,665    |
| Steam                                  |  | 16,443    | 14,266    |
| Total operating revenues               |  | 138,879   | 126,658   |
| <b>Operating expenses</b>              |  |           |           |
| Fuel                                   |  | 59,129    | 53,625    |
| Operations and maintenance             |  | 25,910    | 34,322    |
| General and administrative             |  | 6,270     | 5,397     |
| Depreciation                           |  | 18,385    | 18,245    |
| Loss on disposal of assets             |  |           | 1,030     |
| Total operating expenses               |  | 109,694   | 112,619   |
| Operating income                       |  | 29,185    | 14,039    |
| <b>Other income (expense)</b>          |  |           |           |
| Interest income                        |  | 1         | 3         |
| Miscellaneous income                   |  | 133       |           |
| Unrealized gain on interest rate swaps |  | 2,980     | 5,599     |
| Interest expense                       |  | (11,747)  | (15,614)  |
| Net income                             |  | \$ 20,552 | \$ 4,027  |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Chambers Cogeneration Limited Partnership****Consolidated Statements of Changes in Partners' Capital and Comprehensive Income**

Years Ended December 31, 2010 and 2009

|  |    |         |    |          |    |         |    |         |
|--|----|---------|----|----------|----|---------|----|---------|
| <b>Partners' capital at December 31, 2008</b>                            | \$ | 37,202  | \$ | 24,800   | \$ | (4,570) | \$ | 57,432  |
| Net income   |    | 2,417   |    | 1,610    | \$ | 4,027   |    | 4,027   |
| Amortization of previously deferred loss on interest rate swap agreement |    |         |    |          |    | 1,786   |    | 1,786   |
| Total comprehensive income   |    |         |    |          | \$ | 5,813   |    |         |
| Capital distributions  |    | (1,710) |    | (1,140)  |    |         |    | (2,850) |
| <b>Partners' capital at December 31, 2009</b>                            | \$ | 37,909  | \$ | 25,270   | \$ | (2,784) | \$ | 60,395  |
| Conversion of partnership interest                                       | \$ | 26,809  | \$ | (26,809) |    |         |    |         |
| Net income   |    | 18,176  |    | 2,376    | \$ | 20,552  |    | 20,552  |
| Amortization of previously deferred loss on interest rate swap agreement |    |         |    |          |    | 1,288   |    | 1,288   |
| Total comprehensive income   |    |         |    |          | \$ | 21,840  |    |         |
| Capital distributions  |    | (6,930) |    | (70)     |    |         |    | (7,000) |
| <b>Partners' capital at December 31, 2010</b>                            | \$ | 75,964  | \$ | 767      | \$ | (1,496) | \$ | 75,235  |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Chambers Cogeneration Limited Partnership****Consolidated Statements of Cash Flows****Years Ended December 31, 2010 and 2009**

| (in thousands of dollars)                               | Restated<br>2010 | Restated<br>2009 |
|---|------------------|------------------|
| <b>Cash flows from operating activities</b>             |                  |                  |
| Net income  | \$ 20,552        | \$ 4,027         |
| Noncash items included in net income:                   |                  |                  |
| Amortization of deferred interest rate swap losses      | 1,288            | 1,786            |
| Unrealized gain on interest rate swaps                  | (2,980)          | (5,599)          |
| Depreciation  | 18,385           | 18,245           |
| Amortization of deferred financing costs                | 225              | 244              |
| Accretion of asset retirement obligation                | 555              | 525              |
| Loss on disposal of assets                              |                  | 1,030            |
| Changes in operating assets and liabilities:            |                  |                  |
| Accounts receivable                                     | (3,230)          | 2,709            |
| Inventory   | (966)            | 1,116            |
| Emission allowances                                     | 2,540            | (2,540)          |
| Other assets  | 773              | 1,864            |
| Accounts payable  | (736)            | (1,265)          |
| Due to affiliates                                       | 103              | (444)            |
| Accrued liabilities                                     | 160              | (740)            |
| Net cash provided by operating activities               | 36,669           | 20,958           |
| <b>Cash flows from investing activities</b>             |                  |                  |
| (Decrease) increase in restricted cash                  | (1,987)          | 7,347            |
| Proceeds from the sale of assets                        |                  | 32               |
| Capital expenditures                                    | (100)            | (1,602)          |
| Net cash (used in) provided by investing activities     | (2,087)          | 5,777            |
| <b>Cash flows from financing activities</b>             |                  |                  |
| Repayments of long-term debt                            | (27,628)         | (23,920)         |
| Capital distributions                                   | (7,000)          | (2,850)          |
| Cash used in financing activities                       | (34,628)         | (26,770)         |
| Net decrease in cash and cash equivalents               | (46)             | (35)             |
| <b>Cash and cash equivalents</b>                        |                  |                  |
| Beginning of period                                     | 99               | 134              |
| End of period   | \$ 53            | \$ 99            |
| <b>Supplemental disclosure of cash flow information</b> |                  |                  |
| Cash paid for interest                                  | \$ 10,312        | \$ 13,586        |

The accompanying notes are an integral part of these consolidated financial statements.



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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**1. Organization and Business**

Chambers Cogeneration Limited Partnership (the Partnership) is a Delaware limited partnership formed on August 17, 1988. The general partners are Peregrine Power, LLC (Peregrine), a California limited liability company, and Cogentrix/Carneys Point, LLC (Cogentrix/Carneys), a Delaware limited liability company. Cogentrix/Carneys and Peregrine were each wholly-owned indirect subsidiaries of Cogentrix Energy, LLC (CELLC). In November 2007, CELLC transferred 100% of its indirect equity interest in Peregrine and Cogentrix/Carneys to Calypso Energy Holdings, LLC (Calypso), then a wholly-owned subsidiary of CELLC. Following such transfer, on November 14, 2007, CELLC sold an 80% equity interest in Calypso to EIF Calypso, LLC (EIF), a limited liability company owned by one or more private equity funds managed by EIF Management, LLC (collectively, the Calypso Transaction). CELLC holds a 20% equity interest in Calypso and a 12% indirect interest in the Partnership. Epsilon Power (Epsilon), a wholly-owned indirect subsidiary of Atlantic Power Corporation holds a 40% interest in the Partnership. In May 2010, Epsilon converted 39% of their 40% limited partnership interest to a general partnership interest.

The Partnership was formed to construct, own and operate a 262-megawatt (MW) coal-fired cogeneration station (the Facility) at DuPont's Chambers Works chemical complex in Carneys Point, New Jersey. The Facility produces energy for sale to Atlantic City Electric Company (AE), and energy and process steam to E.I. DuPont de Nemours & Company (DuPont) for use in its industrial operations. The Facility achieved final completion and commercial operations in 1994.

In December 2008, the Partnership submitted an application to PJM Interconnection (PJM) to increase the Facility's capacity rating from 225 MW to 240 MW. On April 28, 2009, the Partnership received notice from PJM that the capacity interconnection rights assigned to the Facility have been increased to 240 MW. The Facility currently sells excess energy under a separate power sales agreement (Note 10).

The net income and losses of the Partnership are allocated to Peregrine, Cogentrix/Carneys and Epsilon (collectively, the Partners) based on the following ownership percentages:

|   |     |
|---|-----|
| Peregrine   | 50% |
| Cogentrix/Carneys   | 10% |
| Epsilon (39% general partnership, 1% limited partnership) | 40% |

All distributions other than liquidating distributions are made based on the Partners' percentage interests, as shown above, in accordance with the Partnership documents and at such times and in such amounts as the Board of Control of the Partnership determines.

**Carneys Point Generating Company, L.P.**

The Partnership has a lease agreement with Carneys Point Generating Company, L.P. ( CPGC ), which is equally owned by Topaz Power, LLC ( Topaz ) and by Garnet Power, LLC (Garnet ), both of which were wholly-owned direct subsidiaries of Power Services Company, LLC ( PSC ), an indirect wholly-owned subsidiary of CELLC. In November 2007, CELLC transferred 100% of its ownership interest in Topaz and Garnet to Calypso in connection with the Calypso Transaction. CPGC leases the facility and subleases the site from the Partnership. In addition, certain contracts and agreements related to the Partnership have been assigned to CPGC by the Partnership. The lease commenced on September 20, 1994 and has a 24-year term. CPGC's operations have been established to effectively break-even under the lease agreement.



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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

On January 1, 2010, the Partnership adopted an accounting standards update that changes when and how to determine, or re-determine, whether an entity is a variable interest entity ( VIE ), which could require consolidation. In addition, the accounting standards update replaces the quantitative approach for determining who has a controlling financial interest in a VIE with a qualitative approach and requires ongoing assessments of whether an entity is the primary beneficiary of a VIE.

The Partnership is required to consolidate any entities that they control. In most cases, control can be determined based on majority ownership or voting interests. However, for certain entities, control is difficult to discern based on ownership or voting interests alone. These entities are referred to as VIE s. A VIE is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties, or whose equity investors lack any characteristics of a controlling financial interest. An enterprise has a controlling financial interest if it has the obligation to absorb expected losses or receive expected gains that could potentially be significant to a VIE and the power to direct activities that are most significant to a VIE s economic performance. An enterprise that has a controlling financial interest is known as the VIE s primary beneficiary and is required to consolidate the VIE. The Partnership reassesses its determination of whether the Partnership is the primary beneficiary of a VIE at each reporting date or if there are changes in facts and circumstances that could potentially alter the Partnership s assessment.

The Partnership has determined that CPGC is a VIE of the Partnership primarily due to its lease arrangements with CPGC. The Partnership has determined that it has the power to direct the activities that most significantly impact CPGC s economic performance, and therefore the Partnership consolidates CPGC into its financial statements. All material intercompany transactions have been eliminated.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ( GAAP ) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

**Restricted Cash**

Restricted cash includes both cash and cash equivalents that are held in accounts restricted for operations, debt service, major maintenance and other specifically designated accounts under a disbursement agreement. All restricted accounts are classified as current assets.

**Inventory**

Fuel is valued using the average cost method and includes the fuel contract purchase price as well as the transportation and related costs incurred to deliver the fuel to the Facility (Note 3).

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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

Spare parts are recorded at the lower of average cost or market and consist of Facility equipment components and supplies required to facilitate maintenance activities. Spare parts are classified as current in the accompanying consolidated balance sheets (Note 3).

The Partnership performs periodic assessments to determine the existence of obsolete, slow-moving and unusable inventory and records necessary provisions to reduce such inventories to net realizable value.

**Emission Allowances**

Emission allowances are valued under the weighted average costing method subject to the lower of cost or market principle. In applying the lower of cost or market principle, a reduction in the carrying value is not recognized so long as the Partnership will recover/pass-through the cost in its operating margin.

The historical cost of emission allowances is calculated as follows:

- Granted from regulatory body emission allowances obtained via grants are not assigned any value by the Partnership as their cost is zero.
- Acquired as part of an acquisition emission allowances are recorded at fair value as of the acquisition date, subject to pro rata reduction if overall purchase price is less than the entity's fair value.
- Purchased from third parties emission allowances that are transferable and can be purchased or sold in the normal course of business are recorded at cost.

**Derivative Contracts**

In accordance with guidance on accounting for derivative instruments and hedging activities all derivatives should be recognized at fair value. Derivatives or any portion thereof, that are not designated as, and effective as, hedges must be adjusted to fair value through earnings. Derivative contracts are classified as either assets or liabilities on the consolidated balance sheets. Certain contracts that require physical delivery may qualify for and be designated as normal purchases/normal sales. Such contracts are accounted for on an accrual basis. The

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Partnership's interest rate swap agreement (Notes 5 and 8) and power purchase agreement ( PPA ) (Note 10) meet the definition of a derivative. The Partnership's PPA qualifies for, and the Partnership has elected, the normal purchases and normal sales exception and accordingly accounts for the PPA on an accrual basis.

The Partnership engages in activities to manage risks associated with changes in interest rates. The Partnership has entered into swap agreements to reduce exposure to interest rate fluctuations on certain debt commitments (Note 5). These agreements were designated and qualified as cash flow hedging instruments through December 31, 2004. The Partnership discontinued applying cash flow hedge accounting on January 1, 2005. The balance of accumulated other comprehensive loss, as of December 31, 2004, is amortized as interest expense in the accompanying consolidated statements of operations in accordance with the originally forecasted interest payments schedule through the expiration of the interest rate swaps on March 31, 2014.

### **Fair Value Measurements**

The Partnership uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to

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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement (Note 8). As of December 31, 2010 and 2009, the Partnership does not have any non-financial assets or liabilities remeasured at fair value on a recurring basis.

**Property and Equipment**

Property and equipment are recorded at cost, net of accumulated depreciation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful life (EUL) of the related assets using the straight-line method (Note 4).

The Partnership's depreciation is based on the Facility being considered a single property unit. Certain components within the Facility will require replacement or overhaul several times over its estimated life. Costs associated with overhauls are recorded as an expense in the period incurred. However, in instances where a replacement of a Facility component is significant and the Partnership can reasonably estimate the original cost of the component being replaced, the Partnership will write-off the replaced component and capitalize the cost of the replacement. The component will be depreciated over the lesser of the EUL of the component or the remaining useful life of the Facility.

The Partnership reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.

**Deferred Financing Costs**

Deferred financing costs, which consist of the costs incurred to obtain financing, are deferred and amortized into interest expense in the accompanying consolidated statements of operations using the effective interest method over the term of the related financing (Note 5).

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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**Asset Retirement Obligations**

Asset retirement obligations, including those conditioned on future events, are recorded at fair value in the period in which they are incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset in the same period. In each subsequent period, the liability is accreted to its present value and the capitalized cost is depreciated over the EUL of the long-lived asset. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Partnership recognizes a gain or loss on settlement. The Partnership records at fair value all reclamation costs the Partnership would incur to perform environmental clean-up of land under lease to the Partnership.

**Income Taxes**

As a partnership, the income tax effects accrue directly to the partners, and each partner is individually responsible for its share of the combined income or loss. Accordingly, no provision has been made for income taxes.

**Revenue Recognition**

Revenues from the sale of energy and steam are recorded based on monthly output delivered as specified under contractual terms or current market conditions and are recorded on a gross basis on the accompanying consolidated statements of operations as energy and steam revenues, respectively, with the associated costs recorded in operating expenses.

**Reclassifications**

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on the previously reported results of operations or partners' capital.

**Subsequent Events**

The Partnership evaluated subsequent events through March 16, 2011.

**Recent Accounting Pronouncements**

Effective July 1, 2009 the Partnership adopted the Accounting Standards Codification (ASC) issued by the FASB. The ASC does not change GAAP, but instead takes the numerous individual accounting pronouncements that previously constituted GAAP and reorganizes them into approximately 90 accounting topics, which are then broken down into subtopics, sections and paragraphs. The intent is to simplify user access

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to authoritative GAAP by providing all of the guidance related to a particular topic in one place. ASC supersedes all previously existing non-Security and Exchange Commission or non-grandfathered accounting and reporting standards. The adoption of ASC did not have any impact on the Partnership's consolidated financial statements.



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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**Restatement of Previously Issued Financial Statements**

Following a review of its accounting policies, the Partnership determined that it had incorrectly calculated depreciation expense of the Facility. The Partnership has a ground lease for the Facility with a term of 30 years from the start of the lease with no renewal options. The lease term began with the commencement of commercial operations of the Facility in 1994. The Partnership had been depreciating the Facility over an EUL of 60 years. The Partnership should have been depreciating the Facility over the lesser of its EUL or the term of the ground lease. Therefore, the Partnership understated previously reported depreciation expense and overstated the carrying value of its property and equipment. Additionally, the Partnership determined that it had incorrectly calculated its estimate of the fair value of asset retirement obligations and related accretion and depreciation expense. As a result, the Partnership restated its financial statements for the years ended December 31, 2010 and 2009. These non-cash adjustments had no material impact on the Partnership's previously reported cash flows, cash position or revenues in any period, or on the Partnership's compliance with any of its debt covenants.

The following tables represent the adjustment as a result of the restatement to the previously reported balance sheets as of December 31, 2010 and 2009 and the related statements of operations, of changes in partners capital and comprehensive income, and of cash flows for the fiscal years ended December 31, 2010 and 2009.

Table of Contents**Chambers Cogeneration Limited Partnership****Notes to Consolidated Financial Statements****December 31, 2010 and 2009****Chambers Cogeneration Limited Partnership****Consolidated Balance Sheets****December 31, 2010**

| (in thousands of dollars)  | As Previously<br>Reported | Adjustments | As Restated |
|--|---------------------------|-------------|-------------|
| <b>Assets</b>  |                           |             |             |
| Current assets   |                           |             |             |
| Cash and cash equivalents  | \$ 53                     |             | \$ 53       |
| Restricted cash  | 8,292                     |             | 8,292       |
| Accounts receivable  | 15,195                    |             | 15,195      |
| Inventory  | 8,201                     |             | 8,201       |
| Other assets   | 469                       |             | 469         |
| Total current assets   | 32,210                    |             | 32,210      |
| Construction in Progress   | 9                         |             | 9           |
| Property and equipment, net of accumulated depreciation of \$288,412<br>(previously reported as \$189,541) | 350,800                   | \$ (95,372) | 255,428     |
| Deferred financing costs, net of accumulated amortization of \$5,182                                       | 1,648                     |             | 1,648       |
| Total assets   | \$ 384,667                | \$ (95,372) | \$ 289,295  |
| <b>Liabilities and Partners Capital</b>  |                           |             |             |
| Current liabilities  |                           |             |             |
| Current portion of long-term debt  | \$ 28,235                 |             | \$ 28,235   |
| Accounts payable   | 4,670                     |             | 4,670       |
| Due to affiliates  | 1,887                     |             | 1,887       |
| Accrued liabilities  | 1,822                     |             | 1,822       |
| Interest rate swap   | 4,470                     |             | 4,470       |
| Total current liabilities  | 41,084                    |             | 41,084      |
| Long-term debt   | 159,376                   |             | 159,376     |
| Interest rate swap   | 3,243                     |             | 3,243       |
| Asset retirement obligation  | 2,107                     | \$ 8,250    | 10,357      |
| Total liabilities  | 205,810                   | 8,250       | 214,060     |
| Partners capital   |                           |             |             |
| General partners   | 178,549                   | (102,585)   | 75,964      |
| Limited partner  | 1,804                     | (1,037)     | 767         |
| Accumulated other comprehensive loss   | (1,496)                   |             | (1,496)     |
| Total partners capital   | 178,857                   | (103,622)   | 75,235      |
| Total liabilities and partners capital   | \$ 384,667                | \$ (95,372) | \$ 289,295  |

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**Chambers Cogeneration Limited Partnership**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

**Chambers Cogeneration Limited Partnership****Consolidated Balance Sheets****December 31, 2009**

| (in thousands of dollars)   | As Previously<br>Reported | Adjustments | As Restated |
|---|---------------------------|-------------|-------------|
| <b>Assets</b>   |                           |             |             |
| Current assets  |                           |             |             |
| Cash and cash equivalents   | \$ 99                     |             | \$ 99       |
| Restricted cash   | 6,305                     |             | 6,305       |
| Accounts receivable   | 11,965                    |             | 11,965      |
| Inventory   | 7,235                     |             | 7,235       |
| Emission allowances   | 2,540                     |             | 2,540       |
| Other assets  | 1,162                     |             | 1,162       |
| Total current assets  | 29,306                    |             | 29,306      |
| Property and equipment, net of accumulated depreciation of \$270,027,<br>(previously reported as \$181,368) | 358,875                   | \$ (85,160) | 273,715     |
| Deferred financing costs, net of accumulated amortization of \$4,957  | 1,873                     |             | 1,873       |
| Other assets  | 80                        |             | 80          |
| Total assets  | \$ 390,134                | \$ (85,160) | \$ 304,974  |
| <b>Liabilities and Partners Capital</b>   |                           |             |             |
| Current liabilities   |                           |             |             |
| Current portion of long-term debt   | \$ 27,628                 |             | \$ 27,628   |
| Accounts payable  | 5,406                     |             | 5,406       |
| Due to affiliates   | 1,784                     |             | 1,784       |
| Accrued liabilities   | 1,655                     |             | 1,655       |
| Interest rate swap  | 5,851                     |             | 5,851       |
| Total current liabilities   | 42,324                    |             | 42,324      |
| Long-term debt  | 187,611                   |             | 187,611     |
| Interest rate swap  | 4,842                     |             | 4,842       |
| Asset retirement obligation   | 1,998                     | \$ 7,804    | 9,802       |
| Total liabilities   | 236,775                   | 7,804       | 244,579     |
| Partners capital  |                           |             |             |
| General partners  | 93,687                    | (55,778)    | 37,909      |
| Limited partner   | 62,456                    | (37,186)    | 25,270      |
| Accumulated other comprehensive loss  | (2,784)                   |             | (2,784)     |
| Total partners capital  | 153,359                   | (92,964)    | 60,395      |
| Total liabilities and partners capital  | \$ 390,134                | \$ (85,160) | \$ 304,974  |

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**Chambers Cogeneration Limited Partnership**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

**Chambers Cogeneration Limited Partnership**  
**Consolidated Statements of Operations**  
**December 31, 2010**

| (in thousands of dollars)              | As Previously<br>Reported | Adjustments | As Restated |
|--|---------------------------|-------------|-------------|
| <b>Operating revenues</b>              |                           |             |             |
| Energy                                 | \$ 62,440                 |             | \$ 62,440   |
| Capacity                               | 59,996                    |             | 59,996      |
| Steam                                  | 16,443                    |             | 16,443      |
| Total operating revenues               | 138,879                   |             | 138,879     |
| <b>Operating expenses</b>              |                           |             |             |
| Fuel                                   | 59,129                    |             | 59,129      |
| Operations and maintenance             | 25,910                    |             | 25,910      |
| General and administrative             | 5,824                     | \$ 446      | 6,270       |
| Depreciation                           | 8,173                     | 10,212      | 18,385      |
| Total operating expenses               | 99,036                    | 10,658      | 109,694     |
| Operating income                       | 39,843                    | (10,658)    | 29,185      |
| <b>Other income (expense)</b>          |                           |             |             |
| Interest income                        | 1                         |             | 1           |
| Miscellaneous income                   | 133                       |             | 133         |
| Unrealized gain on interest rate swaps | 2,980                     |             | 2,980       |
| Interest expense                       | (11,747)                  |             | (11,747)    |
| Net income                             | \$ 31,210                 | \$ (10,658) | \$ 20,552   |

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**Chambers Cogeneration Limited Partnership**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010 and 2009**

**Chambers Cogeneration Limited Partnership**  
**Consolidated Statements of Operations**  
**December 31, 2009**

| (in thousands of dollars)              | As Previously<br>Reported | Adjustments | As Restated |
|--|---------------------------|-------------|-------------|
| <b>Operating revenues</b>              |                           |             |             |
| Energy                                 | \$ 52,727                 |             | \$ 52,727   |
| Capacity                               | 59,665                    |             | 59,665      |
| Steam                                  | 14,266                    |             | 14,266      |
| Total operating revenues               | 126,658                   |             | 126,658     |
| <b>Operating expenses</b>              |                           |             |             |
| Fuel                                   | 53,625                    |             | 53,625      |
| Operations and maintenance             | 34,322                    |             | 34,322      |
| General and administrative             | 4,975                     | \$ 422      | 5,397       |
| Depreciation                           | 8,278                     | 9,967       | 18,245      |
| Loss on disposal of assets             | 1,030                     |             | 1,030       |
| Total operating expenses               | 102,230                   | 10,389      | 112,619     |
| Operating income                       | 24,428                    | (10,389)    | 14,039      |
| <b>Other income (expense)</b>          |                           |             |             |
| Interest income                        | 3                         |             | 3           |
| Unrealized gain on interest rate swaps | 5,599                     |             | 5,599       |
| Interest expense                       | (15,614)                  |             | (15,614)    |
| Net income                             | \$ 14,416                 | \$ (10,389) | \$ 4,027    |

Table of Contents**Chambers Cogeneration Limited Partnership****Notes to Consolidated Financial Statements  
December 31, 2010 and 2009****Chambers Cogeneration Limited Partnership****Consolidated Statements of Changes in Capital and Comprehensive Income  
December 31, 2010**

| (in thousands of dollars)  | Restated<br>General<br>Partners | Restated<br>Limited<br>Partner | Restated<br>Comprehensive<br>Income | Restated<br>Accumulated<br>Other<br>Comprehensive<br>Loss | Restated<br>Total |
|--|---------------------------------|--------------------------------|-------------------------------------|---|-------------------|
| <b>Partners capital at December 31, 2009 (as restated)</b>               | \$ 37,909                       | \$ 25,270                      |                                     | \$ (2,784)  | \$ 60,395         |
| Conversion of partnership interest (as previously reported)              | \$ 64,652                       | \$ (64,652)                    |                                     |   |                   |
| Restatement adjustment   | (37,843)                        | 37,843                         |                                     |   |                   |
| Net income (as previously reported)                                      | 27,140                          | 4,070                          | \$ 31,210                           |   | \$ 31,210         |
| Restatement adjustment   | (8,964)                         | (1,694)                        | (10,658)                            |   | (10,658)          |
| Amortization of previously deferred loss on interest rate swap agreement |                                 |                                | 1,288                               | 1,288   | 1,288             |
| Total comprehensive income   |                                 |                                | \$ 21,840                           |   |                   |
| Capital distributions  | (6,930)                         | (70)                           |                                     |   | (7,000)           |
| <b>Partners capital at December 31, 2010 (as restated)</b>               | \$ 75,964                       | \$ 767                         |                                     | \$ (1,496)  | \$ 75,235         |

Table of Contents**Chambers Cogeneration Limited Partnership****Notes to Consolidated Financial Statements  
December 31, 2010 and 2009****Chambers Cogeneration Limited Partnership****Consolidated Statements of Changes in Capital and Comprehensive Income  
December 31, 2009**

| (in thousands of dollars)  | Restated<br>General<br>Partners | Restated<br>Limited<br>Partner | Restated<br>Comprehensive<br>Income | Restated<br>Accumulated<br>Other<br>Comprehensive<br>Loss | Restated<br>Total |
|--|---------------------------------|--------------------------------|-------------------------------------|---|-------------------|
| <b>Partners capital at December 31, 2008 (as previously reported)</b>    | \$ 86,747                       | \$ 57,830                      |                                     | \$ (4,570)  | \$ 140,007        |
| Restatement adjustment   | \$ (49,545)                     | \$ (33,030)                    |                                     |   | \$ (82,575)       |
| Net income (as previously reported)                                      | 8,650                           | 5,766                          | \$ 14,416                           |   | 14,416            |
| Restatement adjustment   | (6,233)                         | (4,156)                        | (10,389)                            |   | (10,389)          |
| Amortization of previously deferred loss on interest rate swap agreement |                                 |                                | 1,786                               | 1,786   | 1,786             |
| Total comprehensive income   |                                 |                                | \$ 5,813                            |   |                   |
| Capital distributions  | (1,710)                         | (1,140)                        |                                     |   | (2,850)           |
| <b>Partners capital at December 31, 2009 (as restated)</b>               | \$ 37,909                       | \$ 25,270                      |                                     | \$ (2,784)  | \$ 60,395         |

Table of Contents**Chambers Cogeneration Limited Partnership****Notes to Consolidated Financial Statements****December 31, 2010 and 2009****Chambers Cogeneration Limited Partnership****Consolidated Statements of Cash Flows****December 31, 2010**

| (in thousands of dollars)                               | As Previously<br>Reported | Adjustments | As Restated |
|---|---------------------------|-------------|-------------|
| <b>Cash flows from operating activities</b>             |                           |             |             |
| Net income  | \$ 31,210                 | \$ (10,658) | \$ 20,552   |
| Noncash items included in net income:                   |                           |             |             |
| Amortization of deferred interest rate swap losses      | 1,288                     |             | 1,288       |
| Unrealized gain on interest rate swaps                  | (2,980)                   |             | (2,980)     |
| Depreciation  | 8,173                     | 10,212      | 18,385      |
| Amortization of deferred financing costs                | 225                       |             | 225         |
| Accretion of asset retirement obligation                | 109                       | 446         | 555         |
| Loss on disposal of assets                              |                           |             |             |
| Changes in operating assets and liabilities:            |                           |             |             |
| Accounts receivable                                     | (3,230)                   |             | (3,230)     |
| Inventory   | (966)                     |             | (966)       |
| Emission allowances                                     | 2,540                     |             | 2,540       |
| Other assets  | 773                       |             | 773         |
| Accounts payable  | (736)                     |             | (736)       |
| Due to affiliates                                       | 103                       |             | 103         |
| Accrued liabilities                                     | 160                       |             | 160         |
| Net cash provided by operating activities               | 36,669                    |             | 36,669      |
| <b>Cash flows from investing activities</b>             |                           |             |             |
| (Decrease) increase in restricted cash                  | (1,987)                   |             | (1,987)     |
| Proceeds from the sale of assets                        |                           |             |             |
| Capital expenditures                                    | (100)                     |             | (100)       |
| Net cash (used in) provided by investing activities     | (2,087)                   |             | (2,087)     |
| <b>Cash flows from financing activities</b>             |                           |             |             |
| Repayments of long-term debt                            | (27,628)                  |             | (27,628)    |
| Capital distributions                                   | (7,000)                   |             | (7,000)     |
| Cash used in financing activities                       | (34,628)                  |             | (34,628)    |
| Net decrease in cash and cash equivalents               | (46)                      |             | (46)        |
| <b>Cash and cash equivalents</b>                        |                           |             |             |
| Beginning of period                                     | 99                        |             | 99          |
| End of period   | \$ 53                     | \$          | \$ 53       |
| <b>Supplemental disclosure of cash flow information</b> |                           |             |             |
| Cash paid for interest                                  | \$ 10,312                 | \$          | \$ 10,312   |





Table of Contents**Chambers Cogeneration Limited Partnership****Notes to Consolidated Financial Statements****December 31, 2010 and 2009****Chambers Cogeneration Limited Partnership****Consolidated Statements of Cash Flows****December 31, 2009**

| (in thousands of dollars)                               | As Previously<br>Reported | Adjustments | As Restated |
|---|---------------------------|-------------|-------------|
| <b>Cash flows from operating activities</b>             |                           |             |             |
| Net income  | \$ 14,416                 | \$ (10,389) | \$ 4,027    |
| Noncash items included in net income:                   |                           |             |             |
| Amortization of deferred interest rate swap losses      | 1,786                     |             | 1,786       |
| Unrealized gain on interest rate swaps                  | (5,599)                   |             | (5,599)     |
| Depreciation  | 8,278                     | 9,967       | 18,245      |
| Amortization of deferred financing costs                | 244                       |             | 244         |
| Accretion of asset retirement obligation                | 103                       | 422         | 525         |
| Loss on disposal of assets                              | 1,030                     |             | 1,030       |
| Changes in operating assets and liabilities:            |                           |             |             |
| Accounts receivable                                     | 2,709                     |             | 2,709       |
| Inventory   | 1,116                     |             | 1,116       |
| Emission allowances                                     | (2,540)                   |             | (2,540)     |
| Other assets  | 1,864                     |             | 1,864       |
| Accounts payable  | (1,265)                   |             | (1,265)     |
| Due to affiliates                                       | (444)                     |             | (444)       |
| Accrued liabilities                                     | (740)                     |             | (740)       |
| Net cash provided by operating activities               | 20,958                    |             | 20,958      |
| <b>Cash flows from investing activities</b>             |                           |             |             |
| (Decrease) increase in restricted cash                  | 7,347                     |             | 7,347       |
| Proceeds from the sale of assets                        | 32                        |             | 32          |
| Capital expenditures                                    | (1,602)                   |             | (1,602)     |
| Net cash (used in) provided by investing activities     | 5,777                     |             | 5,777       |
| <b>Cash flows from financing activities</b>             |                           |             |             |
| Repayments of long-term debt                            | (23,920)                  |             | (23,920)    |
| Capital distributions                                   | (2,850)                   |             | (2,850)     |
| Cash used in financing activities                       | (26,770)                  |             | (26,770)    |
| Net decrease in cash and cash equivalents               | (35)                      |             | (35)        |
| <b>Cash and cash equivalents</b>                        |                           |             |             |
| Beginning of period                                     | 134                       |             | 134         |
| End of period   | \$ 99                     | \$          | \$ 99       |
| <b>Supplemental disclosure of cash flow information</b> |                           |             |             |
| Cash paid for interest                                  | \$ 13,586                 | \$          | 13,586      |



Table of Contents**Chambers Cogeneration Limited Partnership****Notes to Consolidated Financial Statements****December 31, 2010 and 2009****3. Inventory**

Inventory consisted of the following as of December 31:

| (in thousands of dollars) | 2010     | 2009     |
|---------------------------|----------|----------|
| Coal                      | \$ 3,727 | \$ 3,142 |
| Fuel oil                  | 335      | 376      |
| Lime                      | 120      | 95       |
| Spare parts               | 4,019    | 3,622    |
|                           | 8,201    | 7,235    |

**4. Property and Equipment**

Property and equipment consisted of the following components as of December 31:

| (in thousands of dollars)      | Restated<br>2010 | Restated<br>2009 |
|--------------------------------|------------------|------------------|
| Facility                       | \$ 537,273       | \$ 537,175       |
| Other equipment                | 6,567            | 6,567            |
| Construction in progress       | 9                | 9                |
|                                | 543,849          | 543,742          |
| Less: Accumulated depreciation | (288,412)        | (270,027)        |
|                                | \$ 255,437       | \$ 273,715       |

The EUL for significant property and equipment categories are as follows:

|                 |               |
|-----------------|---------------|
| Facility        | 30 years      |
| Other equipment | 5 to 30 years |

Table of Contents**Chambers Cogeneration Limited Partnership****Notes to Consolidated Financial Statements****December 31, 2010 and 2009****5. Long-Term Debt**

Long-term debt consisted of the following as of December 31:

*(in thousands of dollars)*

| Description  | As of December 31, 2010 |             |                        | For the Year Ended<br>December 31, 2010 |                          |
|--|-------------------------|-------------|------------------------|---|--------------------------|
|  | Commitment<br>Amount    | Due<br>Date | Balance<br>Outstanding | Interest<br>Expense                     | Letter of<br>Credit Fees |
| Bonds payable (1) (6)<br>Credit agreement            | \$ 100,000              | 7/1/21      | \$ 100,000             | \$ 352                                  | N/A                      |
| Term loans (3) (6)                                   | 87,611                  | 3/31/14     | 87,611                 | 1,695                                   | N/A                      |
| Bond letter of credit (4) (6) (7)                    | 102,466                 | 12/31/12    |                        | N/A                                     | 1,480                    |
| Debt service reserve letter of credit<br>(5) (6) (7) | 22,750                  | 12/31/12    |                        | N/A                                     | 386                      |
|  |                         |             | 187,611                |   |                          |
| Less: Current portion                                |                         |             | 28,235                 |   |                          |
|  |                         |             | \$ 159,376             |   |                          |

*(in thousands of dollars)*

| Description  | As of December 31, 2009 |             |                        | For the Year Ended<br>December 31, 2009 |                          |
|--|-------------------------|-------------|------------------------|---|--------------------------|
|  | Commitment<br>Amount    | Due<br>Date | Balance<br>Outstanding | Interest<br>Expense                     | Letter of<br>Credit Fees |
| Bonds payable (1) (6)                                | \$ 100,000              | 7/1/21      | \$ 100,000             | \$ 1,795                                | N/A                      |
| Loan payable (2)<br>Credit agreement                 |                         | 6/10/09     |                        | 3                                       | N/A                      |
| Term loans (3) (6)                                   | 115,239                 | 3/31/14     | 115,239                | 2,856                                   | N/A                      |
| Bond letter of credit (4) (6) (7)                    | 102,466                 | 12/31/12    |                        | N/A                                     | 1,495                    |
| Debt service reserve letter of credit<br>(5) (6) (7) | 22,750                  | 12/31/12    |                        | N/A                                     | 389                      |
|  |                         |             | 215,239                |   |                          |
| Less: Current portion                                |                         |             | 27,628                 |   |                          |

\$ 187,611

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(1) The bonds are collateralized by an irrevocable letter of credit and provide for interest at variable rates. The weighted-average interest rates on the bonds were 0.36% and 1.79% for the years ended December 31, 2010 and 2009, respectively. Remarketing fees paid to the remarketing agent were approximately \$100,000 in both 2010 and 2009. These fees are included in interest expense in the accompanying consolidated statements of operations.

(2) Loan payable is collateralized by equipment. The term is 60-months commencing July 2004 with interest fixed at 6.25%.

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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

(3) The term loans accrue interest at the applicable London Interbank Offered Rate ( LIBOR ), plus an applicable margin (1.25% at December 31, 2010 and December 31, 2009). The weighted average interest rates on the term loan were 1.62% and 2.16% for 2010 and 2009, respectively.

(4) The letter of credit fee for 2010 and 2009 was 1.25%. In addition, the facility provides for a fronting fee of 0.175% on the stated amount which is included in interest expense in the accompanying consolidated statements of operations.

(5) The letter of credit fee for 2010 and 2009 was 1.5%. In addition, the facility provided for a fronting fee of 0.175% on the stated amount which is included in interest expense in the accompanying consolidated statements of operations.

(6) All bonds, loans and credit facilities are collateralized by the assets of the Facility and the real estate covered by the ground lease (Note 1) and are nonrecourse to the Partners.

(7) As of December 31, 2010 and 2009, there were no amounts available under the letter of credit commitments.

Accrued interest payable of \$3,000 and \$81,000 is included in accrued liabilities in the consolidated balance sheets as of December 31, 2010 and 2009, respectively.

Future minimum principal payments as of December 31, 2010 are as follows:

|            |            |
|------------|------------|
| 2011       | 28,235     |
| 2012       | 30,439     |
| 2013       | 26,957     |
| 2014       | 1,980      |
| 2015       |            |
| Thereafter | 100,000    |
|            | \$ 187,611 |

In connection with the various agreements discussed above, certain financial covenants must be met and reported on an annual basis. The Partnership was in compliance with all debt covenants at December 31, 2010.

**Interest Rate Swap Agreements**

The Partnership is a party to two amortizing interest rate swap agreements with notional amounts outstanding aggregating \$87,611,000 at December 31, 2010 and expiring on various dates through March 31, 2014. Swap payments related to the agreements covering the variable rate bank debt are made based on the spread between 5.81% (weighted average of all agreements as of December 31, 2010) and LIBOR multiplied by the notional amounts outstanding. Net amounts paid to the counterparties were approximately \$6,170,000 and \$6,871,000 in 2010 and 2009, respectively. These amounts were recorded as interest expense in the accompanying consolidated statements of operations.



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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**6. Operating Leases**

The Partnership leases certain equipment under non-cancelable operating leases expiring at various dates through 2024. For the years ended December 31, 2010 and 2009, the Partnership incurred lease expense of approximately \$208,000 and \$219,000, respectively, which is included in operations and maintenance expense and general and administrative expense in the accompanying consolidated statements of operations.

Future minimum lease payments, as of December 31, 2010, are as follows:

|            |          |
|------------|----------|
| 2011       | 201      |
| 2012       | 199      |
| 2013       | 197      |
| 2014       | 197      |
| 2015       | 196      |
| Thereafter | 1,166    |
|            | \$ 2,156 |

**7. Payment in Lieu of Taxes**

In January 1991, the Partnership entered into a Payment in Lieu of Taxes ( PILOT ) agreement with the Township of Carneys Point, a municipal corporation of the state of New Jersey, which exempts the Partnership from certain property taxes. The agreement commenced on January 1, 1994, and will terminate on December 31, 2033. PILOT payments are paid annually and are expensed as incurred over the term of the agreement. Property taxes are due and paid quarterly and are deducted from the annual PILOT payments made. The Partnership expensed approximately \$2,700,000 and \$2,600,000 related to the PILOT which is included in general and administrative in the accompanying consolidated statements of operations for the years ended December 31, 2010 and 2009, respectively.

As of December 31, 2010, future payments remaining under the PILOT are as follows:

|      |       |
|------|-------|
| 2011 | 2,800 |
| 2012 | 3,000 |

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|            |            |
|------------|------------|
| 2013       | 3,400      |
| 2014       | 3,700      |
| 2015       | 3,900      |
| Thereafter | 114,700    |
|            | \$ 131,500 |

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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**8. Fair Value of Financial Instruments**

The fair value of the Partnership's swap agreements, based upon Level 2 - significant other observable inputs, is estimated to be a liability of approximately \$7,713,000 and \$10,693,000 as of December 31, 2010 and 2009, respectively (Notes 2 and 5). The valuation of the Partnership's swap agreements is based on widely accepted valuation techniques including discounted cash flow analyses which take into consideration among other things the contractual terms of the swap agreements, observable market based inputs when available, interest rate curves and counterparty credit risk. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the fair value estimates as of December 31, 2010 and 2009, are not necessarily indicative of amounts the Partnership could have realized in current markets.

The Partnership's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, other assets, accounts payable, due to affiliates, and accrued liabilities. These instruments approximate their fair values as of December 31, 2010 and 2009 due to their short-term nature.

The fair value of the Partnership's bonds and term loans payable approximates their carrying value due to the variable nature of the interest obligations thereon.

**9. Concentrations of Credit Risk**

Credit risk is the risk of loss the Partnership would incur if counterparties fail to perform their contractual obligations. The Partnership primarily conducts business with counterparties in the energy industry. This concentration of counterparties may impact the Partnership's overall exposure to credit risk in that its counterparties may be similarly affected by changes in economic, regulatory or other conditions. The Partnership mitigates potential credit losses by dealing, where practical, with counterparties that are rated investment grade by a major credit rating agency or have a history of reliable performance within the energy industry.

The Partnership's credit risk is primarily concentrated with AE, DuPont and the Partnership's coal supplier. AE and DuPont provided 80.5% and 19.5%, respectively, of the Partnership's revenues for the year ended December 31, 2010 and accounted for approximately 78.7% and 21.3%, respectively, of the Partnership's trade accounts receivable balance at December 31, 2010. The Partnership has a coal supply contract with Consolidated Coal Company, Consolidated Pennsylvania Coal Company, Consolidated Coal Sales Company and Nineveh Coal Company (together Consol ) who are responsible for providing 100% of the Partnership's coal requirements through 2014. The Partnership's credit risk is also impacted by the credit risk associated with its issuing bank of the bond letter of credit, Dexia Credit Locale.

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The Partnership is exposed to credit-related losses in the event of nonperformance by counterparties to the Partnership's interest rate swap agreements (Notes 2 and 5). The Partnership does not obtain collateral or other security to support such agreements, but continually monitors its positions with, and the credit quality of, the counterparties to such agreements.

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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**10. Commitments and Contingencies**

**Power Purchase Agreement**

The Partnership has a power purchase agreement ( PPA ) with AE for sales of the Facility's power output during a 30-year period commencing in 1994. The PPA provides AE with dispatch rights over the Facility, with a contractual minimum of the equivalent of 3,500 hours of full load operation. The pricing structure provides for both capacity and energy payments. Capacity payments are fixed over the life of the contract. Energy payments are based on a contractual formula which is adjusted annually, as defined in the PPA, based on a utility coal index.

**Power Sales Agreement**

The Partnership has entered into a supplemental power sales agreement ( PSA ) with AE which provides the Partnership self-dispatch rights for both undischarged PPA and excess energy as well as the right to market excess capacity. The pricing structure provides for both capacity and energy payments. The Partnership shares margins on the self-dispatched energy with AE based on hourly wholesale prices. Excess capacity is sold in PJM's periodic auctions and the resulting revenue is shared between the Partnership and AE. The PSA expired on December 31, 2010. The Partnership has entered into a new PSA with AE that commences January 1, 2011 and expires on December 31, 2011.

**Steam and Electricity Sales Agreement**

The Partnership has a steam and electricity sales agreement with DuPont (the DuPont Agreement ) for a 30-year period commencing in 1994. Thereafter, the agreement will remain in effect unless terminated by either party upon at least 36-months' notice. DuPont is required to purchase a minimum of 525,600,000 pounds of process steam per year and no minimum amount of electricity. The steam price is adjusted quarterly based on coal price index formulas defined in the agreement. The electricity price is also adjusted quarterly based on coal price index formulas and the AE average retail rate, as defined in the agreement. The Partnership has ongoing litigation with DuPont over electric energy payment calculation. Amounts under dispute have not been reflected in revenues in the accompanying consolidated statements of operations.

**Fly Ash Disposal Agreement**

The Partnership has an agreement with Consolidation Coal Company, Consol Pennsylvania Coal Company, Consolidation Coal Sales Company and Nineveh Coal Company, jointly ( CONSOL ), for a 20-year period commencing in 1994 for the disposal of fly ash with a minimum requirement of 130,000 tons per contract year. The Partnership does not anticipate meeting this requirement by the end of the contract year ending on March 14, 2011. Accordingly, the Partnership has accrued approximately \$204,000 related to this shortage at December 31, 2010 which is included in fuel expense on the accompanying consolidated statement of operations. CONSOL transports the facilities coal ash to Pennsylvania where it is used for mine reclamation. The Pennsylvania Department of Environmental Protection ( PADEP ) has recently issued revisions to the standards required for beneficial use of coal ash in the State of Pennsylvania. The facilities ash will have a difficult time meeting the new standards. The Partnership is evaluating process changes to meet the new PADEP standards as well as evaluating alternate disposal sites outside the State of Pennsylvania. The Partnership expects no material impact related to the potential changes in ash disposal.



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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**Reverse Osmosis Boiler Feed Water System**

The Partnership has entered into a capital lease agreement with Wells Fargo Equipment Finance, Inc ( Wells Fargo ) to lease a new Reverse Osmosis Boiler Feed Water System ( RO ) to be designed, fabricated, and installed by Western Reserve Water Systems in 2011. The capital lease is for a term of 60 months to commence upon final acceptance of the Partnership of the installed RO. At the end of the lease term, the Partnership will have the option to purchase the RO for \$1.

**Other**

The Partnership experiences routine litigation in the normal course of business. Management is of the opinion that none of this routine litigation will have a material adverse effect on the Partnership's consolidated financial position or results of operations.

**11. Related Parties**

**Operations and Maintenance Agreement**

The Partnership is party to an Operations and Maintenance Agreement ( O&M Agreement ) with US Operating Services Company, LLC ( USOSC ), a wholly-owned subsidiary of Calypso, for the operation and maintenance ( O&M ) of the Carneys Point Project. During the third quarter 2010, ownership of USOSC was acquired by Calypso from CELLC. The O&M Agreement expires on April 1, 2014. Thereafter, the O&M agreement will be automatically renewed for periods of five-years until terminated by either party with 12-months prior notice. Compensation to OSC under the agreement includes (i) an annual base fee, of which a portion is subordinate to debt service and certain other costs, (ii) certain earned fees and bonuses based on the Facility's performance and (iii) reimbursement for certain costs, including payroll, supplies, spare parts, equipment, certain taxes, licensing fees, insurance and indirect costs expressed as a percentage of payroll and personnel costs. The fees are adjusted annually by a measure of inflation as defined in the agreement. If targeted Facility performance is not reached on a monthly basis, OSC may be required to pay liquidated damages to the Partnership. The Partnership incurred related expense of approximately \$9,771,000 and \$9,857,000 which is recorded in operations and maintenance in the consolidated statements of operations during the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, the Partnership owed OSC \$1,844,000 and \$1,649,000, respectively, under the O&M Agreement, which is included in due to affiliates in the accompanying consolidated balance sheets. Under the terms of the agreement, approximately \$350,000 and \$287,000 of the amounts owed at December 31, 2010 and 2009, respectively, is subordinate to the debt service for the Partnership's bonds payable and term loans. In addition, approximately \$549,000 in other costs had been advanced to OSC at December 31, 2009 and are included in other current assets in the accompanying consolidated balance sheets.

USOSC is party to a Technical Services Agreement ( TSA ) with Power Services Company, LLC ( PSC ), a wholly-owned subsidiary of Calypso, for services to assist in the day-to-day O&M of the Carneys Point Project. During the third quarter 2010, ownership of PSC was acquired by Calypso from CELLC.

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PSC and NAES Corporation ( NAES ), an independent third-party O&M provider, are parties to a subcontract ( NAES Agreement ) for NAES to perform all tasks commercially and reasonably necessary to operate, maintain and manage the Company, including administering, managing, monitoring and performing all of USOSC 's obligations and responsibilities of the O&M agreement between USOSC and the Partnership. The NAES agreement expires on August 23, 2015.

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**Chambers Cogeneration Limited Partnership**

**Notes to Consolidated Financial Statements**

**December 31, 2010 and 2009**

**Management Services Agreement**

The Partnership has a Management Services Agreement ( MSA ) with PSC to provide day-to-day management and administration services to the Carneys Point Project through September 20, 2018. PSC and Power Plant Management Services, LLC ( PPMS ), an independent third party management services provider, are parties to a subcontract formalized under a Project Management and Administrative Services Agreement ( PMAS ) for the Carneys Point Project. The initial term of the PMAS agreement expires on August 23, 2015. The initial term automatically extends for successive two year periods or, if the Facility MSA is scheduled to terminate or expire pursuant to its own terms prior to the expiration of any two year period, a shorter period equal to the time remaining under the Facility MSA unless either party notifies the other party at least three months prior to expiration of the then existing term. Under the PMAS, PPMS provides overall project management, administrative, and related support services as may be necessary to the Partnership and oversees the execution of the NAES agreement on behalf of the Partnership. Compensation to PSC under the agreement includes a monthly fee of \$50,000, and PMAS pass-through costs. Payments to PSC of \$1,731,000 and \$1,860,000 are included in operations and maintenance in the consolidated statements of operations in 2010 and 2009, respectively. As of December 31, 2010 and 2009, the Partnership owed PSC approximately \$50,000 and \$135,000, respectively, which is included in due to affiliates in the accompanying consolidated balance sheets. Under the terms of the agreement, \$50,000 of the amounts owed for each of 2010 and 2009 is subordinate to debt service for the Partnership's bonds payable and term loans.

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**EXHIBIT INDEX**

| <b>Exhibit<br/>No.</b> | <b>Description</b>  |
|------------------------|---|
| 2.1                    | Plan of Arrangement of Atlantic Power Corporation, dated as of November 24, 2005 (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)   |
| 2.2                    | Arrangement Agreement, dated as of June 20, 2011, among Capital Power Income L.P., CPI Income Services Ltd., CPI Investments Inc. and Atlantic Power Corporation (incorporated by reference to our Current Report on Form 8-K filed on June 24, 2011)   |
| 3.1                    | Articles of Continuance of Atlantic Power Corporation, dated as of June 29, 2010 (incorporated by reference to our registration statement on Form 10-12B filed on July 9, 2010)   |
| 4.1                    | Form of common share certificate (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)   |
| 4.2                    | Trust Indenture, dated as of October 11, 2006 between Atlantic Power Corporation and Computershare Trust Company of Canada (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)   |
| 4.3                    | First Supplemental Indenture to the Trust Indenture Providing for the Issue of Convertible Secured Debentures, dated November 27, 2009, between Atlantic Power Corporation and Computershare Trust Company of Canada (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)                                     |
| 4.4                    | Trust Indenture Providing for the Issue of Convertible Unsecured Subordinated Debentures, dated as of December 17, 2009, between Atlantic Power Corporation and Computershare Trust Company of Canada (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)  |
| 4.5                    | Form of First Supplemental Indenture to the Trust Indenture Providing for the Issue of Convertible Unsecured Subordinated Debentures, between Atlantic Power Corporation and Computershare Trust Company of Canada (incorporated by reference to our registration statement on Form S-1/A (File No. 33-138856) filed on September 27, 2010)               |
| 4.6                    | Indenture, dated as of November 4, 2011, by and among Atlantic Power Corporation, the Guarantors named therein and Wilmington Trust, National Association (incorporated by reference to our Current Report on Form 8-K filed on November 7, 2011)   |
| 4.7                    | First Supplemental Indenture, dated as of November 5, 2011 (incorporated by reference to our Current Report on Form 8-K filed on November 7, 2011)  |
| 4.8                    | Second Supplemental Indenture, dated as of November 5, 2011 (incorporated by reference to our Current Report on Form 8-K filed on November 7, 2011)   |
| 4.9                    | Registration Rights Agreement, dated as of November 4, 2011, by and among, Atlantic Power Corporation, the Guarantors listed on Schedule A thereto and Morgan Stanley & Co. LLC and TD Securities (USA) LLC, as representatives of the several Initial Purchasers (incorporated by reference to our Current Report on Form 8-K filed on November 7, 2011) |
| 10.1                   | Amended and Restated Senior Secured Credit Agreement dated November 4, 2011 among Atlantic Power Corporation and Bank of Montreal, Union Bank, Toronto Dominion and Morgan Stanley (incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 29, 2012)                                      |
| 10.2                   | Employment Agreement, dated as of December 31, 2009 between Atlantic Power Corporation and Barry Welch (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)   |
| 10.3                   | Employment Agreement, dated as of December 31, 2009 between Atlantic Power Corporation and Paul Rapisarda (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)  |
| 10.4                   | Deferred Share Unit Plan, dated as of April 24, 2007 of Atlantic Power Corporation (incorporated by reference to our registration statement on Form 10-12B filed on April 13, 2010)   |
| 10.5                   | Third Amended and Restated Long-Term Incentive Plan (incorporated by reference to our registration statement on Form 10-12B filed on July 9, 2010)  |
| 10.6                   | Fourth Amended and Restated Long-Term Incentive Plan (incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 29, 2012)  |
| 16.1                   | Letter from KPMG LLP, Chartered Accountants, to the Securities and Exchange Commission, dated August 10, 2010 (incorporated by reference to our Current Report on Form 8-K filed on August 10, 2010)  |
| 21.1                   | Subsidiaries of Atlantic Power Corporation (incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 29, 2012)  |
| 23.1*                  | Consent of KPMG LLP   |
| 23.2*                  | Consent of KPMG LLP   |
| 23.3*                  | Consent of PricewaterhouseCoopers LLP   |

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23.4\* Consent of KPMG LLP

31.1\* Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934

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- 31.2\* Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934
- 32.1\*\* Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\*\* Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following materials from our Annual Report on Form 10-K for the year ended December 31, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) related notes to these financial statements (incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 29, 2012)

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\* Filed herewith.

\*\* Furnished herewith.

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