

ATLANTIC POWER CORP
Form 10-K
March 18, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

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)

British Colombia, Canada
(State of Incorporation)

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

200 Clarendon St, Floor 25
Boston, MA
(Address of Principal Executive Offices)

02116
(Zip Code)

(617) 977-2400
(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, no par value per share	The New York Stock Exchange

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

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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.

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 March 15, 2011, the aggregate market value of the 67,853,964 Common Shares, no par value per share, held by non-affiliates of the registrant was \$1,035.5 million based upon the last reported sale price of \$15.26 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 March 18, 2011, 68,108,042 of the registrant's Common Shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2011 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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As used herein, the terms "Atlantic Power," the "Company," "we," "our," and "us" refer to Atlantic Power Corporation, together with those entities owned or controlled by Atlantic Power Corporation, unless the context indicates otherwise. All references to "Cdn\$" and "Canadian dollars" are to the lawful currency of Canada and references to "\$," "US\$" and "U.S. dollars" are to the lawful currency of the United States. All dollar amounts herein are in U.S. dollars, unless otherwise indicated.

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PART I

ITEM 1. BUSINESS

OVERVIEW

Atlantic Power Corporation owns interest in 13 operational power generation projects across ten states, one biomass project under construction in Georgia, a 500 kilovolt 84-mile electric transmission line located in California and several development projects. Our power generation projects in operation have an aggregate gross electric generation capacity of approximately 1,962 megawatts ("MW"), in which our ownership interest is approximately 878 MW.

The following map shows the location of our projects, including joint venture interests, across the United States:

We sell the capacity and energy from our projects under power purchase agreements ("PPAs") with a variety of utilities and other parties. Under the PPAs, which have expiration dates ranging from 2011 to 2037, we receive payments for electric energy sold to our customers (known as energy payments), in addition to payments for electric generation capacity (known as capacity payments). We also sell steam from a number of our projects under steam sales agreements to industrial purchasers. The transmission system rights we own in our power transmission project entitle us to payments indirectly from the utilities that make use of the transmission line.

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Our projects generally operate pursuant to long-term fuel supply agreements, typically accompanied by fuel transportation arrangements. In most cases, the terms of the fuel supply and

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transportation arrangements correspond to the terms of the relevant PPAs. Many of the PPAs and steam sales agreements provide for the pass-through or indexing of fuel costs to our customers.

We partner with recognized leaders in the power business to operate and maintain our projects, including Caithness Energy ("Caithness"), Power Plant Management Services ("PPMS"), Delta Power Services and the Western Area Power Administration ("Western"). Our asset management team works with these operators to proactively pursue opportunities to both improve the performance of our physical assets and optimize the various project contracts for enhanced financial performance.

Atlantic Power Corporation is organized under the laws of the Province of British Columbia. Our registered office is located at 355 Burrard Street, Suite 1900, Vancouver, British Columbia, Canada V6C 2G8 and our headquarters are located at 200 Clarendon Street, Floor 25, Boston, Massachusetts, USA 02116. Our website is www.atlanticpower.com. Information contained on our website is not part of this Form 10-K.

We completed our initial public offering on the Toronto Stock Exchange ("TSX") in November 2004. At the time of our initial public offering, or IPO, our publicly traded security was an income participating security ("IPS") comprised of one common share and Cdn\$5.767 principal value of 11% subordinated notes due 2016. On November 17, 2009, our shareholders approved a conversion from the IPS structure to a traditional common share structure. Each IPS was exchanged for one new common share and each old common share that did not form part of an IPS was exchanged for approximately 0.44 of a new common share. Our shares trade on the TSX under the symbol "ATP" and began trading on July 23, 2010 on the New York Stock Exchange ("NYSE") under the symbol "AT".

HISTORY OF OUR COMPANY

Atlantic Power Corporation is a Canadian corporation that was formed in 2004. The following timeline illustrates significant events in the development of our business since our initial public offering. Further details about these events are included below:

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We used the proceeds from our IPO to acquire a 58% interest in Atlantic Power Holdings, LLC (now Atlantic Power Holdings, Inc., which we refer to herein as "Atlantic Holdings") from two private equity funds managed by ArcLight Capital Partners, LLC and from Caithness. Until December 31, 2009, we were externally managed by Atlantic Power Management, LLC, an affiliate of ArcLight. Under this external management arrangement, ArcLight provided administrative and office support services to us and was required to give us the opportunity to pursue investment opportunities that did not fit ArcLight's investment guidelines for its private equity funds. At the time of our IPO, Atlantic Holdings was granted a right of first offer related to ArcLight's interest in 11 power generating projects. Our acquisitions of a 40% interest in the Chambers project in 2005 and the Auburndale project in 2008 were completed under the terms of this right of first offer, which has since expired.

In August 2005, we acquired Epsilon Power Partners, LLC, which owns a 40% interest in the Chambers project, for approximately \$63 million in cash and the assumption of \$43 million in non-recourse debt.

In October 2005, we completed a private placement of 7,500,000 IPSs. We used the net proceeds of the private placement to increase our ownership in Atlantic Holdings to 70.1%.

In September 2006, we acquired 100% of the equity interests in Trans-Elect NTD Holdings Path 15, LLC (Path 15), which has since been renamed Atlantic Path 15 Holdings, LLC and indirectly owns approximately 72% of the transmission system rights in the transmission line upgrade along the Path 15 transmission corridor located in central California. The purchase price was approximately \$78.4 million.

In October 2006, we completed a sale of 8,531,000 IPSs and debentures for gross proceeds of Cdn\$150 million. The IPSs were sold at a price of Cdn\$10.55 per IPS for gross proceeds of Cdn\$90 million and Cdn\$60 million aggregate principal amount of debentures were issued. The IPSs and debentures were sold on a bought deal basis to a syndicate of underwriters. We used the net proceeds in February 2007 to acquire all of the remaining interest of ArcLight and Caithness in Atlantic Holdings.

In December 2006, we completed a private placement of 8,600,000 IPSs and Cdn\$3.0 million principal amount of separate subordinated notes to three institutional investors. In February 2007, we used the net proceeds of the private placement to increase our ownership in Atlantic Holdings to 100%.

In November 2008, we acquired a 100% ownership interest in Auburndale Power Partners, L.P, which owns the Auburndale project, for a purchase price of approximately \$140.0 million. The acquisition was funded with cash on hand, a \$55 million borrowing under our credit facility and non-recourse acquisition debt of \$35 million. The non-recourse acquisition debt associated with this transaction amortizes fully over the remaining term of the project's power purchase agreement, which expires in 2013. The borrowing under the credit facility was repaid in 2009.

In the first quarter of 2009, we transferred our remaining net interest in Onondaga Cogeneration Limited Partnership, at net book value, into a 50% owned joint venture, Onondaga Renewables, LLC, which is engaged in the redevelopment of the Onondaga project into a 40 MW biomass power plant.

In March 2009, we acquired a 40% equity interest in Rollcast Energy, Inc., a North Carolina corporation. Rollcast is a developer of biomass power plants in the southeastern U.S. with a number of additional 50 MW projects in various stages of development. We agreed to invest \$2.0 million in March 2010 to increase our ownership interest in Rollcast to 60%. Under the terms of the agreement, \$1.2 million of the investment was made in March 2010 and the remaining \$0.8 million was made in April 2010. As a result of this additional investment, we began to consolidate our investment in Rollcast beginning March 1, 2010. We have the option, but not the obligation, to invest directly in biomass power plants developed by Rollcast.

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In October 2009, we agreed to pay ArcLight an aggregate of \$15 million to terminate its management agreement with us, satisfied by a payment of \$6 million on the termination date of December 31, 2009, and additional payments of \$5 million, \$3 million and \$1 million on the respective first, second and third anniversaries of the termination date. In connection with the termination of the management agreements, we hired all of the then-current employees of Atlantic Power Management and entered into employment agreements with its officers.

In December 2009, we issued, in a public offering, 6.25% convertible unsecured subordinated debentures due March 15, 2017, the 2009 Debentures, at a price of Cdn\$1,000 per debenture for total gross proceeds of Cdn\$86.25 million. The 2009 Debentures are convertible at any time, at the option of the holder, into approximately 76.9231 common shares per Cdn\$1,000 principal amount of the 2009 Debentures, representing a conversion price of Cdn\$13.00 per common share. Approximately Cdn\$42.9 million of the net proceeds from the offering were used to redeem our 11% subordinated notes. The remainder of the net proceeds was made available to fund growth opportunities including biomass development and for general corporate purposes.

RECENT DEVELOPMENTS

On July 2, 2010, we acquired a 27.6% equity interest in Idaho Wind Partners 1, LLC ("Idaho Wind") for approximately \$40.0 million. Idaho Wind recently completed construction of a 183 MW wind power project located near Twin Falls, Idaho. Idaho Wind has 20-year PPAs with Idaho Power Company. Our investment in Idaho Wind was funded with cash on hand and a \$20.0 million borrowing under our credit facility, which was subsequently paid in full in November 2010. We made a short-term \$22.8 million loan to Idaho Wind to provide temporary funding for construction of the project until a portion of the project-level construction financing is completed. See additional details on page 28. Member loans will be paid down with a combination of excess proceeds from the federal stimulus cash grant after repaying the cash grant loan facility, funds from a third closing for additional project-level debt, and project cash flow. The federal stimulus grant is expected in the second quarter of 2011 and a third closing is expected by the end of the year. As of March 18, 2011, \$5.1 million of the loan has been repaid. Our investment in Idaho Wind is accounted for under the equity method of accounting.

On October 20, 2010, we completed a public offering of 6,029,000 common shares, including 784,000 common shares issued pursuant to the exercise in full of the underwriters' over-allotment option, at a price of \$13.35 per common share. We received net proceeds from the common share offering, after deducting the underwriting discounts and expenses, of approximately \$75.3 million.

On October 20, 2010, we also completed the closing of a public offering of Cdn\$80.5 million aggregate principal amount of convertible unsecured subordinated debentures at a price of Cdn\$1,000 per debenture, including Cdn\$10.5 million aggregate principal amount of debentures pursuant to the exercise in full of the underwriters' over-allotment option. The debentures bear interest at a rate of 5.60%, and will mature on June 30, 2017, unless earlier redeemed. The debentures are convertible into our common shares at an initial conversion rate of 55.2486 common shares per Cdn\$1,000 principal amount of debentures, representing an initial conversion price of approximately Cdn\$18.10 per common share (equivalent to US\$18.03 per common share). We received net proceeds from the debenture offering, after deducting the underwriting discounts and expenses, of approximately Cdn\$76.1 million (\$74.6 million). The net proceeds from these offerings were used as follows: (i) approximately US\$20.0 million to repay indebtedness incurred under our credit facility entered into in June 2010 to partially fund acquisition of a 27.6% equity interest in Idaho Wind, and (ii) approximately US\$75.0 million to fund an investment in the Piedmont Green Power project for substantially all of the equity interest in the project. Any remaining net proceeds were used to fund the Cadillac acquisition and for general corporate purposes.

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In November 2010, we closed the construction and term financing for the Piedmont Green Power, LLC ("Piedmont") project, a 53.5 MW biomass project located in Barnesville, Georgia and we agreed to invest approximately \$75.0 million in the project to own substantially all of the equity interests. Construction of the project commenced immediately following the financial closing. The Piedmont Green Power project has a 20-year PPA with Georgia Power Company which includes an adjustment related to the cost of biomass fuel for the plant.

On December 20, 2010, we closed the acquisition of 100% of the membership interests in Cadillac Renewable Energy, LLC ("Cadillac"), a 39.6 MW biomass-fired generating facility located in Cadillac, Michigan that has been operating since 1993. The purchase price of approximately \$80.0 million was funded by \$37.0 million using a portion of the cash raised in the public equity and convertible debenture offerings in October 2010 and \$43.0 million of assumed non-recourse, project-level debt.

OUR COMPETITIVE STRENGTHS

Access to capital. Our shares are publicly traded on the NYSE and the TSX. We have a history of successfully raising public equity in Canada and the U.S. and public convertible debentures in Canada. We have also issued private equity in Canada. In addition, we have used non-recourse project-level financing as a source of capital. Project-level financing can be attractive as it typically has a lower cost than equity, is non-recourse to the company and amortizes over the term of the project's power purchase agreement. Having significant experience in accessing all of these markets provides flexibility such that we can pursue transactions in the most cost-effective market at the time capital is needed for growth opportunities.

Experienced management team. Our management team has a tremendous depth of experience in project development, asset management, mergers and acquisitions, finance and accounting. Our network of industry contacts and our reputation allow us to see proprietary acquisition opportunities on a regular basis.

Diversified projects. Our power generation projects have an aggregate gross electric generation capacity of approximately 1,962 MW, and our net ownership interest in the electric generation capacity of these projects is approximately 878 MW. These projects are diversified by fuel type, electricity and steam customers, and project operators. Many are located in the deregulated and more liquid electricity markets of California, Mid-Atlantic, New York, and Texas.

Our power transmission project, known as the Path 15 project, is an 84-mile, 500-kilovolt transmission line built in order to alleviate north-south transmission congestion in California. It is a traditional rate-base asset whose revenues are regulated by the Federal Energy Regulatory Commission ("FERC") and is owned and operated by Western, a U.S. Federal power agency.

Stability of project cash flow. Each of our power generation projects currently in operation has been in operation for over ten years, except for the Idaho Wind Power project, portions of which commenced commercial operation in December 2010. Cash flows from each project are generally supported by PPAs with investment-grade utilities and other creditworthy counterparties. We believe that each project's combination of PPA(s), fuel supply agreement(s) and/or commodity hedges help stabilize operating margins as fuel prices fluctuate.

Strong customer base. Our customers are generally large utilities and other parties with investment-grade credit ratings. The largest customers of our power generation projects are Progress Energy Florida, Inc. ("PEF"), Tampa Electric Company ("TECO"), and Atlantic City Electric ("ACE"), which purchase approximately 37%, 14% and 10%, respectively, of the net electric generation capacity of our projects. No other electric customer purchases more than 7% of the net electric generation capacity of our power generation projects.

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Leading third-party operators. Our power generation projects utilize experienced firms for their operation and maintenance, which are recognized leaders in independent power. Affiliates of Caithness, Power Plant Management Services and Babcock and Wilcox Power Generation Group, Inc. operate projects representing approximately 45%, 19% and 12%, respectively, of the net electric generation capacity of our power generation projects. No other operator is responsible for the operation of projects representing more than 7% of the net electric generation capacity of our power generation projects.

OUR OBJECTIVES AND BUSINESS STRATEGY

Our objectives include maintaining the stability and sustainability of dividends to shareholders and to maximize the value of our company. In order to achieve these objectives, we intend to focus on enhancing the operating and financial performance of our current projects and pursuing additional accretive acquisitions primarily in the electric power industry in the United States and Canada.

Organic growth

We intend to enhance the operation and financial performance of our projects through:

achievement of improved operating efficiencies, output, reliability and operation and maintenance costs through the upgrade or enhancement of existing equipment or plant configurations;

optimization of commercial arrangements such as PPAs, fuel supply and transportation contracts, steam sales agreements, operations and maintenance agreements and hedge agreements; and

expansion of existing projects.

Extending PPAs following their expiration

PPAs in our portfolio have expiration dates ranging from 2011 to 2037. In each case, we plan for expirations by evaluating various options in the market for maximizing long-term project cash flows and passing through to purchasers as effectively as possible the potential changes in fuel costs. New arrangements may involve responses to utility solicitations for capacity and energy, direct negotiations with the original purchasing utility for PPA extensions, "reverse" request for proposals by the projects to likely bilateral counterparty arrangements with creditworthy energy trading firms for tolling agreements, full service PPAs or the use of derivatives to lock in value. We do not assume that revenues or operating margins under existing PPAs will necessarily be sustained after PPA expirations, since most original PPAs included capacity payments related to return of and return on original capital invested, and counterparties or evolving regional electricity markets may or may not provide similar payments under new or extended PPAs.

Acquisition and investment strategy

We believe that new electricity generation projects will be required in the United States and Canada over the next several years as a result of growth in electricity demand, transmission constraints and the retirement of older generation projects due to obsolescence or environmental concerns. In addition, Renewable Portfolio Standards in over 31 states and the recently extended American Recovery and Reinvestment Act's 1603 grant program have greatly facilitated strong PPAs and financial returns for significant renewable project opportunities. There is also a very active secondary market for existing projects.

We intend to expand our operations by making accretive acquisitions with a focus on power generation, transmission, distribution and related facilities in the United States and Canada. We may also invest in other forms of energy-related projects, utility projects and infrastructure projects, as well

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as make additional investments in development stage projects or companies where the prospects for creating long-term predictable cash flows are attractive. Since the time of our initial public offering on the TSX in late 2004, we have twice acquired the interest of another partner in one of our existing projects and will continue to look for such opportunities.

Our senior management has significant experience in the independent power industry and we believe that their experience, reputation and industry relationships will provide us with enhanced access to future acquisition opportunities on a proprietary basis.

Acquisition guidelines

We use the following general guidelines when reviewing and evaluating possible acquisitions:

each acquisition or investment should result in an increase in cash available for distribution to shareholders;

in the case of an acquisition of power generation facilities, facilities with long-term PPAs with investment grade electrical utilities or other creditworthy customers will be preferred; and, for facilities without such agreements, market electricity price assumptions used in acquisition evaluations will be obtained from a recognized independent source; and

the expected useful life of the facility and associated structures will, with regular maintenance, be long enough to conform with our objective of providing stable long-term dividends to shareholders.

POWER INDUSTRY OVERVIEW

Historically, the North American electricity industry was characterized by vertically-integrated monopolies. During the late 1980s, several jurisdictions began a process of restructuring by moving away from vertically integrated monopolies toward more competitive market models. Rapid growth in electricity demand, environmental concerns, increasing electricity rates, technological advances and other concerns prompted government policies to encourage the supply of electricity from independent power producers.

In the independent power generation sector, electricity is generated from a number of energy sources, including natural gas, coal, water, waste products such as biomass (e.g., wood, wood waste, agricultural waste), landfill gas, geothermal, solar and wind. According to the North American Electric Reliability Council's Long-Term Reliability Assessment, published in December 2009, summer peak demand within the United States in the ten-year period from 2010 through 2019 is projected to increase 1.3%, while winter peak demand in Canada is projected to increase 0.9%.

The non-utility power generation industry

Our 13 power generation projects are non-utility electric generating facilities that operate in the U.S. electric power generation industry. The electric power industry is one of the largest industries in the United States, generating retail electricity sales of approximately \$353 billion in 2009, based on information published by the Energy Information Administration. A growing portion of the power produced in the United States is generated by non-utility generators. According to the Energy Information Administration, there were approximately 8,448 non-utility generators representing approximately 475 gigawatts of capacity (equal to 47% of total generating plants and 42% of nameplate capacity) in 2009, the most recent year for which data is available. Non-utility generators sell the electricity that they generate to electric utilities and other load-serving entities (such as municipalities and electric cooperatives) by way of bilateral contracts or open power exchanges. The electric utilities and other load-serving entities, in turn, generally sell this electricity to industrial, commercial and residential customers.

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OUR POWER PROJECTS

The following table outlines our portfolio of power generating and transmission assets in operation and under construction as of March 18, 2011, including our interest in each facility. Management believes the portfolio is well diversified in terms of electricity and steam buyers, fuel type, regulatory jurisdictions and regional power pools, thereby partially mitigating exposure to market, regulatory or environmental conditions specific to any single region.

Project Name	Location (State)	Type	Total MW	Economic Interest⁽¹⁾	Net MW⁽²⁾	Electricity Purchaser	Power Contract Expiry	Customer S&P Credit Rating
Auburndale	Florida	Natural Gas	155	100.00%	155	Progress Energy Florida	2013	BBB+
Lake	Florida	Natural Gas	121	100.00%	121	Progress Energy Florida	2013	BBB+
Pasco	Florida	Natural Gas	121	100.00%	121	Tampa Electric Co.	2018	BBB
Chambers	New Jersey	Coal	262	40.00%	89	ACE ⁽³⁾	2024	BBB
					16	DuPont	2024	A
Path 15	California	Transmission	N/A	100.00%	N/A	California Utilities via CAISO ⁽⁴⁾	N/A ⁽⁵⁾	BBB+ to A ⁽⁶⁾
Orlando	Florida	Natural Gas	129	50.00%	46	Progress Energy Florida	2023	BBB+
					19	Reedy Creek Improvement District	2013 ⁽⁷⁾	A- ⁽⁸⁾
Selkirk	New York	Natural Gas	345	17.70% ⁽⁹⁾	15	Merchant	N/A	N/R
					49	Consolidated Edison	2014	A-
Gregory	Texas	Natural Gas	400	17.10%	59	Fortis Energy Marketing and Trading	2013	A-
					9	Sherwin Alumina	2020	NR
Topsham ⁽¹⁰⁾	Maine	Hydro	14	50.00%	7	Central Maine Power	2011	BBB+
Badger Creek	California	Natural Gas	46	50.00%	23	Pacific Gas & Electric	2011 ⁽¹¹⁾	BBB+

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Koma Kulshan	Washington	Hydro	13	49.80%	6	Puget Sound Energy	2037	BBB
Delta-Person	New Mexico	Natural Gas	132	40.00%	53	PNM	2020	BB-
Cadillac	Michigan	Biomass	40	100.00%	40	Consumers Energy	2028	BBB-
Idaho Wind ⁽¹²⁾	Idaho	Wind	183	27.56%	50	Idaho Power Co.	2030	BBB
Piedmont ⁽¹³⁾	Georgia	Biomass	54	98.00%	53	Georgia Power	2032	A

- (1) Except as otherwise noted, economic interest represents the percentage ownership interest in the project held indirectly by Atlantic Power.
- (2) Represents our interest in each project's electric generation capacity based on our economic interest.
- (3) Includes a separate power sales agreement in which the project and ACE share profits on spot sales of energy and capacity not purchased by ACE under the base PPA.
- (4) California utilities pay transmission access charges to the California Independent System Operator, who then pays owners of Transmission system rights, such as Path 15, in accordance with its annual revenue requirement approved every three years by FERC.
- (5) Path 15 is a FERC regulated asset with a FERC-approved regulatory life of 30 years: through 2034.
- (6) Largest payers of transmission access charges supporting Path 15's annual revenue requirement are Pacific Gas & Electric (BBB+), Southern California Edison (BBB+) and San Diego Gas & Electric (A). the California Independent System Operator imposes minimum credit quality requirements for any participants rated A or better unless collateral is posted per the California Independent System Operator imposed schedule.
- (7) Upon the expiry of the Reedy Creek PPA, the associated capacity and energy will be sold to PEF.
- (8) Fitch rating on Reedy Creek Improvement District bonds.
- (9) Represents our residual interest in the project after all priority distributions are paid to us and the other partners, which is estimated to occur in 2012. For further details, see project description.
- (10) We currently own our interest in this project as a lessor, but our lessor interest is subject to a purchase and sale agreement entered into with a third party on February 28, 2011.
- (11) Expect an interim agreement to be entered into while details of a long-term agreement are worked out.
- (12) Project just reached commercial operations and operating at initially reduced start-up levels.
- (13) Project currently under construction and is expected to be completed in late 2012.

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The following corporate organization chart includes all of our operating and development projects:

Our projects are organized into the following six business segments:

Auburndale	Chambers
Lake	Path 15
Pasco	Other Project Assets

Auburndale segment

General description

The Auburndale segment consists of a 155 MW dual-fired (natural gas and oil), combined-cycle, cogeneration plant located in Polk County, Florida, which commenced operations in July 1994. We own 100% of the Auburndale project, which is a "qualifying facility" (or "QF") under the rules promulgated by FERC. We acquired Auburndale from ArcLight Energy Partners Fund I, L.P. and Calpine Corporation in a transaction that was completed on November 21, 2008.

Auburndale is located on an 11-acre site in the City of Auburndale, Florida. Capacity and energy from the project is sold to Progress Energy Florida, Inc. ("PEF") under three PPAs expiring at the end of 2013. Auburndale typically operates during on-peak periods. Steam is supplied to Florida Distillers Company and Cutrale Citrus Juices USA, Inc. The Florida Distillers steam agreement is renewed annually, and the Cutrale Citrus Juices steam agreement expires in 2013.

Auburndale has non-recourse debt outstanding of \$21.7 million as of December 31, 2010 which is required to be fully amortized over the term of its PPAs expiring in 2013. See "Project-level debt" on page 72 of this Form 10-K for additional details. Atlantic Power has provided letters of credit in the

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total amount of \$13.4 million to support certain Auburndale obligations: \$5.5 million to support its debt service reserve, \$4.4 million to support its PPAs, and \$3.5 million to support its fuel supply agreement.

Power purchase agreements

Auburndale sells capacity and electricity to PEF under three PPAs each of which expires on December 31, 2013. Under the largest of the PPAs, Auburndale sells 114 MW of capacity and energy. An additional 17 MW of committed capacity is sold under two identical 8.5 MW agreements with PEF. Revenue from the sale of electricity under the three PPAs consists of capacity payments based on a fixed schedule of prices, and energy payments. Capacity payments under the largest PPA are dependent on the plant maintaining a minimum on-peak capacity factor of 92 percent on a rolling twelve-month average basis. On-peak capacity factor refers to the ratio of actual electricity generated during periods of peak demand to the capacity rating of the plant during such periods. The project has achieved the minimum on-peak capacity factor continuously since commercial operation. Capacity payments under the smaller two agreements are dependent on the project maintaining a minimum on-peak capacity factor of 70 percent. Energy payments under the largest PPA are comprised of a fuel component based on the cost of coal consumed at two PEF-owned coal-fired generating stations and a component intended to recover operating and maintenance costs. Energy payments under the smaller two agreements are based on the lesser of PEF's actual avoided energy cost or an energy price index based on the cost of fuel burned at a specific coal-fired power plant owned by TECO.

Auburndale entered into an agreement with TECO to transmit electric energy from the project to PEF. The agreement expires in 2024, unless extended as provided for in the agreement. Auburndale's cost for these services is based on a contractual formula derived from TECO's cost of providing such services.

Steam sales agreements

Auburndale provides steam to Florida Distillers and Cutrale Citrus Juices under two separate steam purchase agreements. The Florida Distillers agreement automatically extends on an annual basis, and can be terminated by either party with 90 days notice. The Cutrale Citrus Juices agreement terminates on December 31, 2013 and contains automatic two-year renewal terms.

Fuel supply arrangements

Auburndale receives the majority of its required natural gas through a gas supply agreement with El Paso Merchant Energy, L.P. that expires on June 30, 2012. Under the agreement, El Paso provides a fixed amount of gas on a daily basis. The gas price escalates annually and is below current market prices. At historic utilization rates, the gas supplied under the El Paso contract has accounted for approximately 80% of the gas required by the project under its PPA commitments and the remaining required fuel is purchased at spot prices.

The required natural gas for the project is delivered through firm gas transportation agreements with Central Florida Gas Company ("Florida Gas") and Florida Gas Transmission Company and is transported through the gas distribution system owned by Peoples Gas Transmission, Inc. ("Peoples Gas"). The gas transportation agreements are co-terminous with the PPAs, expiring on December 31, 2013.

During the term of the gas supply agreement, approximately 80% of the natural gas required to fulfill the project's PPAs is purchased at fixed prices. The remainder of the natural gas is purchased on the spot market. As a result, the project's operating margin is exposed to changes in spot market natural gas prices because the PPAs do not pass through those price changes to PEF. In order to mitigate this risk, Auburndale has entered into a series of financial swaps that effectively fix most of the price of natural gas to be purchased. See Item 7A "Quantitative and Qualitative Disclosure About Market Risk" for a summary of the hedge position related to natural gas requirements at Auburndale.

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We will continue to periodically analyze whether to execute further hedge transactions intended to mitigate natural gas price exposure at Auburndale through the expiration of the PPAs with PEF.

Operations & maintenance

The Auburndale project is operated and maintained by an affiliate of Caithness. In 2006, Auburndale entered into a maintenance agreement with Siemens Energy, Inc. for the long-term supply of certain parts, repair services and outage services related to the gas turbine. The term of the maintenance agreement is dependent on the timing of completion of a certain number of maintenance inspections. The final maintenance event under the agreement is scheduled for late 2012, with the final monthly payment under the agreement scheduled for September 2013.

Factors influencing project results

Auburndale derives a significant portion of its revenue through capacity payments received under the PPAs with PEF. In the event the project's on-peak capacity factor falls below a specified level, capacity payments will be adjusted downward or terminated altogether. Since it began commercial operation in 1994, the project has received full capacity payments.

The energy portion of Auburndale's revenue under the PPA with PEF is impacted by changes in the price of coal used by two of their power plants in Florida. Because these power plants secure a significant portion of their coal through contracts of varying lengths, the price of coal burned at those plants does not move in tandem with changes in spot coal prices.

Lake segment

General description

The Lake segment consists of a 121 MW dual-fuel, combined-cycle QF cogeneration plant located in Umatilla Florida, which began commercial operation in July 1993. We own 100% of the Lake project. In late 2007, the existing combustion turbines at the facility were upgraded to increase their efficiency by approximately 4% and output from 110 MW to 121 MW.

The Lake project is located on a 16-acre site leased from an adjacent citrus processing facility in Umatilla, Florida. Lake sells all of its capacity and electric energy to Progress Energy Florida, Inc. ("PEF") under the terms of a PPA expiring in July 2013. The project is generally operated as a mid-merit facility typically running during peak hours daily. Steam is sold to Citrus World, Inc. for use at its citrus processing facility and is also used to make distilled water in distillation units which is sold to various parties.

The Lake project does not have any debt outstanding. Atlantic Power has provided a \$4.3 million letter of credit in favor of PEF to support the Lake project's obligations under its PPA.