

IN THE MATTER OF
THE SECURITIES LEGISLATION OF THE PROVINCES OF
ALBERTA, BRITISH COLUMBIA, MANITOBA AND ONTARIO

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
CALPINE CORPORATION, CALPINE CANADA ENERGY FINANCE ULC
AND CALPINE CANADA ENERGY FINANCE II ULC

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Manitoba and Ontario (the "Jurisdictions") has received an application from Calpine Corporation ("Calpine") and its indirectly wholly owned subsidiaries, Calpine Canada Energy Finance ULC ("Energy Finance") and Calpine Canada Energy Finance II ULC ("Energy Finance II") (Energy Finance and Energy Finance II being collectively referred to as the "FinanceCos", and Calpine and the FinanceCos being collectively referred to as the "Filers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in Section 3.2(b) of National Instrument 71-101 ("NI 71-101"), that each of the FinanceCos be a "U.S. issuer" (as defined in NI 71-101) shall not apply to the FinanceCos so that they are eligible to offer certain securities under NI 71-101;

2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS the Filers have represented to the Decision Makers that:

3.1 Calpine is incorporated under the laws of Delaware and has its head office in San Jose, California;

3.2 Calpine has been a reporting issuer under the securities legislation of the province of Quebec since April 2001 but is not a reporting issuer or the equivalent in any of the Jurisdictions or in any of the other provinces or territories of Canada;

3.3 Calpine has been a reporting company under the *United States Securities Exchange Act of 1934, as amended* (the "1934 Act") since 1996, and has filed with the United States Securities and Exchange Commission (the "SEC") all

filings required to be made with the SEC under sections 13 or 15(d) of the 1934 Act since it first became a reporting company;

3.4 Calpine's common shares are listed and posted for trading on the New York Stock Exchange and its public float, calculated in accordance with NI 71-101, was approximately U.S.\$10.2 billion on August 27, 2001;

3.5 Calpine has received an investment grade rating of BBB- on its unsecured debt, and as at August 27, 2001 it had an aggregate U.S.\$6.4 billion (approximately) of investment grade debt outstanding;

3.6 each of the FinanceCos is incorporated under the laws of the province of Nova Scotia, and neither is a reporting issuer or the equivalent in any of the provinces or territories of Canada;

3.7 the FinanceCos are indirectly wholly-owned subsidiaries of Calpine, incorporated to be special purpose finance subsidiaries, and their primary business is to engage in financing activities to raise funds for the business operations of Calpine and its subsidiaries and they will have no other operations;

3.8 Calpine may issue non-convertible senior debt securities and non-convertible preferred shares (collectively, the "Calpine Securities"); and the FinanceCos, or either of them, may issue non-convertible senior debt securities, which will be fully and unconditionally guaranteed by Calpine (the "Notes") on a continuous or delayed basis in Canada and in the United States as part of a broader shelf offering by the Filers that may include equity and debt securities of Calpine as well as debt securities of the FinanceCos;

3.9 the offering of the Calpine Securities and the Notes in Canada (the "Offering") is to be effected under a Canadian version of a base shelf prospectus (the "Base Prospectus") and one or more prospectus supplements (together with the Base Prospectus, the "Prospectus") of the Filers, prepared in accordance with U.S. securities laws and filed as part of a registration statement with the SEC pursuant to the *United States Securities Act of 1933*, as amended;

3.10 for the purposes of the Offering, the Prospectus will be filed with the Decision Makers in accordance with the provisions of NI 71-101, which are available to offerings which meet:

3.10.1 with respect to the Calpine Securities, the general eligibility criteria for offerings of debt that has an investment grade rating or preferred shares that have an investment grade rating, set forth in section 3.1(a) of NI 71-101 (the "General Eligibility Criteria"); and

3.10.2 with respect to the Notes, the alternative eligibility criteria for offerings of certain guaranteed non-convertible debt that has an

investment grade rating, set forth in section 3.2 of NI 71-101 (the "Alternative Eligibility Criteria");

3.11 no equity securities of Calpine, or securities convertible or exchangeable into equity securities of Calpine, will be offered or sold into Canada under the Prospectus, although Calpine may in the future offer equity securities or securities convertible into equity securities in Canada on a private placement basis; and

3.12 the offering of the Calpine Securities pursuant to the Offering meets the General Eligibility Criteria. The offering of the Notes pursuant to the Offering complies with the Alternative Eligibility Criteria, except for the fact that the FinanceCos are not incorporated under United States law;

4. AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

5. AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides each Decision Maker with the jurisdiction to make the Decision has been met;

6. THE DECISION of the Decision Makers under the Legislation is that the requirement in section 3.2 (b) of NI 71-101 that each of the FinanceCos be a "U.S. issuer" (as defined in NI 71-101) shall not apply to the FinanceCos in connection with the offering of the Notes under the Offering, provided that, at the time of the Offering:

6.1 Calpine satisfies the General Eligibility Criteria; and

6.2 the FinanceCos comply in all other respects with the Alternative Eligibility Criteria.

DATED at Edmonton, Alberta on September 6, 2001.

"Signed by"

Agnes Lau, CA

Deputy Director, Capital Markets

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Two issuers are wholly-owned Canadian subsidiaries of an MJDS eligible U.S. issuer. Issuers granted relief from the eligibility requirements under NI 71-101 to issue (under MJDS) approved rating debt, fully and unconditionally guaranteed by the parent company.

Instrument Cited

National Instrument 71-101 - The Multijurisdictional Disclosure System