

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, NOVA  
SCOTIA, AND NEWFOUNDLAND

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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, and Newfoundland (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 pursuant to the securities legislation of the Jurisdictions (the "Legislation") providing that the requirements contained in the Legislation:

1.1 that each FinanceCo file with the Decision Makers and send, where applicable, to its security holders audited financial statements or annual reports, where applicable, including without limitation management's discussion and analysis thereon;

1.2 that each FinanceCo file with the Decision Makers and send, where applicable, to its security holders unaudited interim financial statements, including without limitation management's discussion and analysis thereon;

1.3 that each FinanceCo issue and file with such Decision Makers press releases and file material change reports;

1.4 that insiders of each FinanceCo file with the Decision Makers insider reports;

1.5 that each FinanceCo comply with the proxy and proxy solicitation requirements, including filing with the Decision Makers an information circular or report in lieu thereof; and

1.6 that each FinanceCo file in Ontario and Saskatchewan an annual information form;

(collectively, the "Continuous Disclosure Requirements") shall not apply;

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 Applicants 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 is a reporting issuer or the equivalent under the securities legislation of the Jurisdictions and of the Province of Québec, but is not a reporting issuer or the equivalent 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 (the "NYSE") 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 became a reporting issuer or the equivalent in all of the Jurisdictions on September 25, 2001, but is not a reporting issuer in the Province of Québec or any of the 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 Canadianized 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 has been 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;

3.12 the offering of the Calpine Securities under the Offering meets the General Eligibility Criteria;

3.13 the offering of the Notes by the FinanceCos under the Offering complies with the Alternative Eligibility Criteria, except for the fact that the FinanceCos are not incorporated under United States law. An MRRS Decision Document was issued on September 6, 2001 by the Alberta Securities Commission on behalf of the Decision Makers in Alberta, British Columbia, Manitoba and Ontario, and an MRRS Decision Document was issued on September 21, 2001 by the Nova Scotia Securities Commission on behalf of the Decision Makers in Nova Scotia, Saskatchewan, New Brunswick, Prince Edward Island and Newfoundland so 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:

3.13.1 Calpine satisfies the General Eligibility Criteria; and

3.13.2 the FinanceCos comply in all other respects with the Alternative Eligibility Criteria;

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 pursuant to the Legislation is that the Continuous Disclosure Requirements shall not apply to either of the FinanceCos for so long as:

6.1 Calpine satisfies the Continuous Disclosure Requirements as a "U.S. issuer" in accordance with the provisions of Parts 14 through 18 of NI 71-101;

6.2 Calpine maintains a class of securities registered under section 12 of the 1934 Act;

6.3 Calpine maintains direct or indirect 100% beneficial ownership of the voting securities of such FinanceCo;

6.4 Calpine continues to fully and unconditionally guarantee the Notes (and any future issuances of debt securities by the FinanceCos under a prospectus offering) as to payments required to be made by the FinanceCos to holders of the Notes or such debt securities, as the case may be;

6.5 such FinanceCo carries on no other business than that set out in paragraph 3.7 of the Decision; and

6.6 such FinanceCo is in compliance with the requirements of the Legislation to issue a press release and file a report with the Decision Makers upon the occurrence of a material change in respect of the affairs of the FinanceCo that is not also a material change in the affairs of Calpine.

DATED at Calgary, Alberta on October 24, 2001.

Mavis Legg, CA  
Manager, Securities Analysis

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Two issuers are Canadian wholly-owned subsidiaries of an MJDS eligible U.S. issuer. Issuers granted relief from the

continuous disclosure requirements, subject to certain conditions. Insiders of the issuers granted relief from insider reporting requirements subject to certain conditions.

Applicable Alberta Statutory Provisions

Securities Act, S.A. 1981, c. S-6.1, as amended, ss. 123(c), and 184(2)