

# Quarterly Report

## Northland Power Income Fund

Quarterly Report for the period ended September 30, 2007

### FINANCIAL AND OPERATING RESULTS

	3 months ended Sept. 30		9 months to Sept. 30	
	2007	2006	2007	2006
<b>FINANCIAL</b> (thousands, except per unit amounts)				
Sales	\$41,163	\$40,463	\$135,666	\$116,855
Net Income (Loss)	\$1,603	\$5,770	(\$58,483)	\$21,403
Funds from Operations				
Before Changes in Working Capital	\$17,920	\$16,484	\$63,349	\$50,093
Standardized Distributable Cash	\$5,990	\$8,033	\$64,726	\$52,325
Distributable Cash	\$19,113	\$17,490	\$60,974	\$52,109
Distributions Declared to Unitholders	\$16,835	\$16,625	\$50,499	\$47,016
Units Outstanding				
Units Outstanding	62,352	62,194	62,352	62,194
Average Number of Units Outstanding - basic	62,352	62,107	62,343	58,306
Average Number of Units Outstanding - diluted	62,352	62,107	62,343	58,306
<b>Per Unit</b>				
Funds from Operations				
Before Changes in Working Capital	\$0.2874	\$0.2654	\$1.0161	\$0.8591
Standardized Distributable Cash	\$0.0961	\$0.1293	\$1.0382	\$0.8974
Distributable Cash	\$0.3065	\$0.2816	\$0.9780	\$0.8937
Distributions Declared to Unitholders	\$0.2700	\$0.2675	\$0.8100	\$0.7925
<b>OPERATIONS</b>				
Electricity Production (megawatthours)	320,259	302,642	1,019,782	893,870
Steam Production (thousands of pounds)	233,348	263,517	991,859	956,365
Fuel Consumption (thousands of gigajoules)	2,613	2,543	8,220	7,565



## MANAGEMENT'S DISCUSSION & ANALYSIS

### Overview

Consolidated sales of \$41.2 million exceeded the third quarter of 2006 by \$0.7 million (2%) while net income at \$1.6 million was down \$4.2 million as a result of a non-cash foreign exchange loss on the translation of the Panda Energy Corp. senior loan balance to the quarter-end U.S. dollar/Canadian dollar exchange rate.

Sales and operating income at the Iroquois Falls plant increased from last year largely due to higher electricity revenue under the terms of the power purchase agreement and from sales to the wholesale market; sales in the 3<sup>rd</sup> quarter of 2006 were adversely affected by downtime for a scheduled steam turbine inspection and overhaul. Financial results from the Kingston facility were in line with the same quarter last year while production at the Mont Miller and German wind farms continued to exceed last year as a result of better wind resources.

The Fund generated distributable cash of \$19.1 million during the quarter, which exceeded distributions declared to Unitholders by \$2.3 million. Distributable cash per unit for the quarter was \$0.31, compared to \$0.28 achieved in 2006. For the nine-month period, distributable cash was \$0.98 per unit, up 9% from the prior year. Readers should refer to the schedule of Distributions to Unitholders and Distributable Cash for the calculation of distributable cash (a non-GAAP financial measure).

Distributions to Unitholders declared for the quarter totalled \$0.27 per unit, slightly higher than 2006.

As announced on August 16<sup>th</sup>, the Fund has committed to provide a \$30 million loan to Thorold CoGen LP to assist in the financing of the 265 megawatt ("MW") Thorold Cogeneration project. Recourse under the loan is limited to the assets of Thorold CoGen LP and subordinated to the senior secured project debt. Northland Power Inc. (the parent of the Manager of the Fund) is the project sponsor and has provided the required equity. As at September 30<sup>th</sup>, the Fund had loaned Thorold CoGen LP \$1.4 million, including accrued interest. For additional information on the Thorold Cogeneration project, please refer to the Fund's most recent annual report.

During the quarter, the Fund also announced that in conjunction with Northland Power Inc. it had jointly submitted non-binding bids for five wind power projects totaling approximately 450 MW and a sixth for a 300 MW project in association with Énergie Éolienne Pessamit SEC (owned by the Pessamit First Nation) in response to Hydro-Québec's request for proposals. Northland Power Inc. will assume the lead role and bear all costs required to confirm the viability of any projects selected by Hydro-Québec. Any investment by the Fund will be subject to the project(s) meeting the Fund's investment criteria and the approval of the Board of Trustees of NPIF Commercial Trust.

## Iroquois Falls Facility

<i>(in thousands of dollars except as indicated)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Sales Volume</b>				
Electricity (MWh)	153,699	143,082	510,724	457,703
Steam (000 lb.)	181,596	210,893	782,153	787,252
Fuel Consumption (000 GJs)	1,441	1,392	4,824	4,525
<b>Sales</b>				
Electricity	13,683	12,590	48,336	43,970
Steam	1,272	1,365	5,006	4,884
Natural gas	1,748	2,561	3,837	4,672
Emission allowances and credits	-	-	-	210
	16,703	16,516	57,179	53,736
<b>Cost of sales</b>				
Gas consumed	6,332	5,794	21,559	19,585
Gas re-sold	1,770	2,416	3,916	4,636
	8,102	8,210	25,475	24,221
<b>Gross profit</b>	8,601	8,306	31,704	29,515
<b>Plant operating costs</b>	1,561	2,076	4,730	5,135
<b>Capital expenditures</b>	87	23	124	43

Sales for the quarter at \$16.7 million were \$0.2 million higher than the same period last year.

For the third quarter, electricity revenue under the Iroquois Falls power purchase agreement was up \$0.7 million compared to the same quarter last year; production in 2006 was adversely affected by the scheduled inspection and overhaul of the Iroquois Falls steam turbine. Non-contracted revenue earned in the third quarter of 2007 from sales of electricity and operating reserves into the wholesale market was up \$0.4 million from last year due to higher market prices and increased sales volumes in August and September compared to last year. Steam revenues decreased from the same period last year as a 14% decrease in demand was only partially offset by a higher average selling price. Sales of natural gas were down \$0.8 million as more gas was used for the production of electricity, reducing the amount of unused capacity for sale under the plant's gas transportation contract compared to the 3<sup>rd</sup> quarter of 2006. There were no sales of emission allowances and credits, which are being retained due to the continuation of unattractive, low market prices.

The cost and volume of gas consumed during the quarter increased as a result of higher electricity production and transportation tolls, while the cost of gas resold was down due to reduced purchases of natural gas at market prices. Plant operating costs were down \$0.5 million compared to last year as 2006 included an inspection and overhaul of the Iroquois Falls steam turbine which typically occur at six to eight year intervals.

For the nine-month period ended September 30<sup>th</sup>, total sales were \$3.4 million higher than the same period last year largely due to an increase in electricity sales. Natural gas resales were down from 2006 while low market prices have constrained the sale of emission allowances and credits. The cost of gas consumed was up \$2.0 million due to a combination of higher consumption related to higher electricity production and an increase in the average cost. The cost of gas resold was lower due to a decrease in sales volumes. Year-to-date plant operating costs were \$0.4 million lower largely due to the 2006 inspection and overhaul of the facility's steam turbine.

## Kingston Facility

<i>(in thousands of dollars except as indicated)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006 <sup>1</sup>
<b>Sales Volume</b>				
Electricity (MWh)	125,485	123,448	356,429	324,041
Steam (000 lb.)	51,752	52,624	209,706	169,113
Fuel consumption (000 GJs)	1,172	1,151	3,396	3,040
<b>Sales</b>				
Electricity	15,835	15,282	47,947	40,542
Steam	304	557	1,216	1,813
Natural gas	5,274	5,509	17,661	13,091
Emission allowances and credits	-	-	-	-
	21,413	21,348	66,824	55,446
<b>Cost of sales</b>				
Gas consumed	7,576	7,059	22,184	18,341
Gas re-sold	2,365	2,500	7,381	5,815
	9,941	9,559	29,565	24,156
<b>Gross profit</b>	<b>11,472</b>	<b>11,789</b>	<b>37,259</b>	<b>31,290</b>
<b>Plant operating costs</b>	<b>1,427</b>	<b>1,441</b>	<b>4,800</b>	<b>3,862</b>
<b>Capital expenditures</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>34</b>

- (1) On March 23, 2006, the Fund purchased the remaining 50% interest in Kingston CoGen Limited Partnership ("KCLP"). Accordingly, the Fund's financial results for 2006 consolidate 50% of the Kingston facility's operations up to March 22<sup>nd</sup> and 100% for the remainder of the period, and also include the impact of the repayment of the KCLP levelization account and reduction in management fees. The comments below relate to the operations of the Kingston facility in total, without reference to the Fund's increased ownership interest.

Electricity sales at the Kingston facility were up 4% compared to the third quarter of 2006, due mainly to the escalation of power purchase agreement rates.

Steam volumes were consistent with the prior year, however a decrease in the average selling price of steam caused the overall drop in steam revenue. The contract price for steam is tied to Union Gas tariff rates in effect January 1<sup>st</sup> each year. Revenue from the resale of natural gas was down 4% from the previous year due to a combination of lower volumes and lower gas prices. There were no sales of emission allowances in either 2006 or 2007.

The cost of natural gas consumed for the quarter was 7% higher than the same period last year. This was primarily caused by the escalation of fixed and variable fuel tolls. The cost of gas resold was slightly lower as a result of lower volumes, partially offset by escalated variable fuel tolls. Plant operating costs were consistent with the prior year.

For the nine-month period ended September 30, electricity sales were up due to escalation in the contracted electricity rates. Steam volumes were consistent with last year but a decrease in the average selling price of steam caused a drop in steam revenue, as previously cited. Revenue from the resale of natural gas was higher than the previous year, due to an increase in both the volume of gas resold and the average selling price.

The cost of natural gas consumed was up commensurate with increased electricity production, while the cost of gas resold increased over 2006 as a result of contracted price increases and higher volumes of gas resold. Higher plant operating costs in 2007 were related to the maintenance outage in the second quarter of 2007 (there were no maintenance outages during 2006).

As at September 30, 2007, KCLP had forward sales commitments of excess natural gas for 2007 in the amount of \$4.0 million (460,500 GJs), \$12.3 million (1,464,000 GJs) in 2008 and \$1.1 million (135,000 GJs) in 2009.

### Mont Miller Wind Farm

<i>(in thousands of dollars except as indicated)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Sales Volume</b>				
Electricity (MWh)	33,800	30,869	123,407	100,525
<b>Sales</b>				
Electricity	2,117	1,909	7,661	6,166
	2,117	1,909	7,661	6,166
Gross profit	2,117	1,909	7,661	6,166
Plant operating costs	413	468	1,525	1,431
Capital expenditures	-	-	8	-

Mont Miller's production during the third quarter was 9% higher than the same period last year, while year-to-date production was 23% above 2006 due to a significantly improved wind resource. The wind farm achieved a capacity factor of 28% for the quarter and 35% year-to-date.

The turbines continued to perform well and achieved overall equipment reliability of 97% during the quarter and year-to-date. Hydro-Québec restricted the project to 50% load for 20 days during the quarter to complete repairs to its substation and Vestas completed four gearbox replacements during the quarter. The Metso gearbox replacement program, which began in late July, is expected to be complete in early 2008; all related costs will be covered by Vestas under its Warranty, Maintenance and Service ("WMS") agreement with Mont Miller. While there will be some associated turbine downtime, Mont Miller expects to surpass the 95% equipment reliability guaranteed under the WMS agreement.

Sales for the quarter at \$2.1 million were \$0.2 million higher than the same period last year due to increased electricity production. Similarly, year-to-date sales at \$7.7 million were \$1.5 million above the prior year. Plant operating expenses for the quarter and year-to-date were similar to 2006.

### German Wind Farms

<i>(in thousands of dollars except as indicated)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006 <sup>1</sup>
<b>Sales Volume</b>				
Electricity (MWh)	7,275	5,243	29,222	11,601
<b>Sales</b>				
Electricity	930	690	4,002	1,507
	930	690	4,002	1,507
Gross profit	930	690	4,002	1,507
Plant operating costs	201	223	599	479
Capital expenditures	-	-	-	-

(1) The acquisition of the German wind farms was completed April 25, 2006, with ownership effective April 1, 2006.

The Kavelstorf and Eckolstädt wind farms continued to exceed expectations during the third quarter of 2007. Combined production during the quarter was up 39% from the same period last year. The farms achieved an overall reliability of 99% for the quarter and year-to-date; long-term turbine reliability is expected to average in excess of 97%. enXco and the turbine supplier began upgrades to the turbine fire protection equipment at Eckolstädt in August, which are expected to be complete by year end.

The wind farms achieved a capacity factor of 15% for the quarter and 21% year-to-date as the wind resource continued to exceed long-term projections. The capacity factors for the German wind farms are expected to be lower than Mont Miller as Germany, in general, has a lower wind regime (i.e., is less windy) than the Gaspésie region of Quebec. For this reason, contracted or legislated rates for wind power in Germany are generally significantly higher than rates available in North America

## Investment Income

<i>(in thousands of dollars)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Panda Energy Corporation ("PEC"):</b>				
Dividends	158	193	760	891
Interest income	1,954	2,577	6,165	7,704
	2,112	2,770	6,925	8,595
<b>Thorold CoGen LP interest and fees</b>	43	-	43	-
<b>Total investment income</b>	<b>2,155</b>	<b>2,770</b>	<b>6,968</b>	<b>8,595</b>

Investment income at \$2.2 million was down \$0.6 million due to lower interest and dividend income from PEC.

The Fund's investment in PEC generated income of \$2.1 million this quarter through a combination of interest (US\$1,870,000; 2006 - US\$1,923,000) and dividend payments (US\$150,000; 2006 - US\$168,000); \$0.7 million lower than the same period last year due largely to the expiration of the original foreign exchange contracts in November 2006; the Fund has hedged approximately 50% of its U.S. dollar exposure on the PEC investment income to November 2009 and offsets the balance against U.S. dollar payment obligations at the Iroquois Falls and Kingston facilities. Interest income will gradually decrease as the balance on the PEC senior loan declines; the loan is scheduled to be repaid in 2021.

Financial and operating results at the Panda-Brandywine plant exceeded last year due to a warmer August and September, resulting in higher dispatch levels at the facility. In fact, production of 84,032 MWh in August established a new August record. Third quarter production at the Panda-Brandywine plant was 181,199 MWh, an increase of 21,130 MWh from 2006.

The Fund has committed to provide Thorold CoGen LP a \$30 million loan at an interest rate of approximately 12.5%, subordinated to the senior secured project debt and non-recourse to the project sponsor, in association with and on the same terms as two major financial institutions. The Fund has obtained a right of first offer with respect to Northland Power Inc.'s equity interest in the Thorold project. The subordinated loan is being primarily financed under the Fund's existing line of credit. During the quarter the Fund received a \$0.5 million financing fee and a \$0.7 million commitment fee (both one-time in nature). These fees have been netted against the loan receivable from Thorold CoGen LP and will be recognized into income over the life of the loan. As at September 30<sup>th</sup>, the Fund had loaned Thorold CoGen LP \$1.4 million. For the three months ended September 30, 2007, the Fund has recognized \$25,000 in commitment and financing fees and \$18,000 in accrued interest.

## Consolidated Results

The following discussion of the consolidated financial condition and results of operations of the Fund should be read in conjunction with the unaudited interim consolidated financial statements for the periods ended September 30, 2007 and the Fund's 2006 annual report. The financial results for 2007 include the financial

contribution of 100% of the Kingston project compared to 50% prior to March 23, 2006, and results from the German wind farms which were acquired in the second quarter of 2006. Differences in financial results between 2007 and 2006 for the nine-month period ended September 30 are largely accounted for by these events and by continued strong performance during the quarter at all of the Fund's facilities.

### ***Third Quarter***

Sales and cost of sales were up compared to 2006 due to the reasons cited previously under the descriptions of the facilities' results. Total plant operating costs were down \$0.6 million due to lower costs at all facilities. Management and administration costs were down \$0.6 million largely due to lower legal costs and capital taxes. Amortization and accretion expense, related solely to the asset retirement obligations of the Fund's wind farms, were consistent with last year.

As discussed previously, investment income of \$2.2 million was \$0.6 million lower than in 2006. During the quarter, the Fund recorded a non-cash foreign exchange loss of \$4.8 million on the translation of the PEC senior loan balance to the quarter-end U.S. dollar/Canadian dollar exchange rate and a \$0.6 million non-cash loss in the fair value of the Kingston facility's interest rate swaps, which was partially offset by a \$0.4 million non-cash foreign exchange gain on the Fund's U.S. and Euro foreign exchange contracts not designated as part of a hedging relationship. The Fund hedges approximately 50% of its expected US dollar income from the PEC investment internally, as it has US dollar payment obligations at Iroquois Falls and Kingston, and has swaps for the balance until November 2009. The Fund has forward swaps that hedge its expected income in Euros for approximately 4 years. As a result of implementing the Canadian Institute of Chartered Accountants (CICA) new accounting requirements for financial instruments, hedges and comprehensive income, the Fund is recording the fair value of its interest rate swap contracts on its balance sheet and the periodic movements in the fair value on its income statement. Readers should refer to "Accounting Changes" discussed below and Note 1 of the attached consolidated financial statements for additional details on the impact of the CICA's new requirements.

Contract amortization was in line with 2006. The net contract value included on the Fund's consolidated balance sheet relates to the fair value of the power purchase agreements, natural gas purchase agreements and steam sales agreements of the operating entities when they were acquired by the Fund.

The factors described above resulted in income before income taxes for the third quarter of 2007 of \$2.0 million being \$3.7 million lower than last year. After the \$0.4 million provision for future income taxes, net income at \$1.6 million was \$4.2 million lower than last year.

### ***Year to Date***

Sales, cost of sales and plant operating costs were up in 2007 compared to 2006 primarily due to the acquisitions and reasons previously stated.

Management and administration costs were \$2.9 million lower than 2006 due to reduced legal and accounting fees, lower capital tax installments and the one-time payments made to the Manager in 2006 related to the Kingston and German acquisitions. The Fund recorded an \$11.7 million non-cash foreign exchange loss on the revaluation of the PEC senior loan balance to the quarter-end U.S. dollar/Canadian dollar exchange rate due to a strengthening in the Canadian dollar which was partially offset by a \$1.2 million non-cash foreign exchange gain on the Fund's U.S. and Euro foreign exchange contracts not designated a part of a hedging relationship and a \$3.5 million non-cash gain in the fair value of the Kingston facility's interest rate swaps. Contract amortization was \$3.4 million higher than 2006 due to the Kingston and German acquisitions in early 2006 and the resulting amortization of the fair value increments on the contracts acquired.

Interest expense was in line with last year mainly due to the inclusion of an additional 50% of the Kingston facility debt, after taking account of the repayment of the levelization account to Ontario Electricity Financial Corporation ("OEFC"), and interest on the \$5.0 million of borrowings on the Fund's acquisition line of credit to partially finance the purchase of the German wind farms, which was repaid during the second quarter.

Net loss includes a second quarter charge for an \$82.3 million one-time, non-cash future income tax provision as a result of the Federal Government's Bill C-52 Budget Implementation Act, 2007 which will apply income tax to income trusts and other Specified Investment Flow Through ("SIFT") entities at a rate of 31.5% of taxable income starting January 1, 2011 (the final tax rate will depend on the corporate tax rate actually in effect on January 1, 2011). The non-cash charge to earnings relates to the estimated differences between the tax and accounting values of the Fund's assets and liabilities and its flow-through subsidiaries expected to be in place on January 1, 2011 when the tax takes effect. The primary provision items were \$60.8 million relating to property, plant and equipment where the carrying value is in excess of the tax value and \$23.6 million relating to contracts which are not recognized for tax purposes. As a result of the new provision, future income statements will effectively show the amortization of the Fund's contracts net of taxes. Partially offsetting these amounts are certain liabilities such as asset retirement obligations and derivative liabilities. This one-time future tax provision has no impact on the Fund's cash flows or operations. Prior to the implementation of Bill C-52, only the differences between the tax and accounting values of the Fund's corporate subsidiaries were required to be calculated.

The above factors resulted in income before taxes of \$23.5 million and a net loss of \$58.5 million after the non-cash provision for future taxes, which mainly relates to the substantial enactment of Bill C-52 as discussed previously.

### **Liquidity and Capital Resources**

Cash and cash equivalents of \$19.7 million at September 30<sup>th</sup> increased by \$6.2 million since December 31, 2006 due to a combination of \$64.9 million generated by operations, \$0.8 million generated from investing activities, partially offset by \$59.3 million used for financing activities.

Of the \$64.9 million cash provided by operating activities for the nine-month period ended September 30, 2007, \$63.3 million related to operations (notably including the add-back to net income of \$82.3 million from recognizing post-2011 future income taxes, as described earlier), with the balance of the variance representing a \$1.5 million decrease in non-cash working capital since December 2006. Cash generated by operating activities was \$12.5 million higher than in the same nine-month period of 2006 largely because of increased income from operations.

Cash generated from investing activities of \$0.1 million in 2007 reflected a minimal level of investing activity with the first advances on the loan to Thorold compared to the first nine months of 2006 when \$120.4 million was invested, primarily related to the purchase of the remaining 50% of the Kingston facility in March 2006 and the German wind farms in April 2006. Investment activities also included the receipt from Thorold CoGen LP of a \$0.5 million financing fee and a \$0.7 million commitment fee (both one-time in nature).

Cash used for financing activities of \$59.3 million in the nine-month period of 2007 largely represented distributions to Unitholders of \$51.6 million and the repayment of the credit facility at \$5.0 million. Distributions were up \$4.5 million from last year due to an increase in the rate of monthly distributions per unit, the issuance of 11,560,000 trust units on March 23, 2006 and the issuance of trust units in exchange for convertible unsecured subordinated debentures. In 2006, financing activities provided cash of \$74.6 million and reflected proceeds from the subscription receipt offering offset primarily by the retirement of the KCLP levelization account debt and third-party debt associated with the German wind farms.

In accordance with the CICA's transitional provisions for implementing handbook sections S.3855 "Financial Instruments – Recognition and Measurement," S.3865 "Hedges," S.3861 "Financial Instruments – Disclosure and Presentation", S.1530 "Comprehensive Income," and S.3251 "Equity" on January 1, 2007, prior period statements of income and deficit have not been restated. To recognize the cumulative prior period effect, the Fund's 2007 opening balance sheet has been restated where required to incorporate the new accounting standards. Readers should refer to Note 1 of the consolidated financial statements for additional details on the 2006 balance sheet categories that were affected on January 1, 2007. As a result of implementing these new standards, the Fund has recorded a \$16.4 million derivative liability as at January 1, 2007 which mainly represents the fair value of its interest rate swap contracts related to the KCLP debt. As of September 30, 2007 the derivative liability of \$10.1 million consisted of an \$11.3 million liability

related to Kingston's interest rate swaps, partially offset by a \$1.2 million derivative asset related to the foreign exchange contracts the Fund had entered into.

As discussed under the consolidated results section of this quarterly report, substantively enacted changes to the Income Tax Act in the second quarter in respect of income trusts and other SIFTs have required the Fund to record a \$82.3 million future tax liability related to the anticipated difference between the Fund's accounting values and tax values of its assets and liabilities on January 1, 2011 when the new tax takes effect.

During the quarter, cash and cash equivalents decreased by \$9.2 million due mainly to an \$11.8 million increase in working capital related to the timing of receipts for electricity sales by the Iroquois Falls and Kingston facilities to OEFC and the loan issued to Thorold CoGen LP, partially offset by \$1.8 million drawn on the operating line due to the aforementioned timing of electricity payments.

### **Sustainability of Distributions**

The Fund's investment objective is to produce stable and sustainable levels of cash for distribution to Unitholders from assets, businesses and investments related to the production, conversion, transmission, distribution, purchase and sale of electricity and other forms of energy, energy-related projects and fuels.

An essential element of the Fund's business strategy to assure the predictability of distributions is to have the majority of the Fund's revenue and costs determined under long-term contracts with creditworthy counterparties. The major terms of the long-term power purchase agreements and fuel-supply contracts are aligned for each project such that revenue and cost escalation are linked, providing assurance of long-term profitability for the project.

### ***Distributions to Unitholders and Distributable Cash***

In July 2007, the CICA published an interpretative release entitled "*Standardized Distributable Cash in Income Trusts and Other Flow-through Entities*". The objective of the guidance is to standardize the reporting of distributable cash within the income trust industry. The CICA guidance defines "Standardized Distributable Cash" as cash provided by operating activities less the purchase of property, plant and equipment and any cash that cannot be distributed as a result of not meeting certain debt covenants. The calculation of standardized distributable cash is prescriptive and provides little room for interpretation; as a result, the CICA foresees that additional entity-specific adjustments will be recorded.

The Fund has taken a proactive approach by implementing the CICA's guidance and as a result this Management Discussion and Analysis is in all material respects in accordance with the recommendations provided in CICA's publication *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. As a result of implementing CICA's recommendations, additional disclosure is being provided with respect to the long-term sustainability of distributions and distributable cash.

The following calculation of standardized distributable cash and distributable cash is based on the unaudited consolidated financial statements of the Fund:

<i>(unaudited, stated in thousands except per unit amounts)</i>	<b>3 Months ended Sept 30</b>		<b>9 Months ended Sept 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Cash provided by operating activities</b>	<b>\$ 6,077</b>	<b>\$ 8,090</b>	<b>\$ 64,858</b>	<b>\$ 52,402</b>
Capital expenditures	(87)	(57)	(132)	(77)
<b>Standardized distributable cash</b>	<b>\$ 5,990</b>	<b>\$ 8,033</b>	<b>\$ 64,726</b>	<b>\$ 52,325</b>
<b>NPIF adjustments:</b>				
Net change in non-cash working capital balances related to operations	11,843	8,394	(1,509)	(2,309)
Scheduled receipts of principal on senior loan	658	687	2,026	2,087
Thorold Cogen LP financing and commitment fees	1,165	-	1,165	-
Acquisition fees paid to Manager <sup>(1)</sup>	-	-	-	2,385
KCLP cash reserve drawdown (funding)	(282)	(15)	(938)	(674)
Scheduled Mont Miller repayment of debt	(238)	(202)	(713)	(606)
Scheduled KCLP repayment of debt, net <sup>(2)</sup>	-	-	(3,715)	(1,641)
Funds set aside for future maintenance	(23)	(7)	(68)	(58)
Future maintenance funds utilized	-	600	-	600
<b>Distributable cash</b>	<b>\$ 19,113</b>	<b>\$ 17,490</b>	<b>\$ 60,974</b>	<b>\$ 52,109</b>
<b>Distributions paid to Unitholders</b>	<b>\$ 16,835</b>	<b>\$ 16,458</b>	<b>\$ 51,588</b>	<b>\$ 47,104</b>
Standardized distributable cash payout ratio	281%	205%	80%	90%
Distributable cash payout ratio	88%	94%	85%	90%
<b>Cumulative - since inception</b>				
Standardized distributable cash			<b>\$ 325,497</b>	<b>\$ 242,681</b>
Distributable cash			<b>\$ 448,666</b>	<b>\$ 369,289</b>
Distributions paid to Unitholders			<b>\$ 417,146</b>	<b>\$ 348,741</b>
Standardized distributable cash payout ratio			<b>128%</b>	<b>144%</b>
Distributable cash payout ratio			<b>93%</b>	<b>94%</b>
<b>Average number of trust units - basic (thousands of units)</b>	<b>62,352</b>	<b>62,107</b>	<b>62,343</b>	<b>58,306</b>
<b>Average number of trust units - fully diluted (thousands of units)</b>	<b>62,352</b>	<b>62,107</b>	<b>62,343</b>	<b>58,306</b>
<b>Per unit (\$/unit)</b>				
Standardized distributable cash - basic	\$ 0.0961	\$ 0.1293	\$ 1.0382	\$ 0.8974
Standardized distributable cash - fully diluted	\$ 0.0961	\$ 0.1293	\$ 1.0382	\$ 0.8974
Distributable cash - basic	\$ 0.3065	\$ 0.2816	\$ 0.9780	\$ 0.8937
Distributable cash - fully diluted	\$ 0.3065	\$ 0.2816	\$ 0.9780	\$ 0.8937

(1) Excludes \$33.5 million lump-sum repayment of KCLP's levelization account with OEFC on March 31, 2006 which is considered as part of the Fund's investing activities

Cash from operations at \$6.1 million for the quarter was lower than the same period of 2006 by \$2.0 million as higher income from operations was offset by a larger adjustment for changes in working capital. The increase in working capital was due to the timing of receipts of electricity sales to OEFC by the Kingston and Iroquois Falls facilities (two months of electricity sales were receivable at quarter-end, as opposed to the usual one month).

Standardized distributable cash for the quarter at \$6.0 million was \$10.8 million lower than distributions paid to Unitholders mainly due to the increase in working capital. For the nine months ended September 30, 2007, standardized distributable cash at \$64.7 million was \$12.4 million higher than the same period last year largely because of the financial contribution of 100% of the Kingston project for 9 months (compared to 50% for 81 days and 100% for the remaining 192 days in the nine months of 2006) after taking account of the repayment of the KCLP levelization account on March 23, 2006 and the reduction in management fees from that date, and financial results from the German wind farms.

The table above shows entity-specific "Fund adjustments" to standardized distributable cash to arrive at "Distributable Cash", the cash generated from the business that the Fund's Manager believes is representative of the amount that is available to be distributed to Unitholders while preserving the long-term value of the business and the Fund. "Distributable Cash" as calculated above is consistent with the Fund's calculation of distributable cash in past quarters and years.

The entity-specific adjustments to standardized distributable cash include:

1. short term changes in operating working capital that are expected to be largely reversed in succeeding quarters (or represent reversals from previous quarters);
2. one-time fees related to acquisitions that are included in operating activities for accounting purposes but arise as a direct consequence of the Fund's investing activities;
3. scheduled principal payments received on debt advanced by the Fund (included on the basis that, with interest received, they are related to and comprise the results of specific investing activities);
4. scheduled repayments of principal on debt (as these payments must be made before funds are available for distribution to the Unitholders of the Fund);
5. funds identified as being set aside or reserved (or utilized) for future maintenance; and
6. capital expenditures related to an expansion of the productive capacity of the business (which represents a long-term investment beyond the maintenance capital requirements of the existing business - the Fund had no expansionary capital expenditures in 2006 and 2007 but made significant investments between 2002 and 2005 in new gas turbines at Iroquois Falls and the Mont Miller wind farm.)

Distributable cash as determined by the Fund for the three months ended September 30<sup>th</sup> at \$19.1 million exceeded that of 2006 by \$1.6 million and was \$2.3 million higher than the distributions paid to Unitholders. For the nine months ended September 30, 2007 distributable cash of \$61.0 million was up \$8.9 million.

Distributable cash for the quarter and year to date includes \$1.2 million in fees earned on the loan to Thorold CoGen LP. Interest accrued on the loan to Thorold CoGen LP has been excluded from standardized distributable cash and distributable cash, but will be recognized once repayments begin.

The cumulative standardized distributable cash payout ratio since inception of the Fund is greater than 100% largely because standardized distributable cash does not provide adjustments for expansionary capital expenditures. As noted above, the Fund had significant expansionary capital expenditures between 2002 and 2005 related to the gas turbine upgrade at Iroquois Falls and the building of the Mont Miller wind farm, both of which were funded through the issuance of trust units; the distributable cash calculation takes account of these expenditures. The payout ratio based on the Fund's calculation of distributable cash from inception to September 30, 2007 is 93%.

### ***Maintenance of Productive Capacity***

To maintain each of the Fund's operating facilities' productive capacity, defined as electricity production capacity measured in megawatts ("MW"), the Fund invests in durable assets that have a long physical life and predictable operational costs (readers should refer to Note 1 to the consolidated financial statements in the annual report for the productive capacity for each facility owned by the Fund). The gas turbines at the Iroquois Falls and Kingston facilities are maintained under long-term contracts with GE, the original equipment supplier, that include provisions for routine maintenance and repairs, as well as periodic overhauls of the hot gas-path components at intervals of approximately 3 years and major turbine overhauls at intervals of approximately 6 years that return the equipment to essentially as-new condition periodically. The wind turbines at Mont Miller and the German wind farms are also maintained by the original suppliers under contracts. The costs of these contracts are deducted from standardized distributable cash through charges to income. Since the upgrade to the Iroquois Falls facility's gas turbines in late 2002, there has been no change to the productive capacity of each of the Fund's facilities.

The Iroquois Falls and Kingston facilities schedule shutdowns annually for equipment inspections, maintenance and repairs. The regular annual shutdowns are generally for 5 to 12 days, depending on the maintenance scheduled. The annual shutdowns are generally for longer periods when steam turbine overhauls are required and, in the case of Kingston, for gas turbine hot-gas path and major turbine overhauls – the length of major outages for gas turbine overhauls at Iroquois Falls is reduced by the use of leased turbines from General Electric ("GE"). Lost revenue during shutdowns at Iroquois Falls is partially mitigated by the ability of the plant to make up for lost PPA production due to its excess capacity. Kingston's gas resale agreement with EnCana Corporation allows it to mitigate lost electricity production during shutdowns through resale of contracted natural gas. The direct costs of overhauling the gas turbines at Iroquois Falls and Kingston are largely covered by the GE maintenance agreements.

### ***Debt Covenants***

The Fund conducts its businesses indirectly through separate legal entities (subsidiaries and affiliates), and is dependent on receipt of cash from those entities to defray its corporate expenses and to make distributions to Unitholders. Certain of those entities have outstanding debt which was incurred to help fund the entities' original investments. Under the credit agreements for such debt, it is conventional for distributions of cash to the Fund to be prohibited if the loan is in default (notably for non-payment of principal or interest); or if the entity fails to achieve a benchmark "debt service coverage ratio" ("DSCR"), which is the ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA", a non-GAAP performance indicator) for a specified time period to the scheduled loan principal and interest payments for the same time period; or if the debt exceeds a defined multiple of EBITDA. For the period ended September 30, 2007, the Fund and its subsidiaries were in compliance with all debt covenants. A summary of the latest debt covenant calculations, ratio ranges for the past 12 months and required ratios for each of the applicable Fund entities are shown below.

	Latest Calculation		Required Ratio	Previous 4 Quarter Range
	Period	Ratio		
Iroquois Falls - DSCR	12 months to Sept. 30/07	297.40	> 2.25	217.0 to 297.4
Iroquois Falls - Debt to EBITDA	As at Sept. 30/07	0.05	< 3.25	0.0 to 0.05
The Fund - DSCR	12 months to Sept. 30/07	4.50	> 2.25	4.3 to 5.1
The Fund - Debt to EBITDA	As at Sept. 30/07	1.30	< 3.25	1.3 to 1.6
Kingston - DSCR	12 months to Sept. 30/07	2.60	> 1.15	2.59 to 2.60
Miller LP - DSCR	12 months to Sept. 30/07	2.37	> 1.20	2.00 to 2.37
Miller LP - DSCR Proforma	12 months to Sept. 30/08	2.72	> 1.20	2.72 to 2.82
Panda Brandywine - DSCR	12 months to July 31/07	1.64	> 1.20	1.49 to 1.75

Readers should refer to the Fund's most recent annual report for additional details concerning its debt covenants.

### ***Post-Contract Economics***

When the Fund's revenue and cost contracts come to an end, depending on market conditions and particularly whether or not the expiring contracts are above or below then-prevailing market prices, the Fund may be able to extend maturing contracts or enter into new ones. In any case, the Fund may be able to operate its facilities without contracts, perhaps under a different operating mode (e.g., gas-fired plants may operate only during peak periods of peak prices, which may entail a capital investment for plant modifications at that time), in which case facility profitability may be unfavourable as compared to economics under the expiring contracts.

To help mitigate the possibility of less favourable economics at the expiry of existing contracts and therefore lower distributable cash, the Fund has partially financed a portion of some projects (Mont Miller and Kingston) with long-term debt that is amortized (i.e., fully repaid) over the term of the original power purchase agreements. As a result, with no debt payments to be made beyond the term of the power purchase agreements, the impact of their expiry on distributable cash will be partially mitigated.

### ***Payout Ratio***

The Fund's distributions have been and are expected to be funded from the operations of the Fund's facilities and principal and interest payments on the Fund's loans receivable.

Consistent with changes approved in January 2007 to the Fund's Trust Indenture, management maintains a prudent, sustainable level of distributions in relation to distributable cash, with excess cash being retained and held for reinvestment, future acquisitions, funding of the loan commitment for the Thorold project and as a cushion against potential future tax obligations commencing in 2011.

### **Non-GAAP Financial Measures**

Included in this Management's Discussion & Analysis are references to the Fund's distributable cash and

funds from operations before working capital changes, which are not measures under Canadian generally accepted accounting principles (“GAAP”). Distributable cash and funds from operations before working capital changes, as presented, may not be comparable to similar measures presented by other income funds. Management believes that these measures are widely accepted financial indicators used by investors to assess the performance of an income trust and its ability to generate cash through operations.

## Historical Consolidated Quarterly Results

<i>\$ millions, except</i>	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>Per unit information</i>	2007	2007	2007	2006	2006	2006	2006	2005
Total sales	<b>41.2</b>	42.9	51.6	47.9	40.5	40.6	35.8	36.7
Net income (loss)	<b>1.6</b>	(76.9)	16.9	12.7	5.8	3.5	12.1	12.2
Distributable cash	<b>19.1</b>	17.9	24.0	18.4	17.5	17.5	17.1	18.2
Distributions declared	<b>16.8</b>	16.8	16.8	17.9	16.6	16.3	14.1	14.2
<i>Per unit statistics</i>								
Net income (loss) - basic	<b>0.026</b>	(1.234)	0.271	0.205	0.093	0.056	0.239	0.247
Net income (loss) - diluted	<b>0.026</b>	(1.234)	0.268	0.204	0.093	0.056	0.237	0.243
Distributable cash	<b>0.307</b>	0.287	0.384	0.296	0.282	0.283	0.337	0.369
Distributions declared	<b>0.270</b>	0.270	0.270	0.288	0.268	0.263	0.263	0.288

Iroquois Falls’ sales are seasonal, as OEFC has contracted for more electricity (and pays a higher price) in winter than in summer. In addition, steam sales to Abitibi tend to be higher in winter than summer. Financial results from the Fund’s wind farms are expected to follow a similar seasonal pattern to Iroquois Falls, as it tends to be windier in the winter months compared to the summer months. Seasonality at the consolidated level is dampened somewhat as the financial results for the Kingston facility are less seasonal than Iroquois Falls.

Net income also includes interest and fees earned on the subordinated loan receivable from Thorold CoGen LP and the senior loan receivable from a PEC subsidiary, dividends received from the Fund’s 19% equity interest in PEC (none of which varies materially by season), any non-cash foreign exchange adjustments required to translate the US dollar denominated balance of the senior loan to the appropriate quarter-end Canadian dollar equivalent and, beginning with the first quarter of 2007, fair value movements of the interest rate swap contracts entered into by KCLP. Distributable cash in the fourth quarter of 2006 was reduced by a \$1.8 million incentive fee payable to the Manager; a similar amount is expected to be paid to the Manager in 2007. The incentive fee is equal to 25% of the amount by which annual distributions to Unitholders exceeded \$0.934 per unit, less the amount of certain operational incentive fees that are included in cost of sales.

As a result of the factors stated above, the Fund’s distributable cash per unit is normally highest in the first quarter and lowest during the second and third quarters.

## Trust Unit and Convertible Unsecured Subordinated Debenture Information

As at September 30, 2007, the Fund had 62,352,423 trust units outstanding (December 31, 2006 – 62,333,383). There were no convertible unsecured subordinated debentures converted into trust units during the quarter. As at November 8, 2007, a total of 62,352,423 units were outstanding.

## Risks and Uncertainties

For information concerning the Fund’s risks and uncertainties, please refer to the Fund’s most recent annual report and its Annual Information Form, dated March 30, 2007, both of which are filed electronically at [www.sedar.com](http://www.sedar.com).

## Critical Accounting Estimates

All of the Fund’s significant accounting estimates remain unchanged from December 31, 2006, except that as a result of the passing of the Federal Government’s Bill C-52 Budget Implementation Act, 2007 during the second quarter, the Manager of the Fund is now required to estimate the difference between the Fund’s

accounting and tax values of its assets and liabilities expected to be in place on January 1, 2011 when the tax is scheduled to come into effect.

### **Management's Responsibility for Financial Information**

A rigorous and comprehensive financial governance framework is in place at the Fund and its subsidiaries, and at the Manager. Each year, the Fund's Annual Report contains a statement signed by the Manager's

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) outlining management's responsibility for financial information contained in the report. The Fund filed certifications, signed by the CEO and CFO, with the Canadian Securities Administrators in March 2007 in association with the filing of the 2006 Annual Report and other annual disclosure documents. In those filings, the Manager's CEO and CFO certified, as required in Canada by Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the appropriateness of the financial disclosures in the Fund's annual filings and the effectiveness of the Fund's disclosure controls and procedures. The Manager's CEO and CFO have certified the appropriateness of the financial disclosures in the Fund's interim filings with securities regulators, including this MD&A and the accompanying unaudited interim consolidated financial statements for the periods ended September 30, 2007, and that they are responsible for the design of disclosure controls and procedures and internal controls over financial reporting.

There have been no changes in internal controls over financial reporting during the quarter ended September 30, 2007 that have materially affected or are reasonably likely to materially affect the Fund's internal control over financial reporting.

As in prior quarters, NPIF Commercial Trust's audit committee reviewed this MD&A, and the attached unaudited interim consolidated financial statements, and its Board of Trustees approved these documents prior to their release.

### **Accounting Changes**

#### ***Financial Instruments, Hedges and Comprehensive Income***

On January 1, 2007, the Fund adopted the CICA's new accounting requirements resulting in all financial instruments, including derivatives, being included on the Fund's balance sheet and measured at fair value or, in limited circumstances, at cost or amortized cost, and the inclusion of a new section in Unitholders' equity, called Accumulated Other Comprehensive Income, that reports foreign exchange gains or losses on the Fund's net investment in Germany and changes in fair value of designated cash flow hedging derivatives. As part of the transition to the new rules, the Fund has discontinued its hedge accounting for the interest rate swaps entered into by its Kingston subsidiary and changed its accounting policy for transaction costs related to financial instruments from deferral and amortization to expensing as incurred. These two changes resulted in opening retained earnings for the Fund being adjusted downward by \$9.5 million. For additional details on the new accounting requirements and the impact on the Fund's reporting, readers should refer to Note 1 in the unaudited interim consolidated financial statements.

### **Emerging Accounting Pronouncements**

#### ***Financial Instruments – Disclosures & Capital Disclosures***

On December 1, 2006, the CICA issued new accounting standards, Financial Instruments – Disclosures and Presentation and Capital Disclosures. Effective January 1, 2008, the Fund will be required to disclose additional quantitative and qualitative information that is intended to provide readers of the financial statements with further disclosures on the Fund's risks associated with financial instruments and its management of capital. The Fund's Manager is currently reviewing the impact of these new standards on the presentation of the Fund's financial statements.

### **Outlook**

The Fund's overall financial performance for the remainder of 2007 is expected to exceed that of 2006, as results at the Mont Miller wind farm are anticipated to be closer to the Fund's long-term projections, electricity rates at the Iroquois Falls facility has been positively affected by higher electricity wholesale market prices experienced in prior years through the three-year averaging mechanism in its power purchase

agreement, the addition of investment income from the loan to Thorold CoGen LP and lower management and administration costs due to certain one-time costs incurred in 2006.

On behalf of Northland Power Income Fund Management Inc.

[John W. Brace]

John W. Brace  
President  
November 8, 2007

## **FORWARD LOOKING STATEMENTS**

*The above disclosure contains certain forward-looking statements. Although these forward-looking statements are based upon Northland Power Income Fund's Manager's current reasonable expectations and assumptions, they are subject to numerous risks and uncertainties including those set out in the management's discussion and analysis section of the Fund's 2006 annual report and in the Fund's Annual Information Form dated March 30, 2007, certain of which are beyond the Manager's control. For this purpose, any statements that are contained herein that are not statements of historical fact may be forward-looking statements. The Fund's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or what benefits, including the amount of distributions, the Fund and Unitholders will derive therefrom.*

## **CERTIFICATION OF INTERIM FILINGS**

I, John W. Brace, President of Northland Power Income Fund Management Inc., the Manager of Northland Power Income Fund, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Companies' Annual and Interim Filings) of Northland Power Income Fund (the "issuer") for the interim period ended September 30, 2007;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

November 8, 2007

[John W. Brace]

John W. Brace  
President  
Northland Power Income Fund  
Management Inc.

## **CERTIFICATION OF INTERIM FILINGS**

I, Anthony F. Anderson, Chief Financial Officer of Northland Power Income Fund Management Inc., the Manager of Northland Power Income Fund, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Companies' Annual and Interim Filings) of Northland Power Income Fund (the "issuer") for the interim period ended September 30, 2007;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

November 8, 2007

[Anthony F. Anderson]

Anthony F. Anderson  
Chief Financial Officer  
Northland Power Income Fund  
Management Inc.

## NORTHLAND POWER INCOME FUND

### Consolidated Balance Sheets

(unaudited, stated in thousands)

#### ASSETS

	Sept. 30, 2007	Dec. 31, 2006
<b>Current</b>		
Cash and cash equivalents	\$ 19,698	\$ 13,484
Cash reserves	2,602	1,664
Accounts and other receivables	25,243	30,380
Inventories	9,714	9,598
Prepaid expenses	2,666	1,907
Current portion of senior loan receivable	2,500	2,710
<b>Total current assets</b>	<b>62,423</b>	<b>59,743</b>
Deferred charges	1,958	4,766
Property, plant and equipment, net	413,053	434,928
Contracts	131,498	142,729
Investment in Panda Energy Corporation	7,946	7,946
Senior loan receivable	65,544	79,042
Loan receivable from Thorold CoGen LP	214	-
Future income tax asset	1,343	1,404
	<b>\$ 683,979</b>	<b>\$ 730,558</b>

#### LIABILITIES AND UNITHOLDERS' EQUITY

<b>Current</b>		
Bank indebtedness	\$ 1,765	\$ -
Accounts payable and accrued liabilities	9,360	13,632
Current portion of KCLP debt	8,586	8,008
Current portion of Mont Miller term loan	1,069	951
Distribution payable to Unitholders	5,612	6,701
<b>Total current liabilities</b>	<b>26,392</b>	<b>29,292</b>
KCLP debt	80,740	85,033
Mont Miller term loan	37,410	38,241
Bank credit facility	-	5,000
Other long term liabilities	2,067	9,715
Asset retirement obligation	3,069	2,935
Convertible debentures	29,044	29,282
Future income tax liability	82,443	-
Derivative financial instruments [Note 1]	10,124	-
	<b>271,289</b>	<b>199,498</b>
Trust Units	670,422	670,184
Accumulated other comprehensive income [Note 2]	39	145
<b>Deficit</b>	<b>(257,771)</b>	<b>(139,269)</b>
<b>Total Unitholders' equity</b>	<b>412,690</b>	<b>531,060</b>
	<b>\$ 683,979</b>	<b>\$ 730,558</b>

**NORTHLAND POWER INCOME FUND**  
**Consolidated Statements of Income (Loss) and Deficit**  
(unaudited, stated in thousands except per unit amounts)

	3 Months Ended Sept. 30		9 Months Ended Sept. 30	
	2007	2006	2007	2006
<b>Sales</b>				
Electricity	\$ 32,565	\$ 30,471	\$ 107,946	\$ 92,185
Steam	1,576	1,922	6,222	6,697
Natural gas	7,022	8,070	21,498	17,763
Emission allowances	-	-	-	210
<b>Total sales</b>	<b>41,163</b>	<b>40,463</b>	<b>135,666</b>	<b>116,855</b>
<b>Cost of sales</b>	<b>18,043</b>	<b>17,769</b>	<b>55,040</b>	<b>48,377</b>
<b>Gross profit</b>	<b>23,120</b>	<b>22,694</b>	<b>80,626</b>	<b>68,478</b>
<b>Expenses</b>				
Plant operating costs	3,602	4,208	11,654	10,907
Amortization	6,792	6,881	20,588	18,447
Management and administration costs	1,007	1,631	3,909	6,793
Accretion expense	46	43	140	129
	<b>11,447</b>	<b>12,763</b>	<b>36,291</b>	<b>36,276</b>
<b>Investment income</b>	<b>2,155</b>	<b>2,770</b>	<b>6,968</b>	<b>8,595</b>
<b>Income from operations</b>	<b>13,828</b>	<b>12,701</b>	<b>51,303</b>	<b>40,797</b>
Foreign exchange	4,438	(287)	10,499	2,986
Amortization of deferred charges	27	164	79	490
Amortization of contracts	3,743	3,743	11,230	7,788
Change in fair value of interest rate swaps [Note 1]	585	-	(3,493)	-
Interest income	(253)	(216)	(713)	(660)
Interest expense and bank fees	3,309	3,617	10,165	10,114
<b>Income before income taxes</b>	<b>1,979</b>	<b>5,680</b>	<b>23,536</b>	<b>20,079</b>
<b>Provision for (recovery of) income taxes</b>				
Current	(8)	(151)	(88)	83
Future	384	61	82,107	(1,407)
	<b>376</b>	<b>(90)</b>	<b>82,019</b>	<b>(1,324)</b>
<b>Net income (loss) for the period</b>	<b>\$ 1,603</b>	<b>\$ 5,770</b>	<b>\$ (58,483)</b>	<b>\$ 21,403</b>
<b>Deficit, beginning of period - as previously stated</b>	<b>(242,539)</b>	<b>(123,239)</b>	<b>\$ (139,269)</b>	<b>\$ (108,481)</b>
Cumulative effect of adopting new accounting standards [Note 1]	-	-	(9,520)	-
<b>Deficit, beginning of period - as adjusted</b>	<b>(242,539)</b>	<b>(123,239)</b>	<b>(148,789)</b>	<b>(108,481)</b>
Distributions declared to Unitholders	(16,835)	(16,625)	(50,499)	(47,016)
Net income (loss) for period	1,603	5,770	(58,483)	21,403
<b>Deficit, end of period</b>	<b>\$ (257,771)</b>	<b>\$ (134,094)</b>	<b>\$ (257,771)</b>	<b>\$ (134,094)</b>
<b>Average number of units outstanding - basic</b>	<i>62,352</i>	<i>62,107</i>	<i>62,343</i>	<i>58,306</i>
<b>Average number of units outstanding - diluted</b>	<i>62,352</i>	<i>62,107</i>	<i>62,343</i>	<i>58,306</i>
<b>Net income (loss) per trust unit- basic</b>	<b>\$ 0.0257</b>	<b>\$ 0.0929</b>	<b>\$ (0.9381)</b>	<b>\$ 0.3671</b>
<b>Net income (loss) per trust unit - diluted</b>	<b>\$ 0.0257</b>	<b>\$ 0.0929</b>	<b>\$ (0.9381)</b>	<b>\$ 0.3671</b>

**NORTHLAND POWER INCOME FUND**  
**Consolidated Statement of Comprehensive Income (Loss)**  
(unaudited, stated in thousands except per unit amounts)

	<i>3 Months Ended Sept. 30</i>		<i>9 Months Ended Sept. 30</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
<b>Net income (loss) for the period</b>	<b>\$ 1,603</b>	<b>5,770</b>	<b>\$ (58,483)</b>	<b>\$ 21,403</b>
<b>Other comprehensive income (loss):</b>				
Net change in translation of net investment in foreign operations	(201)	(179)	(1,592)	(305)
Net change in fair value of hedged foreign currency forward contract:	299	590	1,486	119
<b>Total other comprehensive income (loss)</b>	<b>98</b>	<b>411</b>	<b>(106)</b>	<b>(186)</b>
<b>Total comprehensive income (loss)</b>	<b>\$ 1,701</b>	<b>6,181</b>	<b>\$ (58,589)</b>	<b>\$ 21,217</b>

## NORTHLAND POWER INCOME FUND

### Consolidated Statements of Cash Flows

(unaudited, stated in thousands except per unit amounts)

	3 Months Ended Sept. 30		9 Months Ended Sept. 30	
	2007	2006	2007	2006
<b>Operating activities</b>				
Net income (loss) for the period	\$ 1,603	\$ 5,770	\$ (58,483)	\$ 21,403
Items not involving cash:				
Amortization	6,792	6,881	20,588	18,447
Amortization of contracts	3,743	3,743	11,230	7,788
Amortization of deferred charges	27	164	79	490
Amortization of financing and commitment fees	(25)	-	(25)	-
Interest receivable from Thorold CoGen LP	(18)	-	(18)	-
Change in fair value of interest rate swaps [Note 1]	585	-	(3,493)	-
Foreign exchange	4,438	(287)	10,499	2,986
Accretion expense	46	43	140	129
Other long term liabilities	345	109	725	257
Future income taxes	384	61	82,107	(1,407)
	17,920	16,484	63,349	50,093
Net change in non-cash working capital balances related to operations	(11,843)	(8,394)	1,509	2,309
<b>Cash provided by operating activities</b>	<b>6,077</b>	<b>8,090</b>	<b>64,858</b>	<b>52,402</b>
<b>Investing activities</b>				
Cash reserves funding	(282)	(15)	(938)	(674)
Loan to Thorold CoGen LP	(1,335)	-	(1,335)	-
Thorold CoGen LP financing and commitment fees	1,165	-	1,165	-
Investment in KCLP	-	-	-	(117,798)
Receipts of principal on senior loan	658	687	2,026	2,087
Investment in German wind farms	-	-	-	(25)
Purchase of German receivables form vendors	-	-	-	(3,879)
Purchase of property, plant and equipment	(87)	(57)	(132)	(77)
<b>Cash (used in) provided by investing activities</b>	<b>119</b>	<b>615</b>	<b>786</b>	<b>(120,366)</b>
<b>Financing activities</b>				
Repayment of Mont Miller term loan	(238)	(202)	(713)	(606)
Bank Indebtedness	1,765	5,590	1,765	5,590
Prospectus receipts, net	-	-	-	165,825
KCLP repayments of debt, net	-	-	(3,715)	(35,099)
Repayment of German debt	-	-	-	(18,965)
Credit facility increase (decrease)	-	-	(5,000)	5,000
Distributions to Unitholders	(16,835)	(16,458)	(51,588)	(47,104)
<b>Cash (used in) provided by financing activities</b>	<b>(15,308)</b>	<b>(11,070)</b>	<b>(59,251)</b>	<b>74,641</b>
Effect of exchange rate differences on cash and cash equivalents	(42)	(17)	(179)	(41)
<b>Net change in cash and cash equivalents</b>	<b>(9,154)</b>	<b>(2,382)</b>	<b>6,214</b>	<b>6,636</b>
Cash and cash equivalents, beginning of the period	28,852	23,500	13,484	14,482
<b>Cash and cash equivalents, end of period</b>	<b>\$ 19,698</b>	<b>\$ 21,118</b>	<b>\$ 19,698</b>	<b>\$ 21,118</b>
<b>PER UNIT</b>				
Distributions declared to Unitholders	\$ 0.2700	\$ 0.2675	\$ 0.8100	\$ 0.7925

## NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*(all figures in notes are stated in thousands of dollars, except as indicated)*

### 1. Accounting Policies

These consolidated financial statements include the accounts of the Fund and all its subsidiaries. All inter-company transactions have been eliminated.

The Fund's investment in Panda Energy Corporation ("PEC") is accounted for under the cost method.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to interim financial reporting. These unaudited interim consolidated financial statements follow the same accounting principles and methods of application as the annual consolidated financial statements as at December 31, 2006 except for changes as outlined below. The interim consolidated financial statements should be read in conjunction with the Fund's annual consolidated financial statements included in the 2006 annual report.

#### **Accounting Changes for Financial Instruments**

On January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants (CICA) handbook sections S.3855 "Financial Instruments – Recognition and Measurement," S.3681 "Financial Instruments – Disclosure and Presentation", S.3865 "Hedges," S.1530 "Comprehensive Income," and S.3251 "Equity". These standards require that all financial assets and liabilities be classified as either trading, available for sale, held to maturity, loans and receivables or other liabilities. In addition, the standards require that all financial instruments, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as held to maturity and available-for-sale equities that do not have quoted market values in an active market.

Transaction costs on financial assets and financial liabilities classified as other than held-for-trading are now expensed as incurred. Previously, the Fund's transaction costs related to the issuance of the senior loan receivable and the convertible subordinated debentures were deferred and amortized using the straight-line method over the terms of the loans. Unamortized amounts were separately included in deferred charges on the consolidated balance sheet. As a result of implementing this new policy, \$2,729,000 of deferred charges have been charged to opening retained earnings.

#### *Classification of financial instruments*

Trading financial assets and liabilities are measured at fair value at the balance sheet date. Assets and liabilities classified as trading include cash and cash equivalents, cash reserves, accounts receivable and accounts payable, distributions payable and derivative financial instruments. Loans and receivables and other liabilities are initially recorded at fair value and are subsequently accounted for at amortized cost. Derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value, in both cases as derivative financial instruments. As a result, the Fund has recorded the fair value of the interest rate swap contracts entered into by Kingston CoGen Limited Partnership (KCLP) and previously designated as hedging items in hedging relationships under AcG-13 on its consolidated balance sheet. The Fund chose to terminate the designation of these hedging relationships on the transition date of Section 3865 and therefore future changes in the fair value of the interest rate swap contracts will be recorded in the Fund's consolidated statement of income and deficit.

Derivatives may also be embedded in other financial instruments. Under the new standards, derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract. In accordance with the new standards, the Fund selected the beginning of its fiscal year ending December 31, 2003 as its transition date for embedded derivatives and accordingly the Fund recognizes as separate assets and liabilities only those derivatives embedded in hybrid instruments issued acquired or substantively modified on or after January 1, 2003. The Fund's Manager has determined that any embedded derivatives in its existing contracts/agreements do not require a separate fair value valuation.

#### *Unitholders' Equity*

Accumulated other comprehensive income is included on the consolidated balance sheet as a separate component of Unitholders' equity and includes gains and losses arising on translation of the Fund's net investment in the German wind farms and gains and losses arising from changes in the fair values of foreign currency forward contracts hedging the Fund's net investment in Germany.

#### *Hedge Accounting*

The Fund is continuing hedge accounting, previously qualifying under AcG-13, for its foreign currency forward contracts hedging its net investment in its German operations and this hedging relationship is designated and documented in accordance with CICA Handbook Section 3865 - Hedging. As a result, gains and losses arising on translation of the Fund's net investment in the German wind farms and gains and losses arising from changes in the fair values of foreign currency forward contracts that hedge its net investment in Germany and are determined to be an effective hedge are recorded in other comprehensive income.

Exchange gains and losses on the hedging derivatives that have been recognized in Other Comprehensive Income are recognized in net income in the same period during which corresponding gains or losses arising from the translation of the financial statements of the self-sustaining foreign operation are recognized in net income.

Exchange gains and losses arising from the translation of the financial statements of the Fund's net investment in the German wind farms previously recorded in Cumulative Translation Adjustment are now recognized as a separate component of Accumulated Other Comprehensive Income. An appropriate portion of the exchange gains and losses so accumulated are included in the determination of income when there has been a reduction in the net investment by way of a reduction in equity or through the settlement of a long-term inter-entity balance that has been considered part of the Fund's net investment.

For all the Fund's other financial derivatives not designated in hedging relationships, including the previously designated KCLP interest rate swap contracts, changes in fair value are recognized in income each reporting period.

The fair value for the Fund's interest rate swap contracts and foreign exchange forward contracts are provided by the counterparties to these contracts.

Since January 1, 2007, the Fund has recorded a \$1.4 million non-cash gain in the fair value of the Fund's foreign exchange contracts that are not accounted for as part of a hedging relationship, which are included in the Fund's income statement on the "foreign exchange" line.

#### *Transitional adjustment*

The implementation of the new standards have been applied as required and result in an adjustment to opening retained earnings and a restatement to accumulated other comprehensive income.

The impact is as follows:

<i>(in thousands of dollars)</i>	As at Dec. 31, 2006	Adjustment upon adoption of new standards	As at Jan. 1, 2007
<b>ASSETS</b>			
Deferred charges	4,766	(2,729)	2,037
Future income tax asset	1,404	(398)	1,006
Impact on total assets	6,170	(3,127)	3,043
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
Accounts payable and accrued liabilities	13,632	(1,679)	11,953
Other long-term liabilities	9,715	(8,373)	1,342
Derivative financial instruments	-	16,445	16,445
Impact on total liabilities	23,347	6,393	29,740
Cumulative translation adjustment	145	(145)	-
Deficit	(139,269)	(9,520)	(148,789)
Accumulated other comprehensive income [Note 2]	-	145	145
Impact on Unitholders' equity	(139,124)	(9,520)	(148,644)
Impact on liabilities and Unitholders' equity	(115,777)	(3,127)	(118,904)

## 2. Continuity of Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following:

<i>(stated in thousands of dollars)</i>	3 months ended Sept. 30		9 months ended Sept. 30	
	2007	2006	2007	2006
<b>Accumulated Other Comprehensive Income-net change in translation of net investment in self sustaining foreign operations:</b>				
Balance beginning of period	(1)	(126)	1,390	-
Realization of loss on reduction on net investment	-	-	(49)	-
Unrealized gain on translation of net investment	(201)	(179)	(1,543)	(305)
Balance end of period	(202)	(305)	(202)	(305)
<b>Accumulated Other Comprehensive Income-net change in fair value of foreign currency forward contracts hedging net investment of foreign operations:</b>				
Balance beginning of period	(58)	(471)	(1,245)	-
Realization of gain on reduction on net investment	-	-	43	-
Impact of remeasuring fair value	299	590	1,443	119
Balance end of period	241	119	241	119
<b>Total Accumulated Other Comprehensive Loss</b>	<b>39</b>	<b>(186)</b>	<b>39</b>	<b>(186)</b>

## 3. Loan to Thorold CoGen LP

The Fund has committed to provide a \$30 million loan to Thorold CoGen LP to assist in the financing of their 265 megawatt cogeneration project, in association with and on the same terms as two other subordinated debt lenders. Recourse under the loan is limited to the assets of Thorold CoGen LP and subordinated to the senior secured project debt. Senior secured debt financing of \$415 million is being provided by a consortium of banks and life insurance companies. Northland Power Inc. (the parent of the Manager of the Fund) is the ultimate owner of the project.

The Fund's subordinated loan commitment includes interest at a rate of approximately 12.5% that will accrue as the loan is advanced over the approximate 32 month construction period. Quarterly payments of interest and principal will commence after the construction period. The subordinated loan matures five years after commercial operation of the plant. As at September 30<sup>th</sup>, the Fund had loaned Thorold CoGen LP \$1.4 million, including accrued interest of \$18,000. The carrying balance of the loan has been reduced by the fees received of \$1.2 million which are to be recorded

as income over the life of the loan.

#### 4. Trust Units and Convertible Unsecured Subordinated Debentures

Since December 31, 2006, a total of \$238,000 of convertible unsecured debentures have been converted into 19,040 trust units. The change in trust units since December 31, 2006 is as follows:

<i>(stated in thousands of dollars, except for units)</i>	<b>Number of Units</b>	<b>Amount</b>
Outstanding as of December 31, 2006	62,333,383	670,184
Q1 conversion of unsecured subordinated debentures	800	10
Q2 conversion of unsecured subordinated debentures	18,240	228
Q3 conversion of unsecured subordinated debentures	-	-
Outstanding as of September 30, 2007	62,352,423	670,422

Due to the conversion of the convertible unsecured debentures being anti-dilutive for both 2007 and 2006, they have been excluded from the calculation of the weighted average number of units outstanding, diluted, as follows for the three months ended September 30, 2007:

	<b>2007</b>	<b>2006</b>
Weighted average number of units outstanding, basic	62,352,423	62,106,945
Effect of dilutive securities:		
Convertible unsecured subordinated debentures	-	-
Weighted average number of units outstanding, diluted	62,352,423	62,106,945

The dilutive effect of the convertible unsecured debentures for the nine months ended September 30, 2007 is as follows:

	<b>2007</b>	<b>2006</b>
Weighted average number of units outstanding, basic	62,342,674	58,305,601
Effect of dilutive securities:		
Convertible unsecured subordinated debentures	-	-
Weighted average number of units outstanding, diluted	62,342,674	58,305,601

#### 5. Future Taxes

On October 31, 2006, the Canadian Federal Government announced tax proposals pertaining to the taxation of distributions paid by income trusts and changes to the personal tax treatment of trust distributions starting in 2011. Subsequently, on June 12, 2007, the Federal Government's Bill C-52 Budget Implementation Act, 2007 which included the above mentioned tax proposals, was substantially enacted with the bill's third reading in the House of Commons. The new law will result in a two-tiered tax structure similar to that of corporations whereby the taxable portion of distributions will be subject to income tax payable by the Fund at a rate of 31.5%, while taxable Canadian Unitholders would receive the favourable tax treatment on distributions currently applicable to qualifying dividends. The final tax rate will depend on the corporate tax rate actually in effect on January 1, 2011.

As a result of the Bill becoming substantially enacted, the Fund recorded a one-time \$82.3 million future income tax provision related to the new tax on trust distributions in the second quarter. This non-cash charge to earnings relates to the estimated differences between the tax and accounting values of the Fund and its flow-through subsidiaries expected to be in place on January 1, 2011 when the tax takes effect.

#### 6. Segmented Information

The Fund indirectly owns two cogeneration facilities located in Ontario, a wind farm in Quebec and two wind farms in Germany. It also has a 19% equity interest in PEC and a senior loan to Panda Interfunding Corporation ("PIC"), which along with the loan to Thorold CoGen LP are included with the Fund's corporate operating income for reporting purposes. These assets

represent the Fund's reportable segments at September 30, 2007.

The Fund analyzes the performance of its operating segments based on operating income. Income for each segment is measured on the same basis as that of the Fund. Significant information for each segment is as follows:

*(stated in thousands of dollars)*

<b>For the 3 months ended, Sept 30, 2007:</b>	<b>Iroquois Falls</b>	<b>Kingston</b>	<b>Mont Miller</b>	<b>Kavelstorf / Eckolstadt</b>	<b>Corporate</b>	<b>Total</b>
Revenue	16,703	21,413	2,117	930	-	41,163
Amortization	2,233	2,851	1,057	651	-	6,792
Operating income	4,450	7,030	513	(32)	1,867	13,828
Interest expense, net	(7)	1,962	629	2	470	3,056

<b>Sept 30, 2006:</b>	<b>Iroquois Falls</b>	<b>Kingston</b>	<b>Mont Miller</b>	<b>Kavelstorf / Eckolstadt</b>	<b>Corporate</b>	<b>Total</b>
Revenue	16,516	21,348	1,909	690	-	40,463
Amortization	2,224	2,954	1,060	643	-	6,881
Operating income	3,469	7,237	244	(330)	2,081	12,701
Interest expense, net	48	2,088	646	-	619	3,401

<b>For the 9 months ended, Sept 30, 2007:</b>	<b>Iroquois Falls</b>	<b>Kingston<sup>(1)</sup></b>	<b>Mont Miller</b>	<b>Kavelstorf / Eckolstadt<sup>(2)</sup></b>	<b>Corporate</b>	<b>Total</b>
Revenue	57,179	66,824	7,661	4,002	-	135,666
Amortization	6,679	8,718	3,172	2,019	-	20,588
Operating income	19,185	23,200	2,562	1,057	5,299	51,303
Interest expense, net	(27)	6,088	1,878	10	1,503	9,452

<b>Sept 30, 2006:</b>	<b>Iroquois Falls</b>	<b>Kingston</b>	<b>Mont Miller</b>	<b>Kavelstorf / Eckolstadt</b>	<b>Corporate</b>	<b>Total</b>
Revenue	53,736	55,446	6,166	1,507	-	116,855
Amortization	6,667	7,323	3,174	1,283	-	18,447
Operating income	16,210	19,643	1,161	(507)	4,290	40,797
Interest expense, net	26	5,599	1,896	67	1,866	9,454

*(stated in thousands of dollars)*

<b>As at Sept 30, 2007:</b>	<b>Iroquois Falls</b>	<b>Kingston</b>	<b>Mont Miller</b>	<b>Kavelstorf / Eckolstadt</b>	<b>Corporate</b>	<b>Total</b>
Property, plant & equipment, net	178,078	136,004	82,812	16,159	-	413,053
Contracts, net	7,927	117,317	3,852	2,402	-	131,498
Senior loan and investment in PEC	-	-	-	-	81,436	81,436
Loan to Thorold CoGen LP	-	-	-	-	214	214

<b>As at December 31, 2006:</b>	<b>Iroquois Falls</b>	<b>Kingston</b>	<b>Mont Miller</b>	<b>Kavelstorf / Eckolstadt</b>	<b>Corporate</b>	<b>Total</b>
Property, plant & equipment, net	184,632	144,723	85,975	19,598	-	434,928
Contracts, net	8,338	127,838	4,007	2,546	-	142,729
Senior loan and investment in PEC	-	-	-	-	89,698	89,698
Loan to Thorold CoGen LP	-	-	-	-	-	-

(1) On March 23, 2006, the remaining 50% ownership interest in KCLP was acquired.

(2) The acquisition of the German wind farms was completed April 25, 2006, with ownership effective April 1, 2006.

Corporate operating income for the three months ended September 30, 2007 includes \$2.1 million (2006 – \$2.8 million) of interest and dividends from the senior loan receivable and investment in PEC and \$43,000 of interest and fees from the Thorold CoGen LP loan (2006 – nil).

Information on operations by geographic area is as follows:

*(stated in thousands of dollars)*

	Three months ended Sept 30		Nine months ended Sept 30	
	2007	2006	2007	2006
<b>Revenue</b>				
Canada	40,233	39,773	131,664	115,348
Germany	930	690	4,002	1,507
	<u>41,163</u>	<u>40,463</u>	<u>135,666</u>	<u>116,855</u>
		<b>As at Sept 30, 2007</b>		<b>As at December 31, 2006</b>
<b>Property, Plant &amp; Equipment, Net</b>				
Canada		396,894		415,330
Germany		16,159		19,598
		<u>413,053</u>		<u>434,928</u>

As at September 30, 2007 all of the Fund's assets and sales were located in Canada and Germany with the exception of the investments in, and income from, PEC and PIC, which relate to entities in the United States.

# **NORTHLAND POWER INCOME FUND**

## **TRUSTEE**

Computershare Trust Company of Canada  
100 University Avenue  
Toronto, Ontario M5J 2Y1  
Attention: Corporate Services

## **REGISTRAR AND TRANSFER AGENT**

Computershare Trust Company of Canada  
100 University Avenue  
Toronto, Ontario M5J 2Y1  
Attention: Equity Services

## **TRUST UNITS AND DEBENTURES**

The trust units and convertible debentures are listed on the Toronto Stock Exchange and trade under the symbols NPI.UN and NPI.DB respectively.

## **BANK**

Canadian Imperial Bank of Commerce  
Commerce Court West  
Toronto, Ontario M5L 1A2

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