

IN THE MATTER OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, NORTHWEST TERRITORIES, YUKON, NUNAVUT, PRINCE
EDWARD ISLAND, NOVA SCOTIA, NEW BRUNSWICK 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 HOLDINGS LTD. AND ENCAL ENERGY LTD.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Newfoundland, Nova Scotia, the Yukon Territory, the Nunavut Territory and the Northwest Territories (the "Jurisdictions") has received an application from Calpine Corporation ("Calpine") and Calpine Canada Holdings Ltd. ("Calpine Canada") for a decision pursuant to the securities and corporate legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation:

1.1 to be registered to trade in a security (the "Registration Requirement"), to file a preliminary prospectus and a prospectus and to obtain receipts therefor (the "Prospectus Requirement") shall not apply to certain trades and distributions of securities to be made in connection with an agreement to combine the businesses of Calpine and Encal Energy Ltd. ("Encal") through a plan of arrangement involving Calpine, Calpine Canada and Encal;

1.2 for a reporting issuer or the equivalent to issue a press release and file a report with the Decision Makers upon the occurrence of a material change, file and deliver the annual report, interim and annual financial statements, information circulars and annual information forms and provide management's discussion and analysis of financial conditions and results of operations to maintain an audit committee under applicable corporate law (the "Continuous Disclosure Requirements") shall not apply to Calpine Canada provided certain conditions are met; and

1.3 that an insider of a reporting issuer or the equivalent file reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer or the equivalent (the "Insider Reporting Requirements") shall not apply to insiders of Calpine Canada provided certain conditions are met;

2. AND WHEREAS pursuant to 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 Calpine and Calpine Canada have represented to the Decision Makers that:

3.1 Calpine is a corporation organized and subsisting under the laws of the State of Delaware, with its head office in San Jose, California;

3.2 the authorized capital stock of Calpine includes 500,000,000 shares of Calpine common stock ("Calpine Common Stock") of which 283,739,629 were issued and outstanding as of February 1, 2001;

3.3 the Calpine Common Stock is currently listed and posted for trading on the New York Stock Exchange ("NYSE");

3.4 Calpine is subject to the reporting requirements of the United States *Securities Exchange Act of 1934* (the "1934 Act");

3.5 Calpine is not a reporting issuer or the equivalent in any of the Jurisdictions;

3.6 Calpine Canada is a corporation incorporated under the *Business Corporations Act* (Alberta) (the "ABCA"), with its registered office in Calgary, Alberta;

3.7 Calpine Canada was incorporated on February 21, 2001 and has not carried on any business to date;

3.8 the authorized capital of Calpine Canada will consist of an unlimited number of common shares and an unlimited number of exchangeable shares (the "Exchangeable Shares");

3.9 the only securities of Calpine Canada that are issued or may be issued are common shares and Exchangeable Shares and all of the common shares are held and will continue to be held, directly or indirectly, by Calpine as long as any outstanding Exchangeable Shares are owned by any person or entity other than Calpine or any of Calpine's subsidiaries;

3.10 Calpine Canada is not a reporting issuer or equivalent in any of the Jurisdictions;

3.11 Encal is a corporation incorporated under the ABCA, with its head office in Calgary, Alberta;

3.12 the authorized capital of Encal consists of an unlimited number of common shares ("Encal Shares"), an unlimited number of Class A preferred shares issuable in series and an unlimited number of Class B preferred shares issuable in series;

3.13 109,857,279 Encal Shares and 7,294,981 options to purchase Encal Shares ("Encal Options") were issued and outstanding as of February 1, 2001;

3.14 the Encal Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE") and the NYSE;

3.15 Encal is a reporting issuer or the equivalent in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec and Nova Scotia;

3.16 Encal is not in default of any requirements of the Legislation;

3.17 Calpine and Encal have entered into an agreement which provides for the combination of the businesses of Calpine and Encal (the "Combination");

3.18 the Combination will be effected through an arrangement under section 186 of the ABCA involving Calpine, Calpine Canada and Encal (the "Arrangement");

3.19 the Arrangement is subject to approval of the holders of Encal Shares and Encal Options (the "Encal Security Holders") and the Court of Queen's Bench of Alberta;

3.20 a meeting of the Encal Security Holders (the "Encal Meeting") has been scheduled for April 18, 2001;

3.21 an information circular (the "Circular") prepared in accordance with the Legislation has been provided to the Encal Security Holders in connection with the Encal Meeting and filed with each of the Decision Makers;

3.22 the Circular contains prospectus-level disclosure concerning the Combination, the Arrangement and the businesses of Calpine and Encal;

3.23 under the terms of the Combination agreement:

3.23.1 the holders ("Encal Shareholders") of Encal Shares (other than dissenting shareholders) will receive, for each of the Encal Shares held by them, a fixed value of \$12.00 per share, payable in the form of Exchangeable Shares. The number of Exchangeable Shares to be received for each Encal Share will be determined in accordance with an exchange ratio (the "Exchange Ratio") based on the weighted average trading price of the Calpine Common Stock for the ten consecutive trading days ending on the third trading day before the Encal Meeting;

3.23.2 each outstanding Encal Option will be exchanged for an option to be granted by Calpine (the "Calpine Option") to purchase a whole number of shares of Calpine Common Stock equal to the number of Encal Shares subject to such Encal Option multiplied by the Exchange Ratio at an exercise price per Calpine Common Stock equal to the exercise price per share of such Encal Option, divided by the Exchange Ratio, but expressed in U.S. dollars;

3.24 although the actual number of Exchangeable Shares to be issued pursuant to the Arrangement will depend on the trading price of the shares of Calpine Common Stock shortly before the date of the Encal Meeting, for the purposes of illustration, based on the estimated number of Encal Shares expected to be outstanding at the closing of the Combination, an assumed weighted average trading price of the shares of Calpine Common Stock for the ten consecutive trading days ending on the third trading day before the Encal Meeting of US\$44.50 and an assumed average exchange rate for such ten day period of one US dollar being equal to 1.54 Canadian dollars, the Exchange Ratio would be approximately 0.18 Exchangeable Shares for each Encal Share and the former Encal Shareholders would effectively own approximately 19.7 million shares of Calpine Common Stock, or approximately 6.5% of the outstanding shares of Calpine Common Stock;

3.25 according to the share register of Calpine, as of April 6, 2001, 1.2195% of the registered holders of Calpine Common Stock had registered addresses in Canada and such shareholders held shares representing 0.00004% of the issued and outstanding shares of Calpine Common Stock;

3.26 under the terms of the Exchangeable Shares, and certain rights to be granted in connection with the Arrangement, holders of Exchangeable Shares will be able to exchange them at their option for shares of Calpine Common Stock on a one for one basis;

3.27 under the terms of the Exchangeable Shares, and certain rights to be granted in connection with the Arrangement, Calpine or Calpine Canada will be able to redeem, retract or acquire Exchangeable Shares in exchange for Calpine Common Stock in certain circumstances;

3.28 in order to ensure that the Exchangeable Shares remain the economical equivalent of Calpine Common Stock prior to their exchange, the Arrangement provides for:

3.28.1 a support agreement to be entered into between Calpine and Calpine Canada which will, among other things, restrict Calpine from declaring or paying dividends on Calpine Common Stock unless equivalent dividends are declared and paid on the Exchangeable Shares and from subdividing, consolidating or

reclassifying Calpine Common Stock unless economically equivalent changes are made to the Exchangeable Shares;

3.28.2 an exchange trust agreement to be entered into between Calpine, Calpine Canada and CIBC Mellon Trust Company (the "Trustee") which will, among other things, grant to the Trustee, for the benefit of holders of Exchangeable Shares, the right to require Calpine to directly or indirectly exchange the Exchangeable Shares for Calpine Common Stock upon the occurrence of certain specified events (the "Exchange Rights");

3.28.3 the deposit by Calpine of a special voting share (the "Voting Share") with the Trustee which will effectively provide holders of Exchangeable Shares with voting rights equivalent to those attached to Calpine Common Stock;

3.29 the terms of the Arrangement, the terms of the Exchangeable Shares and the exercise of certain rights provided for in connection with the Arrangement may result in the following trades or distributions, or the equivalent, under the Legislation (collectively, the "Trades"):

3.29.1 the issuance by Calpine Canada of Exchangeable Shares to the Encal Shareholders in consideration for the Encal Shares;

3.29.2 the transfer by the Encal Shareholders of the Encal Shares in consideration for Exchangeable Shares;

3.29.3 the grant by Calpine of the Exchange Rights to the Trustee;

3.29.4 the issuance by Calpine of Calpine Common Stock to holders of Exchangeable Shares upon the exercise of the Exchange Rights;

3.29.5 the issuance by Calpine of the Voting Share to the Trustee;

3.29.6 the grant by holders of Exchangeable Shares to Calpine of certain rights to require such holders to sell the Exchangeable Shares for Calpine Common Stock (the "Call Rights");

3.29.7 the grant by Calpine to the holders of Exchangeable Shares of certain rights to require Calpine to purchase the Exchangeable Shares for Calpine Common Stock (the "Put Rights");

3.29.8 the issuance by Calpine of Calpine Common Stock to holders of Exchangeable Shares upon the exercise of the Call Rights or Put Rights;

3.29.9 the issuance by Calpine and delivery by Calpine Canada of Calpine Common Stock to holders of Exchangeable Shares upon the exchange, redemption, or retraction of the Exchangeable Shares under their terms;

3.29.10 the transfer of Exchangeable Shares by the holders thereof to Calpine or Calpine Canada in connection with the exercise of the Exchange Rights, the Call Rights or the Put Rights or upon the exchange, redemption or retraction of the Exchangeable Shares under their terms;

3.29.11 the exchange of all outstanding Encal Options for Calpine Options; and

3.29.12 the issuance of Calpine Common Stock in exercise of the Calpine Options granted on exchange of the Encal Options;

3.30 Calpine Canada has applied to have the Exchangeable Shares listed on the TSE following the Arrangement;

3.31 upon completion of the Arrangement, Calpine will be deemed to be a reporting issuer pursuant to the applicable Legislation in Quebec;

3.32 upon the completion of the Arrangement, Calpine Canada will be deemed to be a reporting issuer or the equivalent pursuant to the applicable Legislation in Alberta, British Columbia, Saskatchewan, Ontario, Quebec and Nova Scotia. Calpine Canada will not, and does not intend to become, a reporting issuer or the equivalent in any other Jurisdiction;

3.33 the Circular discloses that Calpine and Calpine Canada have applied for relief from the Registration Requirement and Prospectus Requirement, the Continuous Disclosure Requirements and Insider Reporting Requirements for insiders of Calpine Canada. The Circular also identifies the limitations imposed on any resale of Exchangeable Shares or Calpine Common Stock and the continuous disclosure that will be provided to holders of Exchangeable Shares if the requested relief is granted;

3.34 Calpine will concurrently send to holders of Calpine Common Stock resident in the Jurisdictions all disclosure material it sends to holders of Calpine Common Stock resident in the United States pursuant to the 1934 Act;

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 the 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:

6.1 the Registration Requirement and Prospectus Requirement shall not apply to the Trades;

6.2 the first trade of Exchangeable Shares acquired under the Arrangement shall be deemed to be a distribution or a primary distribution to the public under the Legislation unless:

6.2.1 the trade is exempt from or not subject to the Prospectus Requirement under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Jurisdiction");

6.2.2 Calpine Canada is a reporting issuer or the equivalent in the Applicable Jurisdiction except Prince Edward Island and New Brunswick or, if Calpine Canada is not a reporting issuer or the equivalent in the Applicable Jurisdiction, the conditions described in paragraph 6.4 have been satisfied in the Applicable Jurisdiction;

6.2.3 if the seller is in a special relationship with Calpine Canada or Calpine, as defined in the Legislation of the Applicable Jurisdiction, the seller has reasonable grounds to believe that Calpine Canada and Calpine are not in default of any requirement of the Legislation of the Applicable Jurisdiction;

6.2.4 no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares and no extraordinary commission or consideration is paid in respect of the trade; or

6.2.5 except in Quebec, the trade is not a trade from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of Calpine, or a combination of securities of Calpine Canada and Calpine, to affect materially the control of Calpine or holds, in the absence of evidence showing that the holding of those securities does not affect materially the control of Calpine, more than 20 percent of the outstanding voting securities of Calpine (and for these purposes the Exchangeable Shares shall be considered to be voting securities of Calpine);

6.3 the first trade of Calpine Common Stock acquired upon the exercise of the Exchange Rights, the Call Rights, the Put Rights or upon the exchange,

redemption or retraction of the Exchangeable Shares under their terms or acquired pursuant to the exercise of Calpine Options shall be deemed to be a distribution or a primary distribution to the public under the Legislation unless:

6.3.1 the trade is exempt from or not subject to the Prospectus Requirement under the Legislation of the Applicable Jurisdiction; or

6.3.2 the trade is made through the facilities of NYSE or a market or exchange outside of Canada on which the Calpine Common Stock may be quoted or listed for trading at the time that the trade occurs, in accordance with the rules and regulations applicable to that market or exchange;

6.4 the Continuous Disclosure Requirements shall not apply to Calpine or Calpine Canada for as long as:

6.4.1 Calpine sends to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of Calpine Common Stock resident in the United States pursuant to the 1934 Act;

6.4.2 Calpine files with each of the Decision Makers copies of all documents filed by Calpine with the United States Securities and Exchange Commission under the 1934 Act;

6.4.3 Calpine complies with the requirements of NYSE, or such other market or exchange on which the Calpine Common Stock may be quoted or listed, in respect of making public disclosure of material information on a timely basis and forthwith issues in the Jurisdictions and files with the Decision Makers any press release that discloses a material change in Calpine's affairs;

6.4.4 Calpine Canada has provided each recipient of Exchangeable Shares under the Arrangement pursuant to this Decision resident in the Jurisdictions with a statement indicating that, as a consequence of this Decision, Calpine Canada and its insiders will be exempt from certain disclosure requirements applicable to reporting issuers or the equivalent and insiders, and specifying those requirements Calpine Canada and its insiders have been exempted from, and identifying the disclosure that will be made in substitution therefor pursuant to this paragraph 6.4;

6.4.5 Calpine Canada 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 Calpine Canada that is not also a material change in the affairs of Calpine;

6.4.6 Calpine includes in all mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise insert explaining the reason for the mailed material being solely in relation to Calpine and not to Calpine Canada, such insert to include a reference to the economic equivalency between the Exchangeable Shares and Calpine Common Stock and the right to direct voting at Calpine's Stockholders' meetings; and

6.4.7 Calpine remains the direct or indirect beneficial owner of all the issued and outstanding voting securities of Calpine Canada;

6.5 the Insider Reporting Requirements shall not apply to any insider of Calpine Canada in respect of securities of Calpine Canada provided such insider:

6.5.1 does not receive, in the ordinary course, information as to material facts or material changes concerning Calpine before the material facts or material changes are generally disclosed;

6.5.2 is not a director or senior officer of a major subsidiary of Calpine as defined in National Instrument 55-101 ("Major Subsidiary"); and

6.5.3 is not also an insider of Calpine, excluding any director or senior officer of a subsidiary of Calpine that is not a Major Subsidiary.

DATED this 18th day of April, 2001.

"original signed by"
Stephen P. Sibold, Q.C., Chair

"original signed by"
Glenda A. Campbell, Vice-Chair

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief under subsections 116(1), 123(c) and 184(2) of the Alberta Act from the requirements under sections 54 and 81 of the Alberta Act, the continuous disclosure requirements under Part 11 of the Alberta Act, the proxy solicitation requirements under Part 12 of the Alberta Act and the insider reporting requirements under part 14 of the Alberta Act in connection with an arrangement conducted using a cross-border share exchange structure.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, s. 54, 81, 116(1), 116(1.1), Part 11, Part 12, Part 14, 123(c) and 184(2)