KIRKLAND & ELLIS LLP
Citigroup Center
153 East 53rd Street
New York, NY 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900
Richard M. Cieri (RC 6062)
Marc Kieselstein (*admitted pro hac vice*)
David R. Seligman (*admitted pro hac vice*)
Edward O. Sassower (ES 5823)

Counsel for the Debtors

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	
	)	Chapter 11
Calpine Corporation, et al.,	)	
	)	Case No. 05-60200 (BRL)
Debtors.	)	Jointly Administered

NOTICE OF FILING OF CALPINE CORPORATION'S
APRIL 2007 REPORT ON STATUS OF REORGANIZATION

PLEASE TAKE NOTICE that on the 11th day of April 2007, the Debtors in the above-captioned cases caused to be filed with the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408, the annexed Calpine Corporation's April 2007 Report on Status of Reorganization.

Dated: April 11, 2007
New York, New York

Respectfully submitted,

/s/ David R. Seligman
Richard M. Cieri (RC 6062)
Marc Kieselstein (*admitted pro hac vice*)
David R. Seligman (*admitted pro hac vice*)
Edward O. Sassower (ES 5823)
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CALPINE CORPORATION'S
APRIL 2007 REPORT ON STATUS OF REORGANIZATION

Over the course of the past fifteen months, Calpine and its affiliated debtors (collectively, "Calpine") have advanced through three of the five stages of a successful reorganization by stabilizing its operations, executing myriad restructuring initiatives, and developing a comprehensive business plan. The financial and operational turnaround that Calpine has achieved during these first three stages is largely attributable to the concerted efforts of Calpine, its employees, professionals, and stakeholders to maximize value. Calpine is optimistic that this trend of collaboration will continue through the fourth stage—developing a plan of reorganization—as Calpine seeks to build consensus in formulating a confirmable plan. Since filing its last written status report in January, Calpine and its advisors have been working diligently toward placing Calpine in a position, if it is in the best interests of the estates, to file a

plan of reorganization on June 20 by completing Calpine's remaining restructuring initiatives and turning their attention toward developing the key components of a plan. Calpine files this status report to update the Court on these efforts and map out Calpine's vision for the next stages of its reorganization.

I. FINANCIAL AND OPERATIONAL ACHIEVEMENTS

Calpine's recently released annual report for 2006 and its January 2007 and February 2007 Monthly Operating Reports are a testament to Calpine's significant restructuring progress. In particular, Calpine showed tremendous improvement during 2006 in one of Calpine's most important financial benchmarks—income from operations (which excludes restructuring charges). Income from operations for 2006 was $472 million—a $4.8 billion improvement over 2005, which included impairment charges of $4.5 billion, and a $430 million improvement over 2005 if impairment charges are excluded in each year. This dramatic increase reflects Calpine's success in optimizing the efficiency of its operations while in Chapter 11. Calpine also showed significant gains for 2006 in gross profit and all-in spark spread.[1] In particular, Calpine's 2006 gross profit was $748 million, up approximately $2.7 billion from 2005 and $333 million from 2005 if impairment charges are excluded in each year. Calpine's all-in realized spark spread during 2006 improved by $177 million, a 9% increase over 2005.[2]

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[1] "All-in spark spread" is defined generally as all of the Company's revenues related to its generating assets (energy, steam, and other products and services), minus fuel expenses, and plus or minus the net results of Calpine's commercial hedging and optimization activities. All-in spark spread excludes non-generation, mark-to-market adjustments.

[2] Calpine's risk management activities focus on managing the spark spread for its portfolio of power plants. Exhibit A hereto contains a reconciliation of all-in realized spark spread and other operating performance metrics.

Calpine's financial and operational progress has continued through the first two months of 2007. As reflected in its January and February operating reports, Calpine's income from operations (excluding restructuring charges) for January 2007 and February 2007 improved by $28 million and $11 million, respectively, over the same periods in 2006. Likewise, Calpine's all-in realized spark spread rose by 35% in January 2007 and 53% in February 2007, as compared to the same periods in 2006.

Calpine is also exceeding its cash flow budget. As of the end of February 2007, actual liquidity (*i.e.*, readily available cash on hand plus availability under the original debtor-in-possession facility revolver) was approximately $1.5 billion, which is favorable to the original debtor-in-possession budget by approximately $761 million.[3] These results are due to higher than budgeted gross margin (profitability), higher than budgeted asset sales, and better than expected release of cash trapped at the project level.

In addition, Calpine continued the transition of its support services from San Jose, California to Houston, Texas. The move will improve the overall communication and efficiency of Calpine's operations and also will support the new "One-Calpine" management philosophy by placing management, operations, and trading activities all in one location. Further, it will allow Calpine to take greater advantage of its pool of talent in Houston–the energy business hub.

II. CHAPTER 11 RESTRUCTURING INITIATIVES

As Calpine and its professionals focus on formulating the plan of reorganization, Calpine continues to complete its restructuring initiatives. Indeed, as discussed above, after only approximately fifteen months, Calpine has undergone significant financial and operational

[3] Exhibit B hereto contains a reconciliation of actual liquidity.

restructuring. Moreover, Calpine also has rationalized its asset portfolio and reduced its unsecured claims pool by over $12 billion during this time.

A. THE REPLACEMENT DIP FACILITY

As this Court is aware, various parties, including Calpine, have appealed different aspects of the Court's decision approving Calpine's $5 billion replacement postpetition financing facility (the "DIP Replacement Facility") and repayment of the "CalGen" secured debt. No briefing schedule for these appeals has been established as of yet. Notwithstanding the pending appeals, Calpine closed on the DIP Replacement Facility on March 29. On that same date, Calpine used the proceeds of the DIP Replacement Facility to repay its $2.0 billion debtor-in-possession financing facility and the approximately $2.516 billion of CalGen debt. The now closed DIP Replacement Facility could be pivotal to Calpine's emergence from Chapter 11. In particular, it contains a "rollover" option allowing Calpine to convert the DIP Replacement Facility into an exit facility. This unique feature has allowed Calpine to lock in a key piece of a plan of reorganization at a relatively incipient stage of the exit process. With financing now in hand, Calpine and its advisors will be able to focus their energy on resolving other complex plan issues prior to the filing of a plan of reorganization. Importantly, however, Calpine is not obliged to exercise the rollover option. Thus, Calpine still is free to negotiate even better terms in an exit facility if, for example, the credit markets offer even more favorable terms down the road.

B. ASSET RATIONALIZATION RESTRUCTURING INITIATIVE

Through its asset rationalization efforts to date, Calpine has generated approximately $660 million in proceeds and reduced leverage by more than $965 million from the sale or restructuring of its interests in ten projects and certain surplus industrial assets. Currently, Calpine is negotiating the disposition or restructuring of a number of other projects

that it expects to complete prior to emerging from Chapter 11. Since filing its last status report, Calpine has completed the sale of the Goldendale Energy Center, a 277-megawatt a natural gas-fired, combined cycle generating facility located in Goldendale, Washington, to Puget Sound Energy, LLC for approximately $120 million, which was approximately 20%, or $20 million, more than the initial stalking horse bid. In addition, Calpine also has completed the sale of Power Systems Mfg, LLC, a manufacturer of highly engineered gas turbine and combustion aftermarket components, to Alstom Power Inc. for approximately $242 million, which represents a nearly 21%, or $42 million, increase over the initial stalking horse bid.

As Calpine's continuing review of its numerous contractual relationships nears completion, it filed a motion seeking approval of a settlement agreement restructuring its lease obligations at the Greenleaf project. The project, which is comprised of two cogeneration facilities located in Sutter County, California, is operated by Greenleaf, Inc., one of the debtors in these Chapter 11 cases. Under the settlement agreement, among other things, Calpine will assume certain contracts associated with the operation of the Greenleaf project so that Calpine can continue its operation of the facilities, which are expected to generate significant free cash flows. The settlement agreement also will allow for the release of approximately $5.23 million in cash from the Greenleaf project's accounts to Calpine. If approved, the settlement agreement will resolve another of Calpine's complex lease and operating contracts.

C. CLAIMS UPDATE

Calpine continues its proactive resolution of claims asserted against the various debtor estates. Since filing its last status report, Calpine has filed five additional omnibus claims objections—its seventh through eleventh—and this Court has ruled on Calpine's fifth through eighth omnibus claims objections, resulting in the elimination of approximately $100 million in claims against the various Calpine debtors. To date, Calpine's omnibus claims objections have

reduced the unsecured claims pool by more $12 billion, which amounts to approximately a one-third reduction in the asserted face value of such claims. Moreover, Calpine expects to file additional omnibus objections, as well as standalone objections to individual creditors' claims, to eliminate additional claims identified by Calpine's professionals as subject to disallowance. Calpine expects that its diligent efforts to resolve claims will help facilitate its emergence from Chapter 11 by minimizing the amount of plan consideration reserved for distribution on account of disputed claims under a plan of reorganization.

Additionally, the Company and its advisors continue to analyze closely the complex web of intercompany claims among the 274 Calpine debtor entities and their non-debtor affiliates. In conjunction with this analysis, the Company and its advisors have conducted a series of meetings with the three Committees' advisors, including five in-person meetings regarding the intercompany claims due diligence process. At these meetings, Calpine's advisors provided in-depth presentations highlighting the status of the advisors' due diligence regarding intercompany claims and preliminary factual findings about the claims. As the intercompany claims due diligence continues, Calpine and its advisors plan to hold additional meetings with the Committees to keep them apprised of developments.

D. CANADIAN INSOLVENCY PROCEEDINGS

Calpine also has continued to monitor and, where necessary, participate in the Canadian insolvency proceedings in the Court of Queen's Bench of Alberta, Judicial District of Calgary (the "Canadian Court") initiated by Calpine's Canadian subsidiaries (the "Canadian Debtors") to ensure that Calpine's interests in those proceedings are protected. Most importantly, Calpine has continued negotiating with the Canadian Debtors and their stakeholders to reach a global resolution of all cross-border issues. Those discussions are ongoing.

In the interim, Calpine is pleased to report that it has negotiated with the Canadian Debtors, the monitor appointed by the Canadian Court (the "Monitor"), and stakeholders for an interim resolution of disputes relating to Calpine's 50% ownership interest in the Greenfield Energy Centre (the "Greenfield Project"), a 1,005 MW power plant currently under construction in Courtright, Ontario, Canada, which will enable the Greenfield Project to obtain third-party project level financing and continue to be developed timely. The interim resolution provides for the sale of the Canadian Debtors' interest in the Greenfield Project to Calpine, and grants the Canadian Debtors an allowed administrative claim in the Chapter 11 cases to the extent of any favorable judgment obtained by the plaintiff in a fraudulent conveyance action currently pending in the Canadian Court. Calpine has submitted to this Court a stipulation and agreed order approving the interim resolution for the Court's consideration at the April 12 hearing.

Moreover, Calpine has continued in earnest to resolve the billions in dollars of claims filed between the U.S. and Canadian Debtors. Calpine's financial advisors have worked closely with the Monitor to reconcile these cross-border, intercompany claims, and this process is virtually complete.

III. APPELLATE LITIGATION UPDATE

As previously reported, on January 9, 2007, District Judge Scheindlin affirmed this Court's order authorizing Calpine to repay the outstanding principal on notes secured by a first priority lien on Calpine's assets without paying a "makewhole premium." The first lien holders subsequently appealed that decision to the Second Circuit on February 7. In addition, as this Court is aware, Calpine filed an adversary proceeding seeking an order extending the automatic stay to a civil proceeding pending in the District of Nevada, *Nevada Power Company v. Calpine Corporation, Moapa Energy Center, LLC, Fireman's Insurance Company, and Does I-X*, to its co-defendant Fireman's Insurance Company, or, in the alternative, an order enjoining

the proceeding. On October 31, 2006, this Court issued an order staying the proceeding, which Nevada Power Company subsequently appealed. On March 28, 2007, District Judge Scheindlin affirmed the Court's order staying the proceeding.

IV. FEE REVIEW COMMITTEE

At the urging of the Court, the Debtors, the Creditors' Committee, and the Equity Committee have worked collaboratively, in consultation with the U.S. Trustee, to create a mechanism to ensure integrity in the professional fee and expense review process in these cases. On April 2, the parties filed a joint motion to establish a fee review committee tasked with reviewing the monthly fee statements and interim applications of retained professionals and detailing its conclusions as to the reasonableness of the fees and expenses requested in a final report to be filed with the Court. The parties believe that the fee review committee and its protocol will maximize the benefit to the estates by allowing for business representatives with unique knowledge of the Debtors' enterprise to collaborate and assess the value added by professionals.

V. BUSINESS PLAN DUE DILIGENCE

Since the initial rollout of Calpine's comprehensive business plan to the Official Committee of Unsecured Creditors, the Official Committee of Equity Security Holders, and the Unofficial Committee of Second Lien Debtholders (collectively, the "Committees") in December 2006, Calpine and its advisors have conducted a series of meetings with each of the three Committees' advisors in attendance, including eight in-person due diligence meetings delving into the assumptions underlying the business plan. At these due diligence meetings, Calpine's management and advisors have provided detailed presentations on each segment of Calpine's business, including each region in its operating asset portfolio, its commercial and power operations, and its various optimization and cost-cutting initiatives. As of April 5, Calpine and

its advisors also have responded to nearly all of the more than 100 follow-up data requests made by the Committees' representatives ranging from plant specific data, such as cash flow projections and capacity factors for each plant, to the business plan's modeling assumptions and operational matters, such as monetization transactions and trading margin optimization.

Over the last several weeks, Calpine updated its business plan to reflect certain market changes. As part of Calpine's continuing efforts to ensure transparency around its business plan, Calpine's advisors will present the updated business plan to all three of the Committees' advisors at an additional business plan due diligence meeting on April 11.

VI. EFFORTS TO RAISE ADDITIONAL CAPITAL

Using Calpine's business plan as a platform, and consistent with Calpine's fiduciary duty to maximize value, Calpine continues to explore the possibility of raising additional capital through debt or equity financing to fund its emergence from Chapter 11 and address its cash flow needs in a volatile commodities market. In January, with the assistance of its investment banker Miller Buckfire & Co., Calpine initiated a process to gauge the capital markets' interest in investing in Calpine through a plan of reorganization. Potential investors' interest has been robust with multiple parties having been given access to a data room. Calpine is in the process of developing final requests for proposals, which it intends to disseminate to potential lenders and investors in the near future. Calpine will continue to keep the Committees fully apprised of key developments in the process.

VII. PLAN OF REORGANIZATION

Calpine and its professionals increasingly have been turning their attention toward formulating the key components of a plan of reorganization. Calpine currently has in place a timeline for sharing drafts of the plan of reorganization, disclosure statement, and other related papers with the Committees to allow for what Calpine hopes will be sufficient time to build

consensus around a confirmable plan of reorganization. Although Calpine will use its best efforts to confirm a plan and emerge from Chapter 11 as soon as reasonably possible, given the complexities of these cases—from Calpine's highly intricate corporate and capital structure, to the number of different stakeholders involved (particularly public security holders), to the huge volume of interdebtor transactions reflected in Calpine's books and records—there is a real possibility that even if Calpine files a plan and disclosure statement by June 20 with complete consensus, given the time required to run a proper plan solicitation process in this case, Calpine's proposed plan will not be confirmed within the additional 60-day exclusive period for soliciting votes for a plan under section 1121(d) of the Bankruptcy Code.

Thus, to ensure that there is an orderly process to review potential plans filed by multiple parties and to prevent ill-conceived, bad-faith, or patently unconfirmable plans from hindering, rather than spurring, its restructuring, Calpine is in the process of formulating certain case management procedures pursuant to section 105(d) of the Bankruptcy Code for this Court to adopt to manage the plan confirmation process expeditiously and economically in the event Calpine's filing and solicitation exclusivity expires prior to confirmation of its plan.

* * * * * *

Dated: April 11, 2007
New York, New York

Respectfully submitted,

/s/ David R. Seligman

Richard M. Cieri (RC 6062)
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Edward O. Sassower (ES 5823)
KIRKLAND & ELLIS LLP
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New York, New York 10022-4611
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Facsimile: (212) 446-4900

Counsel for the Debtors

Exhibit A

Calpine Corporation
All-in Realized Spark Spread
($ millions)

	12 months ended			month ended			month ended		
	Dec-06	Dec-05	$ change	Jan-07	Jan-06	$ change	Feb-07	Feb-06	$ change
Electricity and steam revenue	5,280	6,279	(999)	407	338	69	456	339	117
Spread on sales of purchased power and gas and other	87	296	(209)	28		28	24	7	17
Fuel (expense)	(3,239)	(4,623)	1,385	(283)	(225)	(58)	(322)	(243)	(79)
	2,129	1,952	177	152	113	39	158	103	55

Exhibit B

Calpine Corporation
Liquidity Calculation at end of February 2007
($ millions)

	Actual	Budget	$ change
Cash and equivalents at February 28, 2007	983		
less portion with some limitations	(437)		
Readily available cash	546	0	546
Original DIP Facility Revolver Availability	920	705	215
Liquidity	1,466	705	761