

Quarterly Report

Northland Power Income Fund

Quarterly Report for the period ended March 31, 2007

FINANCIAL AND OPERATING RESULTS

This report covers Northland Power Income Fund's (the "Fund's") operations for the period ended March 31, 2007.

	3 Months Ended Mar. 31	
	2007	2006
FINANCIAL (thousands, except per unit amounts)		
Sales	\$51,638	\$35,792
Net Income	\$16,840	\$12,144
Funds from operations		
before changes in working capital	\$27,313	\$16,307
Distributable cash	\$23,963	\$17,120
Distribution declared to Unitholders	\$16,830	\$14,105
Units Outstanding	62,334	61,552
Average Number of Units Outstanding - basic	62,334	50,750
Average Number of Units Outstanding - diluted	64,761	54,143
Per Unit		
Funds from operations		
before changes in working capital	\$0.4382	\$0.3213
Distributable cash	\$0.3844	\$0.3373
Distribution declared to Unitholders	\$0.2700	\$0.2625
OPERATIONS		
Electricity sales volume (megawatthours)	388,459	271,946
Steam sales volume (thousands of pounds)	451,958	402,258
Fuel consumption (thousands of gigajoules)	3,069	2,369



**NORTHLAND POWER
INCOME FUND**

MANAGEMENT'S DISCUSSION & ANALYSIS

Overview

Northland Power Income Fund's sales of \$51.6 million and net income of \$16.8 million in the quarter exceeded the first quarter of 2006 by \$15.8 million (44%) and \$4.7 million (39%) respectively. All of the Fund's assets performed well, resulting in distributable cash at \$24.0 million, being \$6.8 million (40%) higher than 2006 while distributable cash per unit was up 14% from last year. These results include the contribution from the Fund's 100% ownership interest in the Kingston facility (the Fund acquired the remaining 50% on March 23, 2006), and the investment in the German wind farms that occurred in the second quarter of 2006.

Sales and operating income at the Iroquois Falls plant increased from last year largely due to availability of additional quantities of contracted natural gas as a result of the settlement reached with one of the facility's gas suppliers in the second quarter of 2006. Financial results from the Kingston facility improved from the same quarter last year due to higher revenue earned from the resale of natural gas. Production at the Mont Miller wind farm exceeded the same quarter last year and the wind resource met long-term projections. The German wind farms significantly exceeded expectations during both the quarter and the first 12 months since the farms were acquired as a result of a better wind resource than forecast when the wind farms were acquired.

Distributable cash generated in the first quarter exceeded distributions declared to Unitholders by \$7.1 million (42%). 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 were \$0.27 per unit.

Subsequent to quarter end, the Fund repaid the \$5.0 million borrowed in 2006 on the Fund's acquisition line of credit to assist in the financing of the German wind farm investment.

Iroquois Falls Facility

<i>(in thousands of dollars except as indicated)</i>	3 months ended Mar. 31	
	2007	2006
Sales Volume		
Electricity (MWh)	197,273	162,888
Steam (000 lb.)	358,316	351,341
Fuel Consumption (000 GJs)	1,881	1,673
Sales		
Electricity	20,481	18,024
Steam	2,201	2,107
Natural gas	217	773
Emission allowances and credits	-	210
	22,899	21,114
Cost of sales		
Gas consumed	8,633	7,484
Gas re-sold	244	823
	8,877	8,307
Gross profit	14,022	12,807
Plant operating costs	1,656	1,523
Capital expenditures	18	7

Electricity revenue under the Iroquois Falls power purchase agreement was up \$2.5 million compared to the same period last year; production in the 1st quarter of 2006 was curtailed during lower-priced off-peak periods (nights, weekends and statutory holidays) due to reduced availability of contracted natural gas as a result of the supply default in January 2006 by Calpine Canada Natural Gas Partnership. Non-contracted revenue earned in the first quarter of 2007 from sales of electricity and operating reserves into the wholesale market was slightly higher than last year. Steam revenues increased from the same period last year due to a 2% increase in both demand and the average selling price. Sales of natural gas to mitigate fixed transportation costs were down \$0.6 million; in 2006 natural gas was purchased at spot market prices and resold to mitigate unused capacity under the plant's TransCanada Pipeline contract as a result of the reduction in contracted gas supply. There were no sales of emission allowances and credits, which are being retained due to unattractive low market prices.

The cost of natural gas rose \$0.6 million in 2007; the cost and volume of gas consumed increased as a result of higher electricity production, while the cost of gas resold was lower for the reasons cited above. Plant operating costs were \$0.1 million higher than in 2006 due to gas turbine maintenance fees paid to General Electric Canada which are based on production levels.

Kingston Facility

<i>(in thousands of dollars except as indicated)</i>	3 months ended Mar. 31	
	2007	2006¹
Sales Volume		
Electricity (MWh)	122,620	73,027
Steam (000 lb.)	93,642	50,917
Fuel consumption (000 GJs)	1,188	696
Sales		
Electricity	17,086	9,378
Steam	559	549
Natural gas	5,662	2,551
Emission allowances and credits	-	-
	23,307	12,478
Cost of sales		
Gas consumed	7,480	4,154
Gas re-sold	2,288	1,089
	9,768	5,243
Gross profit	13,539	7,235
Plant operating costs	1,442	1,028
Capital expenditures	-	-

- (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 22nd 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 0.7% compared to the first quarter of 2006 as escalation in PPA rates was partially offset by the curtailment of electricity production to free up additional volumes of natural gas for resale. More than half of the overall contract price for electricity is linked to underlying fixed and variable fuel tariffs.

Steam volumes were consistent with last year. A 44% decrease in the average selling price of steam was the main driver of the overall drop in steam revenue - the contract price for steam is tied to Union Gas tariff rates and is reset at the beginning of each year. Revenue from the resale of natural gas was higher than the previous year, due to an increase in the average selling price as well as an increase in volumes sold. There were no sales of emission allowances due to unattractive low market prices.

The cost of natural gas consumed was slightly lower this year commensurate with decreased electricity production. The cost of gas resold increased 20% over 2006, as a result of contracted price increases and higher volumes of gas resold. Plant operating costs were down 24% as a result of lower insurance premiums and gas turbine maintenance fees to General Electric Canada which are partly based on fired hours of production.

As at March 31, 2007, KCLP had forward sales commitments of excess natural gas for 2007 in the amount of \$12.4 million (1,435,500 GJs) and \$7.9 million (912,000 GJs) in 2008.

Mont Miller Wind Farm

	3 months ended Mar. 31	
<i>(in thousands of dollars except as indicated)</i>	2007	2006
Sales Volume		
Electricity (MWh)	53,297	36,031
Sales		
Electricity	3,294	2,200
	3,294	2,200
Gross profit	3,294	2,200
Plant operating costs	611	515
Capital expenditures	-	-

During the first quarter of 2007, Mont Miller's production and electricity sales were up from 2006 as the wind resource met long term projections. The turbines continued to perform well and achieved overall equipment reliability of 98% with only minor technical issues during the quarter that were dealt with by Vestas under the terms of the operations and maintenance agreement.

Plant operating costs increased from 2006 as a result of a retroactive electricity consumption adjustment from Hydro-Québec.

German Wind Farms

	3 months ended Mar. 31	
<i>(in thousands of dollars except as indicated)</i>	2007	2006
Sales Volume		
Electricity (MWh)	15,269	-
Sales		
Electricity	2,138	-
	2,138	-
Gross profit	2,138	-
Plant operating costs	212	-
Capital expenditures	-	-

The German wind farms significantly exceeded production expectations during the first quarter of 2007. The wind farms achieved an overall reliability of 98% as the turbines continued to perform well.

Production for the first 12 months since the German wind farms were acquired has exceeded long term expectations by approximately 14% due to a better wind resource than was forecast when the investment was made. However, annual variability in the wind resource is expected.

Panda Energy Corporation (“PEC”)

<i>(in thousands of dollars)</i>	3 months ended Mar. 31	
	2007	2006
Dividends	410	270
Interest income	2,220	2,543
Total investment income	2,630	2,813

The Fund’s investment in PEC generated income of \$2.6 million this quarter through a combination of interest and dividend payments, slightly lower than the same period last year. 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 for the quarter were significantly higher than last year due to unseasonably cold temperatures throughout the month of February, resulting in higher dispatch levels at the facility to meet the increased electricity demands. First quarter production at the Panda-Brandywine plant was 163,036 MWh, an increase of 49,594 MWh or 44% over 2006.

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 period ended March 31, 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 three month period ended March 31 are largely accounted for by these events and by good performance during the quarter at all of the Fund’s facilities.

Sales, cost of sales and plant operating costs were up compared to 2006 primarily due to the acquisitions and the reasons cited previously under the facilities’ results. Management and administration costs were \$1.6 million lower largely due to the one-time fee to the Manager related to the Kingston acquisition included in the 2006 results. Amortization was up \$2.2 million commensurate with additional charges resulting from the acquisitions. Accretion expense was consistent with last year and related solely to the asset retirement obligations of the Fund’s wind farms.

Investment income of \$2.6 million was \$0.2 million lower than in 2006 largely due to reduced interest payments from PEC partially offset by increased dividend payments. During the quarter, the Fund recorded a non-cash foreign exchange loss on the translation of the PEC senior loan balance to the quarter-end U.S. dollar/Canadian dollar exchange rate of \$0.8 million, which was offset by a \$1.0 million non-cash gain in the fair value of the Kingston facility’s interest rate swaps. 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 increased significantly from 2006 as a result of the Kingston and German acquisitions in early 2006 and the resulting amortization of the fair value increments on the contracts acquired. 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.

Interest expense of \$3.5 million was \$0.6 million higher than last year. The increase was mainly due to the inclusion of an additional 50% of the Kingston facility debt, after taking account of the repayment of the levelization account, 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.

The factors described above, combined with the recovery of income taxes mainly at the Fund's Iroquois Falls subsidiary, resulted in net income for the first quarter of 2007 of \$16.8 million being \$4.7 million higher than last year.

Liquidity and Capital Resources

Since December 31, 2006, cash and cash equivalents of \$35.9 million increased by \$22.4 million due to a combination of \$39.9 million generated by operations and \$0.6 million provided by investing activities partially offset by \$18.2 million used for financing activities.

Cash provided by operating activities of \$39.9 million was \$13.7 million higher than in the same three-month period of 2006. Funds from operations before working capital changes (a non-GAAP financial measure) were up \$11.0 million from last year as net income and adjustments for non-cash items increased by \$4.7 million and \$6.3 million respectively for reasons previously described. The \$12.6 million decrease in non-cash working capital since December 2006 was mainly related to the timing of receipts for electricity sales by the Iroquois Falls and Kingston facilities to OEFC (two months of electricity sales revenue was receivable at year end, compared to only one month at March 31, 2007).

Cash provided by investing activities showed comparative improvement of \$117.8 million for the first three months of 2007, due to the purchase of the remaining 50% of the Kingston facility in March 2006.

Cash used for financing activities of \$18.2 million largely represented distributions to Unitholders of \$17.9 million. Distributions were up \$3.5 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 during the remainder of 2006. In 2006, financing activities provided cash of \$116.4 million and reflected proceeds from the subscription receipt offering offset primarily by the retirement of the KCLP levelization account debt.

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.

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 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 March 31, 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 show below.

	Latest Calculation		Required Ratio	Previous 4 Quarter Range
	Period	Ratio		
Iroquois Falls - DSCR	12 months to Mar. 31/07	219.70	> 2.25	217.0 to 364.0
Iroquois Falls - Debt to EBITDA	As at Mar. 31/07	0.00	< 3.25	0.0 to 0.2
The Fund - DSCR	12 months to Mar. 31/07	5.10	> 2.25	4.3 to 5.4
The Fund - Debt to EBITDA	As at Mar. 31/07	1.40	< 3.25	1.4 to 1.9
Kingston - DSCR	12 months to Mar. 31/07	2.59	> 1.15	2.25 to 2.59
Miller LP - DSCR	12 months to Mar. 31/07	2.28	> 1.20	2.00 to 2.31
Miller LP - DSCR Proforma	12 months to Mar. 31/08	2.80	> 1.20	2.77 to 2.82
Panda Brandywine - DSCR	12 months to Jan. 31/07	1.75	> 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.

Distributions to Unitholders and Distributable Cash

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

	3 Months ended Mar. 31	
	2007	2006
<i>(unaudited, stated in thousands except per unit amounts)</i>		
Cash provided by operating activities	39,920	26,238
Net change in non-cash working capital balances	(12,607)	(9,931)
Funds from operations before working capital changes ⁽¹⁾	27,313	16,307
Capital expenditures	(18)	(7)
Scheduled receipts of principal on senior loan	660	650
Acquisition fees paid to Manager ⁽²⁾	-	2,040
KCLP cash reserve drawdown (funding)	(17)	(2)
Scheduled Mont Miller repayment of debt	(238)	(202)
Scheduled KCLP repayment of debt ⁽³⁾	-	(1,641)
Funds set aside for KCLP scheduled debt repayment	(3,715)	-
Funds set aside for future maintenance	(22)	(25)
Distributable cash ⁽¹⁾	23,963	17,120
Distributions declared to Unitholders	16,830	14,105
Average number of trust units - basic (thousands of units)	62,334	50,750
Per unit (\$/unit)		
Funds from operations before working capital changes ⁽¹⁾	0.4382	0.3213
Distributable cash ⁽¹⁾	0.3844	0.3373
Distributions declared to Unitholders	0.2700	0.2625

(1) Please refer to the disclosure statement regarding non-GAAP financial measures.

(2) Fees to the Manager in connection with the acquisition of 50% of KCLP on March 23, 2006.

(3) Excludes \$33.5 million lump-sum repayment of KCLP's levelization account with OEFC on March 22, 2006.

Distributable cash of \$24.0 million exceeded that of 2006 for the three months ended March 31 by \$6.8 million and was \$7.1 million higher than the distributions declared to Unitholders.

Funds from operations before working capital changes of \$27.3 million exceeded the same period of 2006 by \$11.0 million. The primary reasons for this were stated earlier: the financial contribution of 100% of the Kingston project for the whole quarter (compared to 50% for 81 days and 100% for the remaining 9 days

in 2006) 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 calculation of distributable cash for 2006 includes the add-back of one-time fees related to acquisitions that were paid to the Fund's Manager, which were included in operating activities for accounting purposes but are directly related to the Fund's investing activities.

Distributable cash for the first three months of 2007 also included a \$3.7 million reserve for KCLP's semi-annual long-term debt principal repayment, which occurred during the first quarter of 2006 but fell into the second quarter in 2007.

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 senior loan receivable.

Management continues to maintain a prudent, sustainable level of distributions in relation to distributable cash, with excess cash being retained and held for reinvestment, future acquisitions and as a cushion for the expected lower levels of distributable cash in the second and third quarters due to seasonality. Subsequent to quarter end, the Fund repaid \$5.0 million drawn on its acquisition line in 2006 that was utilized to assist with the purchase of the German wind farms in April 2006.

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"). There is no standardized measure of distributable cash and funds from operations before working capital changes. 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>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>Per unit information</i>	2007	2006	2006	2006	2006	2005	2005	2005
Total sales	51.6	47.9	40.5	40.6	35.8	36.7	31.7	27.9
Net income	16.9	12.7	5.8	3.5	12.1	12.2	5.2	10.3
Distributable cash	24.0	18.4	17.5	17.5	17.1	18.2	13.9	12.5
Distributions	16.8	17.9	16.6	16.3	14.1	14.2	12.6	12.2
<i>Per unit statistics</i>								
Net income - basic	0.271	0.205	0.093	0.056	0.239	0.247	0.107	0.216
Net income - diluted	0.268	0.204	0.093	0.056	0.237	0.243	0.107	0.195
Distributable cash	0.384	0.296	0.282	0.283	0.337	0.369	0.285	0.259
Distributions	0.270	0.288	0.268	0.263	0.263	0.288	0.255	0.255

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 as Iroquois Falls, as it tends to be windier in the winter months compared to the summer months. Seasonality at the consolidated level has been dampened somewhat as the financial results for the Kingston facility are less seasonal than Iroquois Falls.

Net income also includes interest earned on the senior loan receivable from a PEC subsidiary, dividends received from the Fund's 19% equity interest in PEC (neither 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.

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

Trust Unit and Convertible Unsecured Subordinated Debenture Information

As at March 31, 2007, the Fund had 62,334,183 trust units outstanding (December 31, 2006 – 62,333,383). During the quarter, a total of \$10,000 of convertible unsecured subordinated debentures were converted into 800 trust units. As at May 8, 2007, a total of 62,334,183 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.

On March 19, 2007, the Canadian Federal Budget proposed changes to the deductibility of interest on debt incurred to invest in foreign affiliates. The Manager of the Fund is currently evaluating the impact of the proposed legislation but believes it will not have an impact on the Fund or its subsidiaries.

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 period ended March 31, 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 March 31, 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 chosen to terminate its hedge accounting for the interest rate swaps entered into by its Kingston subsidiary and change 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.

Outlook

The Fund's overall financial performance in 2007 is expected to exceed that of 2006, as results at the Mont Miller wind farm are expected to be closer to the Fund's long-term projections, PPA rates at the Iroquois Falls facility will continue to be positively affected by higher electricity wholesale market prices experienced in prior years through the three-year averaging mechanism, finalization of the backstop agreement with one of its natural gas suppliers during 2006 will provide increased gas supply volume at the Iroquois Falls facility for resale and electricity production and lower management and administration costs are expected due to certain one-time costs incurred in 2006.

On behalf of Northland Power Income Fund Management Inc.

[Signed]

John W. Brace
President
May 9, 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 March 31, 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.

May 9, 2007

[Signed]

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 March 31, 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.

May 9, 2007

[Signed]

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

NORTHLAND POWER INCOME FUND

Consolidated Balance Sheets

(unaudited, stated in thousands)

ASSETS

	<i>Mar. 31, 2007</i>	<i>Dec. 31, 2006</i>
Current		
Cash and cash equivalents	\$ 35,882	\$ 13,484
Cash reserves	1,681	1,664
Accounts and other receivables	18,812	30,380
Inventories	9,118	9,598
Prepaid expenses	1,603	1,907
Current portion of senior loan receivable	2,804	2,710
Total current assets	69,900	59,743
Deferred charges	2,011	4,766
Property, plant and equipment, net	428,080	434,928
Contracts	138,986	142,729
Investment in Panda Energy Corporation	7,946	7,946
Senior loan receivable	77,558	79,042
Future income tax asset	1,298	1,404
	\$ 725,779	\$ 730,558

LIABILITIES AND UNITHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 12,225	\$ 13,632
Current portion of KCLP debt	12,302	8,008
Current portion of Mont Miller term loan	991	951
Distribution payable to Unitholders	5,610	6,701
Total current liabilities	31,128	29,292
KCLP debt	80,739	85,033
Bank credit facility	5,000	5,000
Other long term liabilities	1,550	9,715
Asset retirement obligation	2,982	2,935
Mont Miller term loan	37,963	38,241
Convertible debentures	29,272	29,282
Derivative financial instruments [Note 1]	15,569	-
	204,203	199,498
Trust Units	670,194	670,184
Accumulated other comprehensive income [Note 2]	161	145
Deficit	(148,779)	(139,269)
Total Unitholders' equity	521,576	531,060
	\$ 725,779	\$ 730,558

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

	3 Months Ended Mar. 31	
	2007	2006
Sales		
Electricity	\$ 42,999	\$ 29,602
Steam	2,760	2,656
Natural gas	5,879	3,324
Emission allowances	-	210
Total sales	51,638	35,792
Cost of sales	18,645	13,550
Gross profit	32,993	22,242
Expenses		
Plant operating costs	3,921	3,066
Amortization	6,933	4,692
Management and administration costs	1,427	3,051
Accretion expense	47	41
	12,328	10,850
Investment income	2,630	2,813
Income from operations	23,295	14,205
Foreign exchange	775	(453)
Amortization of deferred charges	26	163
Amortization of contracts	3,743	301
Change in fair value of interest rate swaps [Note 1]	(967)	-
Interest income	(231)	(222)
Interest expense and bank fees	3,481	2,878
Income before income taxes	16,468	11,538
Provision for (recovery of) income taxes		
Current	(80)	10
Future	(292)	(616)
	(372)	(606)
Net income for the period	\$ 16,840	\$ 12,144
Deficit, beginning of period - as previously stated	\$ (139,269)	\$ (108,481)
Cumulative effect of adopting new accounting standards [Note 1]	(9,520)	-
Deficit, beginning of period - as adjusted	(148,789)	(108,481)
Distributions declared to Unitholders	(16,830)	(14,105)
Net income for period	16,840	12,144
Deficit, end of period	\$ (148,779)	\$ (110,442)
Average number of units outstanding - basic	62,334	50,750
Average number of units outstanding - diluted	64,761	54,143
Net income per trust unit- basic	\$ 0.2702	\$ 0.2393
Net income per trust unit - diluted	\$ 0.2676	\$ 0.2373

NORTHLAND POWER INCOME FUND

Statement of Other Comprehensive Income

(unaudited, stated in thousands except per unit amounts)

	<i>3 Months Ended Mar. 31</i>	
	<i>2007</i>	<i>2006</i>
Net income for the period	\$ 16,840	\$ 12,144
Other comprehensive income:		
Net change in translation of net investment in foreign operations	80	-
Net change in fair value of hedged foreign currency forward contracts	(64)	-
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Total other comprehensive income	16	-
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Total comprehensive income	\$ 16,856	\$ 12,144
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NORTHLAND POWER INCOME FUND

Consolidated Statements of Cash Flows

(unaudited, stated in thousands except per unit amounts)

	<i>3 Months Ended Mar. 31</i>	
	<i>2007</i>	<i>2006</i>
Operating activities		
Net income for the period	\$ 16,840	\$ 12,144
Items not involving cash:		
Amortization	6,933	4,692
Amortization of contracts	3,743	301
Amortization of deferred charges	26	163
Change in fair value of interest rate swaps [Note 1]	(967)	-
Foreign exchange	775	(453)
Accretion expense	47	41
Other long term liabilities	208	35
Future income taxes	(292)	(616)
	27,313	16,307
Net change in non-cash working capital balances related to operations	12,607	9,931
Cash provided by operating activities	39,920	26,238
Investing activities		
Cash reserves funding	(17)	(2)
Investment in KCLP	-	(117,798)
Receipts of principal on senior loan	660	650
Purchase of property, plant and equipment	(18)	(7)
Cash (used in) provided by investing activities	625	(117,157)
Financing activities		
Repayment of Mont Miller term loan	(238)	(202)
Prospectus receipts, net	-	166,077
KCLP repayments of debt, net	-	(35,099)
Distributions to Unitholders	(17,921)	(14,404)
Cash (used in) provided by financing activities	(18,159)	116,372
Effect of exchange rate differences on cash and cash equivalents	12	-
Net change in cash and cash equivalents	22,398	25,453
Cash and cash equivalents, beginning of the period	13,484	14,482
Cash and cash equivalents, end of period	\$ 35,882	\$ 39,935
PER UNIT		
Distributions declared to Unitholders	\$ 0.2700	\$ 0.2625

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

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 has 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 would recognize 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 Manager of the Fund has chosen to continue 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 will be recorded in other comprehensive income.

Exchange gains and losses on the hedging derivatives that have been recognized in Other Comprehensive Income will be 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 will be 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 will be 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.

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
ASSETS			
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
LIABILITIES AND UNITHOLDERS' EQUITY			
Accounts payable and accrued liabilities	13,632	(1,678)	11,954
Other long-term liabilities	9,715	(8,373)	1,342
Derivative financial instruments	-	16,445	16,445
Impact on total liabilities	23,347	6,394	29,741
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)	(3,126)	(118,903)

2. Continuity of Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following:

<i>(stated in thousands of dollars)</i>	As at Mar. 31, 2007	As at Jan. 1, 2007
Accumulated Other Comprehensive Income-net change in translation of net investment in self sustaining foreign operations:		
Balance beginning of period	1,390	-
Unrealized gain on translation of net investment	80	1,390
Balance end of period	1,470	1,390
Accumulated Other Comprehensive Income-net change in fair value of foreign currency forward contracts hedging net investment of foreign operations:		
Balance beginning of period	(1,245)	-
Impact of remeasuring fair value	(64)	(1,245)
Balance end of period	(1,309)	(1,245)
Total Accumulated Other Comprehensive Income	161	145

The December 31, 2006 balance of \$145 thousand was previously reported in the Consolidated Balance Sheet as "Cumulative translation adjustment" and has been reclassified on a retroactive basis.

3. Trust Units and Convertible Unsecured Subordinated Debentures

Since December 31, 2006, a total of \$10,000 of convertible unsecured debentures have been converted into 800 trust units. The change in trust units during the three months ended March 31, 2007 is as follows:

<i>(stated in thousands of dollars, except for units)</i>	Number of Units	Amount
Outstanding as of December 31, 2006	62,333,383	670,184
Q1 conversion of unsecured subordinated debentures	800	10
Outstanding as of March 31, 2007	62,334,183	670,194

The dilutive effect of the convertible unsecured debentures for the three months ended March 31, 2007 is as follows:

	2007	2006
Weighted average number of units outstanding, basic	62,333,970	50,749,725
Effect of dilutive securities:		
Convertible unsecured subordinated debentures	2,427,485	3,393,773
Weighted average number of units outstanding, diluted	64,761,455	54,143,498

4. Segmented Information

The Fund indirectly owns interests in 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 are included with the Fund’s corporate operating income for reporting purposes. These assets represent the Fund’s reportable segments at March 31, 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)

For the 3 months ended,	Iroquois	Kingston⁽¹⁾	Mont	Germany	Corporate	Total
March 31, 2007:	Falls	Kingston⁽¹⁾	Miller	Germany	Corporate	Total
Sales	22,899	23,307	3,294	2,138	-	51,638
Amortization	2,223	2,956	1,057	697	-	6,933
Operating income	9,834	8,980	1,494	1,112	1,875	23,295
Interest expense, net	14	2,056	623	1	556	3,250
March 31, 2006:						
Sales	21,114	12,478	2,200	-	-	35,792
Amortization	2,222	1,413	1,057	-	-	4,692
Operating income	8,737	4,664	497	-	307	14,205
Interest expense, net	(9)	1,406	615	-	644	2,656

(stated in thousands of dollars)

As at March 31, 2007:	Iroquois	Kingston⁽¹⁾	Mont	Germany	Corporate	Total
March 31, 2007:	Falls	Kingston⁽¹⁾	Miller	Germany	Corporate	Total
Property, plant & equipment, net	182,428	141,766	84,919	18,967	-	428,080
Contracts	8,201	124,331	3,956	2,498	-	138,986
Senior loan and investment in PEC	-	-	-	-	88,308	88,308
As at December 31, 2006:						
Property, plant & equipment, net	184,632	144,723	85,975	19,598	-	434,928
Contracts	8,338	127,838	4,007	2,546	-	142,729
Senior loan and investment in PEC	-	-	-	-	89,698	89,698

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

Corporate operating income for the three months ended March 31, 2007 includes \$2.6 million (2006 – \$2.8 million) of interest and dividends from the senior loan receivable and investment in PEC.

Information on operations by geographic area is as follows:

(stated in thousands of dollars)

	Three months ended March 31	
	2007	2006
Sales		
Canada	49,500	35,792
Germany	2,138	-
	<u>51,638</u>	<u>35,792</u>

	As at March 31, 2007	As at December 31, 2006
Property, Plant & Equipment, Net		
Canada	409,113	415,330
Germany	18,967	19,598
	<u>428,080</u>	<u>434,928</u>

As at March 31, 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

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