



NORTHLAND POWER INCOME FUND

May 1, 2009

ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

Monday, June 22, 2009. 11:00 a.m. (Toronto time)

TSX Conference Centre, Exchange Tower

130 King Street West, Toronto, Ontario.

Dear Unitholders:

You have the opportunity to make fundamental changes to Northland Power Income Fund by voting to bring together the Fund and Northland Power Inc. – NPI – at the June 22 Annual and Special Meeting.

We are writing you to ask for your support for the acquisition of NPI and some related resolutions that are required to complete it. We believe these transactions are in your best interests as a Unitholder and that the benefits to you include:

- *Secures the Fund's future.* The acquisition maintains and strengthens the Fund's ability to continue as a high-yield, income-distributing investment for many years. The transactions enhance the Fund's capacity to pay at least the current \$1.08 per unit annually after the tax treatment of trusts changes in 2011 – whether it continues as an income trust or a corporation.
- *Accretive to cash available for distribution.* The securities being issued to acquire NPI's assets are not eligible for cash distributions for two years. Adding NPI's assets immediately increases the Fund's power generating capacity and is expected to more than double that capacity to over 800 megawatts within a year. The acquisition also increases, diversifies and extends the life of the Fund's cash-generating assets, which strengthens the Fund's ability to continue to pay attractive distributions.
- *Adds significant growth potential.* The acquisition joins together NPI's development expertise and pipeline of power development projects with the Fund's access to capital that can bring those projects into production. It also enhances the alignment of the interests of Fund management with Unitholders.
- *Fair to Unitholders.* The acquisition brings NPI's current assets, expertise and cash flow, as well as its potential future value, into the Fund at a price determined by the Independent Trustees to be fair to Unitholders.

The full details are provided in the enclosed Notice of Meeting and Management Information Circular. We encourage you to review it. As you will see, the various transactions appear complex but essentially:

- The Fund is acquiring all the shares of NPI, a private company, from Northland Power Holdings Inc. – NPHI – which is owned by James C. Temerty, the Chair of the Fund. The Fund is paying for NPI with securities that are exchangeable into 41.9 million Fund units. When exchanged, that would represent approximately 40.2% of the Fund's outstanding units on a *pro forma* basis. No cash distributions will be payable on these securities for two years.

- The Fund will also pay for the NPI shares with securities convertible into approximately 6.6 million units of the Fund. However, these additional securities can be converted *only* if NPI's development activities provide value to the Fund above certain thresholds. In addition, the Fund will repay up to \$59.6 million in loans made to NPI by NPHI and an affiliate and, in 2010, will pay \$21.5 million to certain affiliates of NPHI for their interest in one of NPI's power projects.
- In return, the Fund becomes the owner of NPI which is an independent Canadian power developer and operator that has interests in four power projects with a combined capacity of 459 megawatts. Two of these projects are currently operating. Another is expected to commence commercial operations later this year while the fourth will follow early next year. These four projects have Power Purchase Agreements (PPAs) with an average remaining life of more than 16 years and can provide the Fund with attractive and sustainable long-term cash flow.

NPI also provides the Fund with access to a robust pipeline of power development projects that total more than 3,600 megawatts. This development pipeline and NPI's continuing efforts to identify additional potential projects offer the Fund an opportunity to continue its growth well into the future.

NPI effectively created the Fund with the initial public offering in 1997 and, through a subsidiary, has been the administrator and manager of the Fund since then.

Completing the acquisition requires Unitholder approval of related transactions and other steps, including amendments to the trust indentures of the Fund and NPIF Commercial Trust, and approval of a Long Term Incentive Plan for the employees, officers, trustees and consultants of the Fund and its subsidiaries. As well, there is the usual business that is conducted at all Annual Meetings of the Fund.

The acquisition you are being asked to consider is a major development for the Fund. It is also a "related party transaction" under applicable securities law. So it would be appropriate for you to ask if it is fair to you as a Unitholder.

We believe it is important that you know:

- The Trustees of NPIF Commercial Trust who are independent of both NPI and NPHI have been engaged in a review of strategic alternatives for the Fund for more than a year, in part because of the change to the taxation of income trusts expected in 2011. After thorough analysis, the acquisition of NPI emerged as the most attractive alternative for Unitholders and has been unanimously recommended for approval to the Trust's full Board of Trustees.
- In turn, all the Trustees of NPIF Commercial Trust have determined that the transactions are fair to Unitholders and are in Unitholders' best interests. Mr. Temerty abstained from voting because of his interest, but the other Trustees unanimously recommended approval.
- The Independent Trustees engaged their own legal counsel and an independent financial advisor who provided an opinion that, as of the date of the Valuation and Fairness Opinion, and subject to the factors, assumptions and limitations described in it, the transactions are fair from a financial point of view to the Fund and to its Unitholders, excluding related parties. This Valuation and Fairness opinion is provided as Appendix C in the enclosed Circular.

- The Independent Trustees obtained an independent valuation in accordance with Multilateral Instrument 61-101. The financial advisor found that the fair market value of NPI, as of April 23, 2009, is in the range of \$322 million to \$421 million. For the purpose of the Fairness Opinion, the advisor determined that the value of the consideration to be paid by the Fund is between \$345 million and \$397 million – within the value range established for NPI. Because of an exemption from the requirements to value non-cash consideration received from Canadian securities regulators, analysis of the consideration should not be deemed a formal valuation under MI 61-101.

RECOMMENDATION OF THE TRUSTEES

In recommending the acquisition and related transactions, the Independent Trustees considered a number of factors with the objective of securing the Fund's future. These factors are described in detail in the Circular. In summary, they include:

Cash Generation and Tax Benefits

- *Maintains Income Distribution Structure and Enhances Ability to Maintain Current \$1.08 per Unit Distribution* – The CT Trustees plan to maintain the Fund as a trust until at least late 2010. The transactions will enhance the Fund's ability to maintain its current cash distributions after 2010, whether the Fund remains a trust or converts to a corporate structure. In either case, the Trustees intend to continue distributing a high level of cash well into the future. Combining the operations of the Fund and NPI through the transactions represents the best means for the Fund to maintain and grow its cash available for distribution:
 - *Accretive to cash available for distribution per Unit* – The acquisition has been structured so that NPHI and senior management will not be entitled to any cash distributions payable on the securities issued to them until two years after closing, which is expected to be more than a year after two projects currently under construction have begun operating and generating substantial income for Unitholders.
 - *Diversified and Sustainable cash flow* – The transactions will increase asset diversification and reduce cash flow concentration risk since cash flows will be derived from a larger number of completed projects. Furthermore, they can increase the Fund's ability to sustain cash flows for the longer term because the average remaining term of the PPAs relating to NPI's projects is 16.4 years. Their addition through the transactions will increase the average life of the Fund's PPAs from 11.4 years to 14.0 years.
 - *Tax Advantages* – The projects acquired through the transactions will have available capital cost allowances which can be claimed to reduce federal and provincial income taxes. The undepreciated capital cost allowances of the two projects under construction alone total over \$600 million and additional allowances would be available as new projects are developed.

Management Benefits

- *Internalizes Management* – The acquisition will result in the internalization of the management functions of the Fund which will simplify the existing organizational structure, eliminate the management fees payable externally and ensure continued access to a dedicated management team with many years of experience in the power development industry.
- *Enhances Alignment of Interests of Management and Unitholders* – The transactions will align the interests of the senior officers of NPI, who will continue as senior officers of the Fund and CT, with the interests of Unitholders.

Future Development Benefits

- *Maintains the Relationship with NPI Management* – The acquisition allows the Fund to continue its close and positive relationship with NPI and its management. Without the acquisition, there can be no assurance that NPI would continue to source transactions for the Fund – which could mean the Fund would not grow and cash flows would be significantly impacted after 2015.
- *Provides Access to Large Pipeline of Development Projects* – NPI has a robust pipeline of near and long-term development projects totalling over 3,600 megawatts of capacity. If the transactions are completed, this portfolio of development projects could provide the catalyst for the Fund's future growth prospects.

Based on these considerations, we believe the transactions will position the Fund well for future growth and development, will strengthen the Fund's ability to maintain its current cash distributions, and will result in increased value for all Unitholders of Northland Power Income Fund.

In this letter, we can only summarize the key features of the transactions that can bring together the Fund and NPI. We encourage you to read the materials in the Circular carefully and to vote using the enclosed documents. Your vote is important to the future of your Fund. Your Trustees recommend you use your vote to approve all the transactions and the related resolutions.

ON BEHALF OF NORTHLAND POWER INCOME FUND
MANAGEMENT INC., ADMINISTRATOR OF THE FUND

ON BEHALF OF THE INDEPENDENT TRUSTEES



John W. Brace
President and Chief Executive Officer



The Right Honourable John N. Turner, Q.C.
Lead Trustee

YOUR VOTE IS IMPORTANT

TO ENSURE YOUR VOICE IS HEARD, PLEASE VOTE NOW BY FOLLOWING THE INSTRUCTIONS IN THE CIRCULAR.

For the Transactions to be completed, Unitholders must approve:

- the *Transactions and the Trust Indenture Amendments*, by a majority of not less than 66⅔% of the votes cast at the Meeting, according to the Fund's Trust Indenture. Because the Transactions are between related parties, they must also be approved by a simple "majority of the minority" represented at the Meeting, meaning a majority of the Unitholders other than James C. Temerty and certain other Unitholders who are considered "related parties"; and,
- the *Fund Long Term Incentive Plan* by a simple majority of the votes cast at the Meeting.

Voting is simple and quick. If you have questions about voting, please contact the Fund's proxy solicitation agent:

Georgeson
at 1-888-605-8376
(North American Toll-Free)

For more information about the Transactions, the Fund, or NPI please review the Circular or visit www.npifund.com