



**NORTHLAND POWER
INCOME FUND**

FOR IMMEDIATE RELEASE

NORTHLAND POWER INCOME FUND TO MERGE WITH NORTHLAND POWER INC.

**FUND INTERNALIZES MANAGEMENT: ADDS PORTFOLIO OF GREEN & CLEAN
ASSETS, DEVELOPMENT PIPELINE AND \$600 MILLION TAX POOLS**

MAINTAINS TRUST STRUCTURE AND CURRENT \$1.08 PER UNIT DISTRIBUTION

TORONTO, ONTARIO, CANADA – April 23, 2009 – Northland Power Income Fund (NPI.UN – TSX) (the “Fund”) and Northland Power Inc. (“NPI”), the parent of the external manager of the Fund, are pleased to announce today that the Fund has entered into an agreement to merge with NPI through the acquisition of all of the issued and outstanding shares of NPI (the "Acquisition") from Northland Power Holdings Inc. (“NPHI”). NPHI is wholly-owned by James C. Temerty, the chairman of the Fund and of NPI. The completion of the Acquisition and related transactions is subject to Unitholder approval.

The following highlights some of the numerous benefits of the Acquisition:

- Internalizes and secures the long-term relationship between management and the Fund and creates a significant alignment of interests
- Adds a 459 MW portfolio of projects in operation or construction with a weighted average PPA life of 16.4 years
- Provides a development pipeline of over 3,600 MW
- Creates access to over \$600 million of CCA tax pools
- Maintains the income trust model and the current annual distribution of \$1.08 per Fund Unit
- Accretive to cash flow available for distribution

NPI, founded in 1987 by Mr. Temerty, is one of Canada’s leading power developers, owners and operators. NPI has completed power generation projects totaling more than 740 MW of capacity and financings totaling over \$2 billion. In addition to managing the Fund and its 349 MW of generation assets, NPI owns or has a significant financial interest in four power generation projects totaling 459 MW of capacity, two of which are under construction and expected to be on-line in less than a year. NPI also has a development pipeline comprised of approximately 1,230 MW of projects to be submitted to active Requests For Proposals and over 2,400 MW of additional development opportunities.

Under the terms of the Acquisition, the Fund will issue as consideration a total of up to 41.9 million Class A Exchangeable Units of a newly created limited partnership to NPHI and rights to acquire Units of the Fund (“Replacement Rights”) to senior management of NPI, together representing an

approximate 40% pro-forma diluted ownership interest in the Fund. The Class A Exchangeable Units and the Replacement Rights will not be entitled to receive distributions prior to July 6, 2011 (“the Conversion Date”) and will not be transferable. Each Class A Exchangeable Unit will be exchangeable into one Fund Unit after the Conversion Date and is accompanied by a Special Voting Unit which gives the holder a right to vote on Fund matters. The Replacement Rights represent the right to receive an equal number of Fund Units on the Conversion Date and are being issued to senior management of NPI in replacement of their rights under the existing NPI Long-Term Incentive Plan. The number of Class A Exchangeable Units and the Replacement Rights to be issued are subject to certain closing adjustments and indemnity claims if made by the Fund; the number of Class A Exchangeable Units are also subject to adjustment to the extent that distributions are less than \$1.08 per annum prior to the Conversion Date.

At closing of the Acquisition, the Fund will repay approximately \$59.6 million of indebtedness incurred in connection with the operations of NPI, of which \$35 million is due indirectly to a third party lender and will be paid in cash. The remaining \$24.6 million will be satisfied by the issuance to an affiliate of NPHI of Fund Units based on the closing date market price; such Fund Units will be subject to a 4 month hold period.

The Fund estimates the value of the consideration paid by the Fund for NPI to be at approximately the midpoint of the \$322 to \$421 million valuation range for NPI as determined by Crosbie & Company Inc. (“Crosbie”), the financial advisor to the Independent Trustees of the Fund.

In addition, \$21.5 million will be paid by the Fund on January 31, 2010 to acquire the remaining ownership interests in the Saint-Ulric Saint-Léandre Wind L.P. – the owner of the Jardin d’Eole wind project - from affiliates of NPHI. This arrangement has been taken into account in the Crosbie valuation of NPI.

On closing, Mr. Temerty will have an approximate 39% ownership interest in the Fund including his current ownership interest and will be granted preemptive rights and the right to appoint three of seven trustees to the Fund Board subject to certain ownership requirements. Senior management will have an approximate 6% ownership interest in the Fund. The Fund will benefit from the alignment of interests that results from internalizing management and their significant ownership interest in the Fund.

To further align interests and incentivize continued development success, the Fund has structured an earn-out for NPHI and a Long Term Incentive Plan (“LTIP”) for senior management and key employees. NPHI will be entitled to earn up to an additional 6.64 million Fund Units based upon value crystallized through development success of projects in NPI’s pipeline as at closing. Development success will be evidenced by attaining a power purchase agreement prior to the Conversion Date, and development value will be determined upon project completion. Senior management and key employees will participate in the Fund’s future success through the LTIP, the terms of which will be determined by a new Compensation Committee to be established by the Fund.

In December 2007, the Independent Trustees of the Fund, namely John Turner, David Rounthwaite Warren Moysey and Pierre Gloutney determined to undertake a strategic planning process and engaged Crosbie as the Independent Trustees’ financial advisor and Fasken Martineau as their legal

advisor. Following a careful examination of strategic alternatives, including the status quo, the Independent Trustees recommended that the Fund explore the possible acquisition of NPI.

“After a thorough review of the Fund’s operations and its future direction, the Independent Trustees determined that the best means to achieve the continuation of its growth and sustainability of cash distributions was to combine the operations of the Fund and NPI. Bringing together the management and development expertise of NPI with the resources of the Fund is a strategic win for all of our Unitholders” said David Rounthwaite.

The Acquisition is the result of in-depth negotiations between the parties. The Independent Trustees unanimously recommend (Mr. Temerty having declared his interest and abstained from voting) that Unitholders vote in favour of the Acquisition. In arriving at their recommendation, the Independent Trustees considered several factors, including the attractiveness of the Acquisition relative to other alternatives (including the status quo) and an opinion from Crosbie to the effect that the Acquisition is fair to the Fund from a financial point of view. In addition, pursuant to Multilateral Instrument 61-101 (“MI 61-101”), Crosbie has delivered a formal valuation of NPI (the “Valuation”) to the Independent Trustees and has indicated that the value of the consideration offered as part of Transaction is within Crosbie’s range of value as indicated by the Valuation, subject to the assumptions therein.

The Fund has had a 12-year relationship with NPI since the Fund’s inception in 1997. NPI established the Fund and NPI, through its wholly-owned subsidiary, Northland Power Income Fund Management Inc., has managed the Fund under contract and played an integral role in the identification, successful development and operation of the Fund’s assets. Under NPI’s stewardship, the Fund has risen to become one of Canada’s premier publicly traded income funds, generating an annual average return of 11% since the Fund’s IPO in 1997 to December 31, 2008.

“It makes so much sense to bring together these two complementary businesses. I am very pleased that we have been able to negotiate an arrangement that works for both parties – the opportunities ahead of us are boundless” said James Temerty, the Chairman of both the Fund and NPI. “The Fund’s ability to access capital markets allows the NPI development pipeline to be exploited to sustain the Fund’s growth prospects indefinitely.”

Senior management of NPI look forward to their new relationship with the Fund.

“This is a historic step forward in the Fund’s development. We are eager to build upon the Fund’s successful record of delivering value to its Unitholders in the form of consistent distributions, coupled with prudent and opportunistic growth” commented John Brace, President and Chief Executive Officer of NPI. “We expect the merger of the Fund and NPI to be accretive to cash available for distribution and our development projects to enhance the sustainability of the Fund’s long-term cash flows” added Tony Anderson, Chief Financial Officer of NPI.

A management information circular containing further disclosure regarding the Acquisition and NPI will be mailed to Unitholders (and made available on the SEDAR website at www.sedar.com on the date of mailing) on or before May 11, 2009. The annual meeting of the Fund previously announced for May 13, 2009 will be deferred and reconstituted as an annual and special meeting of Unitholders of the Fund (the "Special Meeting"). The Special Meeting will be held in Toronto, Ontario on June 22, 2009 to enable Unitholders to consider and vote on the transaction. The structuring of the transaction will require a special resolution in respect of amendments to the Trust Indenture and will require the affirmative vote of the holders of 66 $\frac{2}{3}$ % of the Fund's Units which are represented in person or by proxy at the Special Meeting as required by the Trust Indenture. Additionally, pursuant to MI 61-101, the Acquisition constitutes a "related party transaction" because NPI acts as the administrator of the Fund through a subsidiary and is a wholly-owned subsidiary of NPHI and because NPHI is indirectly owned by the Chair of the Fund. Accordingly, the Fund is required to obtain the approval of a simple majority of the votes properly cast at the Special Meeting by Unitholders voting in person or by proxy, but excluding the votes cast by NPHI, Mr. Temerty and any entities controlled by him and any director or senior officer of NPI. At the Special Meeting, Unitholders will be asked to vote in respect of the new LTIP to be established for senior management and key employees of NPI and the Fund, which will further align their interests with those of the Unitholders.

CIBC acted as exclusive financial advisor to NPI.

A conference call to discuss the Acquisition will be held on Friday morning, April 24, 2009 at 8:00 am EDT.

Local Dial: 416-340-2216 Toll Free: 866-898-9626 Global Toll Free: 800-95-59-6849

A replay will be available until May 22, 2009 by dialing:

Local Dial: 416-695-5800 Toll Free: 800-408-3053 Participants passcode 6207503#

A copy of an investor presentation will be posted to the Fund's website and is available at www.npifund.com.

About NPI

NPI is a privately-owned Canadian developer, operator, and owner of power plants. NPI has 459 MW of generating projects in operation or under construction and over 3,600 MW in development.

About the Fund

Northland Power Income Fund is a Canadian income trust that indirectly owns equity interests in six power projects, which efficiently and cleanly produce electricity and steam for sale under long-term contracts. The Fund's natural-gas-fired power plants and wind farms are located in Canada, the United States and Germany.

The Fund's Units and convertible debentures trade on the Toronto Stock Exchange under the symbols NPI.UN and NPI.DB respectively,

FORWARD LOOKING STATEMENTS

The disclosure above contains certain forward-looking statements. Although these forward-looking statements are based upon NPI's and 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 2008 annual report and in the Fund's Annual Information Form dated March 13, 2009, 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.

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