

Russell City Energy Center on Track for Construction Following Decision by Federal Environmental Appeals Board

Gov. Schwarzenegger Commends Developers of First Major Power Plant Subject to Federal Greenhouse Gas Emissions Limit

HAYWARD, Calif.--November 18, 2010-- The U.S. Environmental Protection Agency (EPA) today cleared the way for a federal air permit to allow Calpine Corporation (NYSE:CPN) through its project subsidiary to build the 600-megawatt Russell City Energy Center in Hayward, California. The EPA's Environmental Appeals Board (EAB) denied all remaining appeals of the federal air permit issued February 4 by the Bay Area Air Quality Management District (BAAQMD) for the project. The Russell City Energy Center previously received its Notice to Proceed from the California Energy Commission (CEC) on August 26.

"The Russell City Energy Center will set a new standard for highly efficient natural gas-fired power plants that will reliably meet our nation's power needs while dramatically reducing greenhouse gas emissions," said Jack Fusco, president and chief executive officer of Calpine. "We are pleased by today's decision and look forward to beginning construction which in turn will bring significant economic benefit to the City of Hayward and the broader Bay Area."

"Just as California is serving as a model for the rest of the nation in enacting ambitious policies to reduce our emissions and grow our green economy, projects like this one are also leading the way in the transition toward a cleaner, more sustainable future," said California Governor Arnold Schwarzenegger. "I want to congratulate Calpine on this project which will not only help us meet our energy needs while producing fewer emissions, but will also create jobs when we need them the most."

The BAAQMD considered significant public input from community and environmental groups, including the Sierra Club, before issuing Russell City's Prevention of Significant Deterioration Permit (PSD), the first of its kind to impose limits on a power plant's emissions of greenhouse gases.

"New cleaner burning power plants will allow the phase out of dirtier, less efficient power plants," said Jack Broadbent, executive officer of the BAAQMD. "The Russell City Energy Center will have very tight emission limits and be the first in the country to limit greenhouse gas emissions."

Calpine, through its project subsidiary, agreed to include these unprecedented limits on pollutants linked to global warming in the permit more than a year before such limits will be required by the EPA. Greenhouse gas limits will be required in air quality permits for similar projects beginning in January 2011.

"All the parties that worked so constructively to make this happen -- including Calpine, the CEC and the Bay Area Air Quality Management District, as well as the local governments, unions and environmental organizations -- should be commended for their successful

collaboration. The Russell City project demonstrates that the proven and powerful tool of the federal Clean Air Act can be applied to help reduce dangerous global warming pollution," said California Air Resources Chairman Mary D. Nichols. "These federal Clean Air Act rules offer a common-sense, cost-effective tool to ensure that owners of the new industrial facilities that will be with us for decades invest in the cleanest technologies possible now."

"Carbon emissions have clearly emerged as a critical indicator of environmental performance for power plants, and we commend Calpine for acknowledging as much by securing the first plant-specific mandatory limits on greenhouse gas emissions," said Ralph Cavanagh, Energy Program Co-Director for the Natural Resources Defense Council. "We look forward to the not-too-distant day when all power plants will operate under greenhouse gas performance standards."

Under development since 2001, the Russell City plant will use the most advanced emissions control technology available today for a natural gas-fired power plant. It will be designed to operate in a way that produces 50 percent fewer greenhouse gas emissions than the most advanced coal-fired plants and 25 percent fewer than the standard set by the California Public Utilities Commission (CPUC). The facility is expected to play a critical role in meeting the Bay Area's power needs as older, emissions-intensive plants shut down and in supporting the growing integration of new renewable projects in California.

"Bringing Russell City Energy Center online is good for Hayward and better for the environment," said Hayward City Councilmember Bill Quirk. "The alternative to the electricity produced by Russell City is importing coal-generated power from out of state. Coal produces nearly twice the greenhouse gases and ten times more pollution than natural gas."

In addition to protecting air quality, the plant will conserve water resources by using reclaimed wastewater from the City of Hayward's Water Pollution Control Facility for all cooling and boiler makeup. This environmentally responsible process will prevent up to four million gallons of wastewater from being discharged into San Francisco Bay each day.

"The Russell City Energy Center will be a magnet for bringing new business to Hayward, as well as assuring the supply of power for existing businesses," said Kim Huggett, president and CEO of the Hayward Chamber of Commerce. "The project is expected to generate millions of dollars in benefits, including tax revenue, job creation and contributions to our community that will improve the quality of life for Hayward residents."

The plant will generate approximately \$30 million initially in one-time tax revenue, followed by recurring property tax revenues of more than \$5 million annually to help fund local government services.

"We are looking forward to constructing the Russell City Energy Center project and putting people back to work in the Bay Area," said Andreas Cluver, secretary-treasurer of the Alameda County Building Trades Council. "Building this efficient, natural gas power plant means 650 union construction jobs in Hayward at a time we need it most."

In addition, the Russell City Energy Company LLC (RCEC) will donate \$10 million to help build a new library for Hayward. RCEC also reached an agreement in June with the East Bay Regional Park District that finalized the details of approximately \$1.6 million in contributions of land and funds for conservation and improvements to the Hayward Regional Shoreline.

Pacific Gas & Electric will purchase the full output of electricity from Russell City and will supply natural gas to the plant under an amended power purchase agreement approved by the CPUC in September 2010. The agreement was supported by the Department of Ratepayer Advocates, the Utility Reform Network and California Unions for Reliable Energy.

The Russell City project is jointly owned by Calpine Corporation, which holds a 65 percent equity interest and serves as development manager, and an affiliate of GE Energy Financial Services, which holds a 35 percent equity interest. The plant is expected to begin commercial operation in June 2013.

About Calpine

Founded in 1984, Calpine Corporation is a major U.S. power company, currently capable of delivering nearly 29,000 megawatts of clean, cost-effective, reliable and fuel-efficient power from its 93 operating plants to customers and communities in 21 U.S. states and Canada. Calpine Corporation is committed to helping meet the needs of an economy that demands more and cleaner sources of electricity. Calpine owns, leases and operates low-carbon, natural gas-fired and renewable geothermal power plants. Using advanced technologies, Calpine generates power in a reliable and environmentally responsible manner for the customers and communities it serves. Please visit our website at www.calpine.com [<http://www.calpine.com>] for more information.

Forward-Looking Information

In addition to historical information, this release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Words such as "believe," "intend," "expect," "anticipate," "plan," "may," "will" and similar expressions identify forward-looking statements. Such statements include, among others, those concerning expected financial performance and strategic and operational plans, as well as assumptions, expectations, predictions intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements. Please see the risks identified in this release or in Calpine's reports and registration statements filed with the Securities and Exchange Commission, including, without limitation, the risk factors identified in its Annual Report on Form 10-K for the year ended Dec. 31, 2009, and its Quarterly Report on Form 10-Q for the quarter ended September 30, 2010. These filings are available by visiting the Securities and Exchange Commission's website at www.sec.gov [<http://www.sec.gov>] or Calpine's website at www.calpine.com [<http://www.calpine.com>]. Actual results or developments may differ

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