UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 001-12079

Calpine Corporation

(A Delaware Corporation)

I.R.S. Employer Identification No. 77-0212977

50 West San Fernando Street, San Jose, California 95113
717 Texas Avenue, Houston, Texas 77002
Telephone: (713) 830-8775

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[X]	Accelerated filer	[ ]
Non-accelerated filer	[ ] (Do not check if a smaller reporting company)	Smaller reporting company	[ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
[ ] Yes [X] No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
[X] Yes [ ] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 420,959,270 shares of Common Stock, par value $.001 per share, outstanding on May 5, 2008.

CALPINE CORPORATION AND SUBSIDIARIES

REPORT ON FORM 10-Q
For the Quarter Ended March 31, 2008

INDEX

	Page
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Condensed Balance Sheets at March 31, 2008 and December 31, 2007	1
Consolidated Condensed Statements of Operations for the Three Months Ended March 31, 2008 and 2007	2
Consolidated Condensed Statements of Comprehensive Income (Loss) and Stockholders' Equity (Deficit) for the Three Months Ended March 31, 2008	3
Consolidated Condensed Statements of Cash Flows for the Three Months Ended March 31, 2008 and 2007	4
Notes to Consolidated Condensed Financial Statements	6
1. Basis of Presentation and Summary of Significant Accounting Policies	6
2. Our Emergence from Chapter 11	10
3. Property, Plant and Equipment, Net	15
4. Investments	15
5. Asset Sales	16
6. Comprehensive Loss	16
7. Debt	17
8. Fair Value Measurements	18
9. Derivative Instruments and Mark-to-Market Activities	21
10. Loss Per Share	23
11. Stock-Based Compensation	24
12. Commitments and Contingencies	26
13. Segment Information	30
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	32
Forward-Looking Information	32
Executive Overview	32
Results of Operations	35
Non-GAAP Financial Measures	37
Operating Performance Metrics	40
Liquidity and Capital Resources	42
Financial Market Risks	47
Recent Accounting Pronouncements	51
Item 4. Controls and Procedures	51
PART II — OTHER INFORMATION	
Item 1. Legal Proceedings	53
Item 5. Other Information	53
Item 6. Exhibits	56
Signatures	58

DEFINITIONS

As used in this Report, the abbreviations contained herein have the meanings set forth below. Additionally, the terms “Calpine,” “we,” “us” and “our” refer to Calpine Corporation and its consolidated subsidiaries, unless the context clearly indicates otherwise. The term “Calpine Corporation” shall refer only to Calpine Corporation and not to any of its subsidiaries. Unless and as otherwise stated, any references in this Report to any agreement means such agreement and all schedules, exhibits and attachments thereto in each case as amended, restated, supplemented or otherwise modified to the date of this Report.

ABBREVIATION	DEFINITION
2007 Form 10-K	Calpine Corporation’s Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on February 29, 2008
2014 Convertible Notes	Calpine Corporation’s Contingent Convertible Notes Due 2014
401(k) Plan	Calpine Corporation Retirement Savings Plan
AOCI	Accumulated Other Comprehensive Income
Bankruptcy Code	U.S. Bankruptcy Code
Bankruptcy Courts	The U.S. Bankruptcy Court and the Canadian Court
BLM	Bureau of Land Management of the U.S. Department of the Interior
Blue Spruce	Blue Spruce Energy Center LLC
Bridge Facility	Bridge Loan Agreement, dated as of January 31, 2008, among Calpine Corporation as borrower, the lenders party thereto, Goldman Sachs Credit Partners L.P., Credit Suisse, Deutsche Bank Securities Inc. and Morgan Stanley Senior Funding Inc., as co-documentation agents, and Goldman Sachs Credit Partners L.P., as administrative agent and collateral agent
Btu(s)	British thermal unit(s)
CalGen	Calpine Generating Company, LLC
CalGen First Lien Debt	Collectively, $235,000,000 First Priority Secured Floating Rate Notes Due 2009, issued by CalGen and CalGen Finance; $600,000,000 First Priority Secured Institutional Terms Loans Due 2009, issued by CalGen; and the CalGen First Priority Revolving Loans, in each case repaid on March 29, 2007
CalGen First Priority Revolving Loans	$200,000,000 First Priority Revolving Loans issued on or about March 23, 2004, pursuant to that Amended and Restated Agreement, among CalGen, the guarantors party thereto, the lenders party thereto, The Bank of Nova Scotia, as administrative agent, L/C Bank, lead arranger and sole bookrunner, Bayerische Landesbank, Cayman Islands Branch, as arranger and co-syndication agent, Credit Lyonnais, New York Branch, as arranger and co-syndication agent, ING Capital LLC, as arranger and co-syndication agent, Toronto Dominion (Texas) Inc., as arranger and co-syndication agent, and Union Bank of California, N.A., as arranger and co-syndication agent, repaid on March 29, 2007
CalGen Second Lien Debt	Collectively, $640,000,000 Second Priority Secured Floating Rate Notes Due 2010, issued by CalGen and CalGen Finance; and $100,000,000 Second Priority Secured Institutional Term Loans Due 2010 issued by CalGen, in each case repaid on March 29, 2007
CalGen Secured Debt	Collectively, the CalGen First Lien Debt, the CalGen Second Lien Debt and the CalGen Third Lien Debt
CalGen Third Lien Debt	Collectively, $680,000,000 Third Priority Secured Floating Rate Notes Due 2011, issued by CalGen and CalGen Finance; and $150,000,000 11 1/2% Third Priority Secured Notes Due 2011, issued by CalGen and CalGen Finance, in each case repaid on March 29, 2007

ABBREVIATION	DEFINITION
Calpine Debtors	The U.S. Debtors and the Canadian Debtors
Calpine Equity Incentive Plans	Collectively, the MEIP and the DEIP, which provide for grants of equity awards to Calpine employees and non-employee members of Calpine's Board of Directors
Canadian Court	The Court of Queen's Bench of Alberta, Judicial District of Calgary
Canadian Debtors	The subsidiaries and affiliates of Calpine Corporation that have been granted creditor protection under the CCAA in the Canadian Court
Canadian Effective Date	February 8, 2008, the date on which the Canadian Court ordered and declared that the Canadian Debtors' proceedings under the CCAA were terminated
Cash Collateral Order	Second Amended Final Order of the U.S. Bankruptcy Court Authorizing Use of Cash Collateral and Granting Adequate Protection, dated February 24, 2006 as modified by orders of the U.S. Bankruptcy Court dated June 21, 2006, July 12, 2006, October 25, 2006, November 15, 2006, December 20, 2006, December 28, 2006, January 17, 2007, and March 1, 2007
CCAA	Companies' Creditors Arrangement Act (Canada)
CCFC	Calpine Construction Finance Company, L.P
CES	Calpine Energy Services, L.P.
Chapter 11	Chapter 11 of the Bankruptcy Code
Commodity Margin	Non-GAAP financial measure that includes electricity and steam revenues, hedging and optimization activities, renewable energy credit revenue, transmission revenue and expenses, and fuel and purchased energy expense, but excludes mark-to-market activity and other service revenues
Company	Calpine Corporation, a Delaware corporation, and subsidiaries
Confirmation Order	The order of the U.S. Bankruptcy Court entitled "Findings of Fact, Conclusions of Law, and Order Confirming Sixth Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code," entered December 19, 2007, confirming the Plan of Reorganization pursuant to section 1129 of the Bankruptcy Code
Convertible Senior Notes	Collectively, Calpine Corporation's 4% Contingent Convertible Notes Due 2006, 6% Contingent Convertible Notes Due 2014, 7 3/4% Contingent Convertible Notes Due 2015 and 4 3/4% Contingent Convertible Senior Notes Due 2023
DEIP	Calpine Corporation 2008 Director Incentive Plan, which provides for grants of equity awards to non-employee members of Calpine's Board of Directors
DIP	Debtor-in-possession
DIP Facility	The Revolving Credit, Term Loan and Guarantee Agreement, dated as of March 29, 2007, among the Company, as borrower, certain of the Company's subsidiaries, as guarantors, the lenders party thereto, Credit Suisse, Goldman Sachs Credit Partners L.P. and JPMorgan Chase Bank, N.A., as co-syndication agents and co-documentation agents, General Electric Capital Corporation, as sub-agent, and Credit Suisse, as administrative agent and collateral agent, with Credit Suisse Securities (USA) LLC, Goldman Sachs Credit Partners L.P., JPMorgan Securities Inc., and Deutsche Bank Securities Inc. acting as Joint Lead Arrangers and Bookrunners
EBITDA	Earnings before interest, taxes, depreciation and amortization
Effective Date	January 31, 2008, the date on which the conditions precedent enumerated in the Plan of Reorganization were satisfied or waived and the Plan of Reorganization became effective
EITF	Emerging Issues Task Force

ABBREVIATION	DEFINITION
Emergence Date Market Capitalization	Determined as Calpine's Market Capitalization using the 30-day weighted average stock price following the Effective Date
ERISA	Employee Retirement Income Security Act
Exchange Act	U.S. Securities Exchange Act of 1934, as amended
Exit Credit Facility	Credit Agreement, dated as of January 31, 2008, among Calpine Corporation, as borrower, the lenders party thereto, General Electric Capital Corporation, as sub-agent, Goldman Sachs Credit Partners L.P., Credit Suisse, Deutsche Bank Securities Inc., and Morgan Stanley Senior Funding, Inc., as co-syndication agents and co-documentation agents, and Goldman Sachs Credit Partners L.P., as administrative agent and collateral agent
Exit Facilities	Together, the Exit Credit Facility and the Bridge Facility
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation Number
Fremont	Fremont Energy Center, LLC
FSP	FASB Staff Position
GAAP	Generally accepted accounting principles
Greenfield LP	Greenfield Energy Centre LP
Harbert Convertible Fund	Harbert Convertible Arbitrage Master Fund, L.P.
Heat Rate	A measure of the amount of fuel required to produce a unit of electricity
Hillabee	Hillabee Energy Center, LLC
IRS	U.S. Internal Revenue Service
KWh	Kilowatt hour(s)
LIBOR	London Inter-Bank Offered Rate
LSTC	Liabilities subject to compromise
Market Capitalization	Market value of Calpine Corporation common stock outstanding, calculated in accordance with the Calpine Corporation amended and restated certificate of incorporation
MEIP	Calpine Corporation 2008 Equity Incentive Plan, which provides for grants of equity awards to Calpine employees and non-employee members of Calpine's Board of Directors
Metcalf	Metcalf Energy Center, LLC
MMBtu	Million Btu
MW	Megawatt(s)
MWh	Megawatt hour(s)
Ninth Circuit Court of Appeals	U.S. Court of Appeals for the Ninth Circuit
NOL(s)	Net operating loss(es)
Northern District Court	U.S. District Court for the Northern District of California
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income
OMEC	Otay Mesa Energy Center, LLC

ABBREVIATION	DEFINITION
Original DIP Facility	The Revolving Credit, Term Loan and Guarantee Agreement, dated as of December 22, 2005, as amended on January 26, 2006, and as amended and restated by that certain Amended and Restated Revolving Credit, Term Loan and Guarantee Agreement, dated as of February 23, 2006, among Calpine Corporation, as borrower, the Guarantors party thereto, the Lenders from time to time party thereto, Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc., as joint syndication agents, Deutsche Bank Trust Company Americas, as administrative agent for the First Priority Lenders, General Electric Capital Corporation, as Sub-Agent for the Revolving Lenders, Credit Suisse, as administrative agent for the Second Priority Term Lenders, Landesbank Hessen Thuringen Girozentrale, New York Branch, General Electric Capital Corporation and HSH Nordbank AG, New York Branch, as joint documentation agents for the First Priority Lenders and Bayerische Landesbank, General Electric Capital Corporation and Union Bank of California, N.A., as joint documentation agents for the Second Priority Lenders
OTC	Over the Counter
Panda	Panda Energy International, Inc., and related party PLC II, LLC
PCF	Power Contract Financing, L.L.C.
PCF III	Power Contract Financing III, LLC
Petition Date	December 20, 2005
Plan of Reorganization	Debtors' Sixth Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the U.S. Bankruptcy Code filed by the U.S. Debtors with the U.S. Bankruptcy Court on December 19, 2007, as amended, modified or supplemented through the filing of this Report
PPA(s)	Any contract for a physically settled sale (as distinguished from a financially settled future, option or other derivative or hedge transaction) of any electric power product, including electric energy, capacity and/or ancillary services, in the form of a bilateral agreement or a written or oral confirmation of a transaction between two parties to a master agreement, including sales related to a tolling transaction in which part of the consideration provided by the purchaser of an electric power product is the fuel required by the seller to generate such electric power
PSM	Power Systems Manufacturing, LLC
RockGen	RockGen Energy LLC
RockGen Owner Lessors	Collectively, RockGen OL-1, LLC; RockGen OL-2, LLC; RockGen OL-3, LLC and RockGen OL-4, LLC
Rosetta	Rosetta Resource Inc.
SAB	Staff Accounting Bulletin
SDG&E	San Diego Gas & Electric Company
SDNY Court	U.S. District Court for the Southern District of New York
SEC	U.S. Securities and Exchange Commission
Second Priority Debt	Collectively, the Second Priority Notes and Senior Secured Term Loans Due 2007
Second Priority Notes	Calpine Corporation's Second Priority Senior Secured Floating Rate Notes Due 2007, 8 1/2% Second Priority Senior Secured Notes Due 2010, 8 3/4% Second Priority Senior Secured Notes Due 2013 and 9 7/8% Second Priority Senior Secured Notes Due 2011
Securities Act	U.S. Securities Act of 1933, as amended

ABBREVIATION	DEFINITION
SFAS	Statement of Financial Accounting Standards
SO_2	Sulfur dioxide
SOP 90-7	Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code"
Spark spread	The spread between the sales price for electricity generated and the cost of fuel
TTS	Thomassen Turbine Systems, B.V.
Unsecured Senior Notes	Collectively, Calpine Corporation's 7 5/8% Senior Notes due 2006, 10 1/2% Senior Notes due 2006, 8 3/4% Senior Notes due 2007, 7 7/8% Senior Notes due 2008, 7 3/4% Senior Notes due 2009, 8 5/8% Senior Notes due 2010 and 8 1/2% Senior Notes due 2011
U.S.	United States of America
U.S. Bankruptcy Court	U.S. Bankruptcy Court for the Southern District of New York
U.S. Debtor(s)	Calpine Corporation and each of its subsidiaries and affiliates that have filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court, which matters are being jointly administered in the U.S. Bankruptcy Court under the caption *In re Calpine Corporation, et al.*, Case No. 05-60200 (BRL)
Whitby	Whitby Cogeneration Limited Partnership

PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

	March 31, 2008	December 31, 2007
	(in millions, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 281	$ 1,915
Accounts receivable, net of allowance of $29 and $54	945	878
Accounts receivable, related party	2	226
Materials and supplies	100	114
Margin deposits and other prepaid expense	578	452
Restricted cash, current	368	422
Current derivative assets	2,434	731
Current assets held for sale	—	195
Other current assets	217	98
Total current assets	4,925	5,031
Property, plant and equipment, net	12,205	12,292
Restricted cash, net of current portion	169	159
Investments	350	260
Long-term derivative assets	326	290
Other assets	1,016	1,018
Total assets	$ 18,991	$ 19,050
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 794	$ 642
Accrued interest payable	61	324
Debt, current portion	360	1,710
Current derivative liabilities	2,860	806
Income taxes payable	80	51
Other current liabilities	387	571
Total current liabilities	4,542	4,104
Debt, net of current portion	9,723	9,946
Deferred income taxes, net of current portion	102	38
Long-term derivative liabilities	755	578
Other long-term liabilities	245	245
Total liabilities not subject to compromise	15,367	14,911
Liabilities subject to compromise	—	8,788
Commitments and contingencies (see Note 12)		
Minority interest	3	3
Stockholders' equity (deficit):		
Preferred stock, $.001 par value per share; authorized 100,000,000 shares, none issued and outstanding in 2008; authorized 10,000,000 shares, none issued and outstanding in 2007	—	—
Common stock, $.001 par value per share; authorized 1,400,000,000 shares, 419,172,684 shares issued and outstanding in 2008; authorized 2,000,000,000 shares, 568,314,685 issued and 479,314,685 outstanding in 2007	1	1
Additional paid-in capital	12,172	3,263
Accumulated deficit	(7,921)	(7,685)
Accumulated other comprehensive loss	(631)	(231)
Total stockholders' equity (deficit)	3,621	(4,652)
Total liabilities and stockholders' equity (deficit)	$ 18,991	$ 19,050

The accompanying notes are an integral part of these
Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2008	2007
	(in millions, except share and per share amounts)	
Operating revenues	$ 1,951	$ 1,662
Cost of revenue:		
Fuel and purchased energy expense	1,605	1,271
Plant operating expense	232	168
Depreciation and amortization expense	111	118
Other cost of revenue	32	37
Total cost of revenue	1,980	1,594
Gross profit (loss)	(29)	68
Sales, general and other administrative expense	48	40
Other operating expense	5	9
Income (loss) from operations	(82)	19
Interest expense	419	300
Interest (income)	(13)	(17)
Minority interest expense	—	2
Other (income) expense, net	10	(1)
Loss before reorganization items and income taxes	(498)	(265)
Reorganization items	(279)	105
Loss before income taxes	(219)	(370)
Provision (benefit) for income taxes	(5)	89
Net loss	$ (214)	$ (459)
Basic and diluted loss per common share:		
Weighted average shares of common stock outstanding (in thousands)	485,000	479,136
Net loss	$ (0.44)	$ (0.96)

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND STOCKHOLDERS' EQUITY (DEFICIT)
For the Three Months Ended March 31, 2008
(Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss) Net Unrealized Gain (Loss) From Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss) Net Unrealized Gain (Loss) From Foreign Currency Translation	Total Stockholders' Equity (Deficit)
			(in millions)			
Balance, December 31, 2007	$ 1	$ 3,263	$ (7,685)	$ (241)	$ 10	$ (4,652)
Cancellation of Calpine Corporation common stock	(1)	(3,263)	—	—	—	(3,264)
Issuance of reorganized Calpine Corporation common stock in accordance with the Plan of Reorganization	1	12,166	—	—	—	12,167
Stock compensation expense	—	6	—	—	—	6
Cumulative effect of adjustment from adoption of SFAS No. 157	—	—	(22)	—	—	(22)
Total stockholders' equity before comprehensive income items						4,235
Net loss	—	—	(214)	—	—	(214)
Comprehensive loss before reclassification adjustment	—	—	—	(404)	—	(404)
Reclassification adjustment	—	—	—	10	—	10
Foreign currency translation loss	—	—	—	—	(6)	(6)
Total comprehensive loss						(614)
Balance, March 31, 2008	$ 1	$ 12,172	$ (7,921)	$ (635)	$ 4	$ 3,621

The accompanying notes are an integral part of these
Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
	(in millions)	
Cash flows from operating activities:		
Net loss	$ (214)	$ (459)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization[1]	155	143
Deferred income taxes, net	64	89
Mark-to-market activities, net	167	60
Non-cash derivative activities	3	3
Loss from unconsolidated investments in power projects	4	—
Stock compensation expense	6	(2)
Reorganization items	(325)	63
Other	4	—
Change in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	255	(17)
Other assets	(78)	(151)
Accounts payable, LSTC and accrued expenses	(21)	86
Other liabilities	(282)	(47)
Net cash used in operating activities	(262)	(232)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(56)	(25)
Disposals of property, plant and equipment	4	8
Proceeds from sale of investments, turbines and power plants	398	394
Cash acquired due to reconsolidation of Canadian entities	64	—
Contributions to unconsolidated investments	—	(38)
Cash flows from derivatives not designated as hedges	(78)	3
Return of investment from unconsolidated investments	24	—
Decrease in restricted cash	43	125
Other	6	1
Net cash provided by investing activities	405	468

The accompanying notes are an integral part of these
Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS – (Continued)
(Unaudited)

	Three Months Ended March 31, 2008	2007
Cash flows from financing activities:		
Borrowings from notes payable and lines of credit	$ 5	$ —
Repayments of notes payable and lines of credit	(49)	(88)
Borrowings from project financing	90	15
Repayments of project financing	(140)	(59)
Repayments on CalGen financing	—	(224)
DIP Facility borrowings	—	614
Repayments of DIP Facility	(98)	(8)
Borrowings under Exit Facility	2,723	—
Repayments on Exit Facility	(455)	—
Repayments on Second Priority Debt	(3,672)	—
Redemptions of preferred interests	(5)	(4)
Financing costs	(175)	(53)
Other	(1)	(1)
Net cash provided by (used in) financing activities	(1,777)	192
Net increase (decrease) in cash and cash equivalents	(1,634)	428
Cash and cash equivalents, beginning of period	1,915	1,077
Cash and cash equivalents, end of period	$ 281	$ 1,505
Cash paid (received) during the period for:		
Interest, net of amounts capitalized	$ 470	$ 374
Income taxes	$ 7	$ 1
Reorganization items included in operating activities, net	$ 67	$ 31
Reorganization items included in investing activities, net	$ (414)	$ (250)
Reorganization items included in financing activities, net	$ —	$ 52
Supplemental disclosure of non-cash investing and financing activities:		
Settlement of LSTC through issuance of reorganized Calpine Corporation common stock	$ 5,200	$ —
DIP Facility borrowings converted into exit financing under the Exit Facilities	$ 3,872	$ —
Settlement of Convertible Senior Notes and Unsecured Senior Notes with common stock	$ 3,703	$ —
DIP Facility borrowings used to extinguish the Original DIP Facility principal $(989), CalGen Secured Debt principal $(2,309), and operating liabilities $(88)	$ —	$ 3,386
Project financing $(159) and operating liabilities $(33) extinguished with sale of Aries Power Plant	$ —	$ 192
Fair value of loaned common stock returned	$ —	$ 28
Letter of credit draws under the CalGen Secured Debt used for operating activities	$ —	$ 16
Fair value of Metcalf cooperation agreement, with offsets to notes payable $(6) and operating liabilities $(6)	$ —	$ 12

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(1) Includes depreciation and amortization that is also recorded in sales, general and other administrative expense and interest expense.

The accompanying notes are an integral part of these
Consolidated Condensed Financial Statements.

CALPINE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
March 31, 2008
(Unaudited)

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Interim Presentation — The accompanying unaudited interim Consolidated Condensed Financial Statements of Calpine Corporation, a Delaware corporation, and consolidated subsidiaries have been prepared pursuant to the rules and regulations of the SEC. In the opinion of management, the Consolidated Condensed Financial Statements include the adjustments necessary for a fair statement of the information required to be set forth therein. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted from these statements pursuant to such rules and regulations and, accordingly, these financial statements should be read in conjunction with our audited Consolidated Financial Statements for the year ended December 31, 2007, included in our 2007 Form 10-K. The results for interim periods are not necessarily indicative of the results for the entire year.

During the three month period ended March 31, 2007, and for the period January 1, 2008, through the Effective Date, we conducted our business in the ordinary course as debtors-in-possession under the protection of the Bankruptcy Courts. We emerged from Chapter 11 on January 31, 2008. Our Consolidated Condensed Financial Statements have been prepared in accordance with SOP 90-7 which requires that financial statements, for periods subsequent to our Chapter 11 filings, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain income, expenses, realized gains and losses and provisions for losses that were realized or incurred in our Chapter 11 cases are recorded in reorganization items on our Consolidated Condensed Statements of Operations. We determined that we did not meet the requirements to adopt fresh start accounting on the Effective Date of our emergence from Chapter 11 because the reorganization value of our assets exceeded the total of post-petition liabilities and allowed claims. See Note 2 for further discussion of our Plan of Reorganization and the applicability of fresh start accounting.

We operate in one line of business, the generation and sale of electricity and electricity-related products. We assess our business primarily on a regional basis due to the impact on our financial performance of the differing characteristics of these regions. Our reportable segments are West (including geothermal), Texas, Southeast, North and Other. Our Other segment includes fuel management, our turbine maintenance group, our PSM business for periods prior to its sale and certain hedging and other corporate activities. See Note 13 for segment information.

Canadian Subsidiaries — As a result of filings by the Canadian Debtors under the CCAA in the Canadian Court, we deconsolidated most of our Canadian and other foreign entities as of the Petition Date as we determined that the administration of the CCAA proceedings in a jurisdiction other than that of the U.S. Debtors' Chapter 11 cases resulted in a loss of the elements of control necessary for consolidation. Because of the uncertainty of our emergence from our CCAA and Chapter 11 cases, we fully impaired our investment in our Canadian and other foreign subsidiaries as of the Petition Date and accounted for such investments under the cost method. The impairment charge was included in reorganization items on our 2005 Consolidated Statement of Operations.

On February 8, 2008, the Canadian Effective Date, the Canadian Court ordered and declared that the proceedings under the CCAA were terminated. The termination of the proceedings of the CCAA and our emergence under the Plan of Reorganization allowed us to maintain our equity interest in the Canadian Debtors and other foreign entities, whose principal net assets include debt, various working capital items and a 50% ownership interest in Whitby, an equity method investment. As a result, we regained control over our Canadian Debtors which were reconsolidated into our Consolidated Condensed Financial Statements as of the Canadian Effective Date.

We accounted for the reconsolidation under the purchase method in a manner similar to a step acquisition. The excess of the fair market value of the reconsolidated net assets over the carrying value of our investment balance of $0 amounted to approximately $107 million. We recorded the Canadian assets acquired and the liabilities assumed based on their estimated fair value, with the exception of Whitby. We reduced the fair value of our Whitby equity investment (approximately $37 million) to $0 and recorded the $70 million balance of the excess as a gain in reorganization items on our Consolidated Condensed Statements of Operations for the three months ended March 31, 2008.

Deconsolidations — We deconsolidated OMEC during the second quarter of 2007 as a result of a 10-year tolling agreement with SDG&E which, among other things, provides for a put option by OMEC to sell, and a call option by SDG&E to buy, the Otay Mesa facility at the end of the tolling agreement. The tolling agreement and the put and call options were determined to absorb the majority of expected losses and residual returns from the entity such that we are not OMEC's primary beneficiary. Since the second quarter of 2007, we have accounted for our investment in OMEC under the equity method.

On December 6, 2007, our subsidiary RockGen, which had leased the RockGen Energy Center from the RockGen Owner Lessors pursuant to a sale and leaseback arrangement, entered into a settlement agreement and a purchase and sale agreement with the RockGen Owner Lessors to purchase the RockGen Energy Center for an allowed general unsecured claim of approximately $145 million. While the allowed claim was approved by the U.S. Bankruptcy Court in December 2007, the purchase agreement was conditional upon certain events before title could transfer to us. All of the conditions were satisfied in January 2008 and the acquisition of RockGen closed on January 15, 2008.

We determined that RockGen is a variable interest entity, and our purchase of the RockGen assets triggered a reevaluation under FIN 46(R), "Consolidation of Variable Interest Entities – an Interpretation of ARB No. 51," to determine RockGen's primary beneficiary. Our PPA between RockGen and Wisconsin Power & Light contains a call option which allows Wisconsin Power & Light and related parties to purchase RockGen on May 31, 2009, provided they give 180 days prior written notice. The call option was determined to absorb the majority of expected losses and residual returns from the entity such that we are not RockGen's primary beneficiary. Accordingly, we deconsolidated RockGen during the three months ended March 31, 2008, and our investment in RockGen is accounted for under the equity method. See Note 4 for further discussion of our investment in RockGen.

Reclassifications — Certain reclassifications have been made to prior periods to conform to the current period presentation. In particular, mark-to-market gains and losses on derivative gas contracts are classified as part of fuel and purchased energy expense. Previously, these gains and losses were included in mark-to-market activity, net, which was previously a separate component within operating revenues.

Cash and Cash Equivalents — We have certain project finance facilities and lease agreements that establish segregated cash accounts. These accounts have been pledged as security in favor of the lenders to such project finance facilities, and the use of certain cash balances on deposit in such accounts is limited, at least temporarily, to the operations of the respective projects. At March 31, 2008, and December 31, 2007, $166 million and $257 million, respectively, of the cash and cash equivalents balance that was unrestricted was subject to such project finance facilities and lease agreements.

Restricted Cash — We are required to maintain cash balances that are restricted by provisions of certain of our debt and lease agreements or by regulatory agencies. These amounts are held by depository banks in order to comply with the contractual provisions requiring reserves for payments such as for debt service, rent, major maintenance and debt repurchases. Funds that can be used to satisfy obligations due during the next twelve months are classified as current restricted cash, with the remainder classified as non-current restricted cash. Restricted cash is generally invested in accounts earning market rates; therefore the carrying value approximates fair value. Such cash is excluded from cash and cash equivalents in the Consolidated Condensed Balance Sheets and Statements of Cash Flows.

The table below represents the components of our consolidated restricted cash as of March 31, 2008, and December 31, 2007 (in millions):

	March 31, 2008			December 31, 2007		
	Current	Non-Current	Total	Current	Non-Current	Total
Debt service	$ 75	$ 114	$ 189	$ 128	$ 111	$ 239
Rent reserve	17	—	17	11	—	11
Construction/major maintenance	74	31	105	62	26	88
Security/project reserves	50	1	51	119	—	119
Collateralized letters of credit and other credit support	24	1	25	4	—	4
Professional fees: Chapter 11 emergence	58	—	58	—	—	—
Other	70	22	92	98	22	120
Total	$ 368	$ 169	$ 537	$ 422	$ 159	$ 581

Income Taxes — For the three months ended March 31, 2008, we determined that the annual effective tax rate method for computing our tax provision as of the end of the quarter did not provide meaningful results because of the uncertainty in reliably estimating our 2008 projected annual effective tax rate. Therefore, income taxes for the three months ended March 31, 2008, were computed based on actual results for the quarter. For the three months ended March 31, 2008 and 2007, our provision (benefit) for income taxes was $(5) million and $89 million, respectively.

Under federal income tax law, NOL carryforwards can be utilized to reduce future taxable income. However, our ability to utilize our NOL carryforwards is subject to certain limitations if we undergo an ownership change as defined by the Internal Revenue Code. We experienced an ownership change on the Effective Date as a result of the distribution of reorganized Calpine Corporation common stock pursuant to the Plan of Reorganization. We do not expect the annual limitation from this ownership change to result in the expiration of the NOL carryforwards if we are able to generate sufficient future taxable income within the carryforward periods. If a subsequent ownership change were to occur as a result of future transactions in our stock, accompanied by a significant reduction in the market value of the Company prior to the ownership change, our ability to utilize the NOL carryforwards may be significantly limited.

Our certificate of incorporation permits our Board of Directors to impose certain transfer restrictions on our common stock in certain circumstances. If, prior to February 1, 2013, our Market Capitalization declines by 35% from our Emergence Date Market Capitalization of approximately $8.6 billion (calculated pursuant to our certificate of incorporation) and 25 percentage points of ownership change have occurred (calculated pursuant to Section 382 of the Internal Revenue Code), our Board of Directors is required to meet to determine whether to impose those restrictions. These restrictions are designed to minimize the likelihood of an ownership change occurring and thereby preserve our ability to utilize our NOLs. However, there is no assurance that our Board would choose to impose these restrictions or that such restrictions would prevent an ownership change from occurring. These restrictions are not currently operative but could become operative in the future if the foregoing events occur and the restrictions are imposed by our Board of Directors.

GAAP requires that we consider all available evidence and tax planning strategies, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of an existing deductible temporary difference or carryforward ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryback or carryforward periods available under the tax law.

We have provided a valuation allowance on certain federal, state and foreign tax jurisdiction deferred tax assets to reduce the gross amount of these assets to the extent necessary to result in an amount that is more likely than not of being realized. For the three months ended March 31, 2008, we provided a valuation allowance of $255 million on certain Canadian deferred tax assets recorded with the reconsolidation of our Canadian subsidiaries in February 2008. Additionally, we provided a valuation allowance of $131 million on deferred tax assets related to OCI.

As of March 31, 2008, we had unrecognized tax benefits of $91 million. If recognized, $33 million of our unrecognized tax benefits could impact the annual effective tax rate and $58 million related to deferred tax assets could be offset against recorded valuation allowance within the next twelve months. We also had accrued interest and penalties of $24 million for income tax matters as of March 31, 2008. The amount of unrecognized tax benefits decreased by $82 million for the three months ended March 31, 2008, primarily related to our settlement of intercompany loans with certain of our Canadian subsidiaries for $52 million and the settlement of an IRS examination for $29 million.

Our U.S. income tax returns for 2004 through 2006 tax years are still subject to IRS examination. Due to significant NOLs incurred in these years, any IRS adjustment of these returns would likely result in a reduction of the deferred tax assets already subject to valuation allowances rather than a cash payment of taxes.

Recent Accounting Pronouncements

SFAS No. 157 — In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements," which is effective for fiscal years beginning after November 15, 2007, and for interim periods within those years. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and enhances disclosures about fair value measurements. SFAS No. 157 applies when other accounting pronouncements require fair value measurements; it does not require any new fair value measurements. In February 2008, the FASB issued FSP No. FAS 157-2, "Effective Date of FASB Statement No. 157," which defers the effective date of SFAS No. 157 for non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years and interim periods beginning after November 15, 2008. We have certain potential non-recurring, non-financial assets and non-financial liabilities recorded at fair value that fall within the scope of FSP No. FAS 157-2 that include asset retirement obligations initially measured at fair value and long-lived assets measured at fair value for impairment testing. We expect to adopt FSP FAS 157-2 as of January 1, 2009, and we are currently assessing the impact of applying SFAS No. 157 to non-financial assets and non-financial liabilities on our results of operations, cash flows and financial position. We have adopted SFAS No. 157 as of January 1, 2008, related to financial assets and financial liabilities. See Note 8 for a discussion of the impact of adopting this standard.

FASB Staff Position No. FIN 39-1 — In April 2007, the FASB staff issued FSP FIN 39-1, "Amendment of FASB Interpretation No. 39." FSP FIN 39-1 requires an entity to offset the fair value amounts recognized for cash collateral paid or cash collateral received against the fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement, if the entity elects to offset (net) fair value amounts recognized as derivative instruments. Under the provisions of this pronouncement, a reporting entity shall make an accounting decision whether or not to offset fair value amounts. We adopted FSP FIN 39-1 on January 1, 2008, and elected not to apply the netting provisions allowed under FSP FIN 39-1. We have presented our derivative assets and liabilities on a gross basis as of March 31, 2008, on our Consolidated Condensed Balance Sheets in accordance with this standard. Adoption of this standard had no effect on our results of operations or cash flows.

In accordance with FSP FIN 39-1, we retrospectively adjusted derivative assets and liabilities from a net to a gross basis on our Consolidated Condensed Balance Sheet as of December 31, 2007, to conform to current period presentation. The effect to our Consolidated Condensed Balance Sheet as of December 31, 2007, was as follows (in millions): (Note - only line items impacted are shown.)

	December 31, 2007	
	As Previously Reported	As Adjusted
Current derivative assets	$ 231	$ 731
Total current assets	4,531	5,031
Long-term derivative assets	222	290
Total long-term assets	13,951	14,019
Total assets	$ 18,482	$ 19,050
Current derivative liabilities	$ (306)	$ (806)
Total current liabilities	(3,604)	(4,104)
Long-term derivative liabilities	(510)	(578)
Total liabilities not subject to compromise	(14,343)	(14,911)
Total liabilities and stockholders' equity (deficit)	$ (18,482)	$ (19,050)

SFAS No. 141(R) — In December 2007, FASB issued SFAS No. 141(R), "Business Combinations," which replaces SFAS No. 141. SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. In addition, SFAS No. 141(R) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase. SFAS No. 141(R) also establishes disclosure requirements to enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008, with early adoption prohibited. We are currently assessing the impact this standard will have on our results of operations, cash flows and financial position.

SFAS No. 160 — In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51." SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary. In addition, SFAS No. 160 establishes principles for valuation of retained noncontrolling equity investments and measurement of gain or loss when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements to clearly identify and distinguish between interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years and interim periods beginning after December 15, 2008, with early adoption prohibited. We are currently assessing the impact this standard will have on our results of operations, cash flows and financial position.

SFAS No. 161 — In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – An Amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities to enable investors to better understand their effects on the entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. Since SFAS No. 161 requires only additional disclosures regarding derivatives and hedging activities and does not impact accounting treatment, we do not expect this standard to have any impact on our results of operations, cash flows or financial position.

2. Our Emergence from Chapter 11

Summary of Proceedings and General Bankruptcy Matters — From the Petition Date through the Effective Date, we operated as a debtor-in-possession under the protection of the U.S. Bankruptcy Court following filings by Calpine Corporation and 274 of its wholly owned U.S. subsidiaries for voluntary petitions for relief under Chapter 11 of the

Bankruptcy Code. In addition, during that period, 12 of our Canadian subsidiaries that had filed for creditor protection under the CCAA also operated as debtors-in-possession under the jurisdiction of the Canadian Court.

During the pendency of our Chapter 11 cases through the Effective Date, pursuant to automatic stay provisions under the Bankruptcy Code and orders granted by the Canadian Court, all actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date as well as all pending litigation against the Calpine Debtors generally were stayed. Following the Effective Date, actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date, as well as pending litigation against the Calpine Debtors related to such liabilities generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the U.S. Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the U.S. Bankruptcy Court to the extent the parties to such litigation have obtained relief from the permanent injunction.

Plan of Reorganization — Our Plan of Reorganization became effective on January 31, 2008. The Plan of Reorganization provides for the treatment of claims against and interests in the U.S. Debtors. Pursuant to the Plan of Reorganization, allowed administrative claims are being paid in full in cash and cash equivalents, as are allowed first and second lien debt claims. Priority tax claims are being paid in full in cash and cash equivalents or with a distribution of the reorganized Calpine Corporation common stock. Other allowed secured claims are being reinstated, paid in full in cash or cash equivalents, or having the collateral securing such claims returned to the secured creditor. Make whole claims arising in connection with the repayment of the CalGen Second Lien Debt and the CalGen Third Lien Debt that are ultimately allowed will be paid in full using cash and cash equivalents or the reorganized Calpine Corporation common stock held in reserve pursuant to the Plan of Reorganization. To the extent that the common stock reserved on account for such make whole claims is insufficient in value to satisfy such claims in full, we must use other available cash to satisfy such claims. Allowed unsecured claims are receiving a pro rata distribution of all common stock of the reorganized Calpine Corporation to be issued under the Plan of Reorganization (except shares reserved for issuance under the Calpine Equity Incentive Plans). Allowed unsecured convenience claims (subject to certain exceptions, all unsecured claims $50,000 or less) are being paid in full in cash or cash equivalents. Holders of allowed interests in Calpine Corporation (primarily holders of Calpine Corporation common stock existing as of the Petition Date) received a pro rata share of warrants to purchase approximately 48.5 million shares of reorganized Calpine Corporation common stock, subject to certain terms. Holders of subordinated equity securities claims did not receive a distribution under the Plan of Reorganization and may only recover from applicable insurance proceeds. Because certain disputed claims were not resolved as of the Effective Date and are not yet finally adjudicated, no assurances can be given that actual claim amounts may not be materially higher or lower than confirmed in the Plan of Reorganization.

In connection with the consummation of the Plan of Reorganization, we closed on our approximately $7.3 billion of Exit Facilities, comprising the approximately $4.9 billion of outstanding loan amounts and commitments under the DIP Facility (including the $1.0 billion revolver), which were converted into exit financing under the Exit Credit Facility, approximately $2.1 billion of additional term loan facilities under the Exit Credit Facility and $300 million of term loans under the Bridge Facility. Amounts drawn under the Exit Facilities at closing were used to fund cash payment obligations under the Plan of Reorganization including the repayment of a portion of the Second Priority Debt and the payment of administrative claims and other pre-petition claims, as well as to pay fees and expenses in connection with the Exit Facilities and for working capital and general corporate purposes. As of March 6, 2008, the Bridge Facility had been repaid in full in accordance with its terms.

Pursuant to the Plan of Reorganization, all shares of our common stock outstanding prior to the Effective Date were canceled, and the issuance of 485 million shares of reorganized Calpine Corporation common stock was authorized. Through the filing of this Report, approximately 419 million shares have been distributed to holders of allowed unsecured claims against the U.S. Debtors, approximately 10 million are being held pending resolution of certain intercreditor matters and approximately 56 million shares remain in reserve for distribution to holders of disputed claims whose claims ultimately become allowed. We estimate that the number of shares reserved is sufficient to satisfy the U.S. Debtors' obligations under the Plan of Reorganization even if all disputed unsecured claims ultimately become allowed. As disputed claims are resolved, the claimants receive distributions of shares from the reserve on the same basis as if such distributions had been made on or about the Effective Date. To the extent that any of the reserved shares remain undistributed upon resolution of the remaining disputed claims, such shares will not be returned to us but rather will be distributed pro rata to claimants with allowed claims to increase their recovery. We are not required to issue additional shares above the 485 million shares authorized to settle unsecured claims, even if the shares remaining for distribution are not sufficient to fully pay all allowed unsecured claims. Accordingly, resolution of these claims could have a material effect on creditor recoveries under the Plan of Reorganization as the total number of shares of common stock that remain available for distribution upon resolution of disputed claims is limited pursuant to the Plan of Reorganization. Additionally, certain disputed claims, including litigation instituted by us challenging so-called "make whole," premium, or "no-call" claims have not yet been finally adjudicated and may be required to be settled in cash and cash equivalents or reorganized Calpine Corporation common stock held in reserve pursuant to the Plan of Reorganization. To the extent that the common stock reserved on account for such make whole claims is insufficient in value to satisfy such claims in full, we must use other available cash to satisfy such claims. No assurances can be given that settlements may not be materially higher or lower than we originally estimated.

Pursuant to the Plan of Reorganization, we were also authorized to issue up to 15 million shares under the Calpine Equity Incentive Plans, and we issued warrants to purchase approximately 48.5 million shares of common stock at $23.88 per share to holders of our previously outstanding common stock. Each warrant represents the right to purchase a single share of our new common stock and will expire on August 25, 2008. As of March 31, 2008, we have issued approximately 2 million shares of restricted stock, net of forfeitures, and options to purchase approximately 5 million shares of common stock, net of forfeitures, under the Calpine Equity Incentive Plans.

The reorganized Calpine Corporation common stock is listed on the NYSE. Our common stock began "when issued" trading on the NYSE under the symbol "CPN-WI" on January 16, 2008, and began "regular way" trading on the NYSE under the symbol "CPN" on February 7, 2008. Our authorized equity consists of 1.5 billion shares comprising 1.4 billion shares of common stock, par value $.001 per share, and 100 million shares of preferred stock which preferred stock may be issued in one or more series, with such voting rights and other terms as our Board of Directors determines.

Several parties have filed appeals seeking reconsideration of the Confirmation Order. See Note 12 for further discussion.

In connection with our emergence from Chapter 11, we recorded certain "plan effect" adjustments to our Consolidated Condensed Balance Sheet as of the Effective Date in order to reflect certain provisions of our Plan of Reorganization. These adjustments included the distribution of approximately $4.1 billion in cash and the authorized issuance of 485 million shares of reorganized Calpine Corporation common stock primarily for the discharge of LSTC, repayment of the Second Priority Debt and for various other administrative and other post-petition claims. As a result, our equity increased by approximately $8.9 billion. We borrowed approximately $6.4 billion under our Exit Facilities, which was used to repay the outstanding term loan balance of $3.9 billion (excluding the unused portion under the $1.0 billion revolver) under our DIP Facility. The remaining net proceeds of approximately $2.5 billion were used to fund cash payment obligations under the Plan of Reorganization including the repayment of a portion of the Second Priority Debt and the payment of administrative claims.

Applicability of Fresh Start Accounting — At the Effective Date, we did not meet the requirements under SOP 90-7 to adopt fresh start accounting. Fresh start accounting requires the debtor to use current fair values in its balance sheet for both assets and liabilities and to eliminate all prior earnings or deficits. The two requirements to fresh start accounting are:

- the reorganization value of the company's assets immediately before the date of confirmation of the plan of reorganization is less than the total of all post-petition liabilities and allowed claims; and

- the holders of existing voting shares immediately before confirmation of the plan of reorganization receive less than 50% of the voting shares upon emergence.

We refer to these requirements as the "fresh start applicability test." For purposes of applying the fresh start applicability test, reorganization value is defined in the glossary of SOP 90-7 as "the value attributed to the reconstituted entity, as well as the expected net realizable value of those assets that will be disposed before reconstitution occurs. Therefore, this value is viewed as the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of the entity immediately after the restructuring." Calpine's reorganization value was negotiated and approved by the U.S. Bankruptcy Court to be approximately $18.95 billion.

Generally, the fresh start applicability test is applied in the period immediately preceding the confirmation date of a plan of reorganization unless there are material conditions precedent to emergence, in which case, it is applied in the period immediately preceding the date when all of the material conditions have been resolved. Because the Confirmation Order contained material conditions, in particular the closing and funding of our Exit Facilities, we determined that the fresh start applicability test should be applied in the period immediately preceding the Effective Date.

As of the Effective Date, our fresh start calculation indicated that we did not meet the requirements to adopt fresh start accounting because the reorganization value of our assets exceeded the total of post-petition liabilities and allowed claims. LSTC as confirmed by the Plan of Reorganization was stated at the present values of the amounts expected to be paid.

Interest Expense — We recorded interest expense in December 2007 for allowed claims under the Plan of Reorganization of $347 million related to post-petition interest on LSTC incurred from the Petition Date through December 31, 2007, and we recorded $148 million in additional post-petition interest from January 1, 2008, through the Effective Date. Prior to recording the post-petition interest on pre-petition LSTC, interest expense related to pre-petition LSTC was reported only to the extent that it was paid during the pendency of the Chapter 11 cases or was permitted by the Cash Collateral Order or other orders of the U.S. Bankruptcy Court. Contractual interest (at non-default rates) owed to unrelated parties on pre-petition LSTC not reflected on our Consolidated Condensed Financial Statements was $60 million for the three months ended March 31, 2007. Additionally, we made periodic cash adequate protection payments to the holders of Second Priority Debt on a quarterly basis through December 31, 2007, which were classified as interest expense on our Consolidated Condensed Statements of Operations during the three months ended March 31, 2007.

Reorganization Items — Reorganization items represent the direct and incremental costs related to our Chapter 11 cases, such as professional fees, pre-petition liability claim adjustments and losses that are probable and can be estimated, net of interest income earned on accumulated cash during the Chapter 11 process and net gains on the sale of assets or resulting from certain settlement agreements related to our restructuring activities. Our restructuring activities may result in additional charges and other adjustments for expected allowed claims (including claims that may be subsequently allowed by the U.S. Bankruptcy Court) and other reorganization items that could be material to our financial position or results of operations in any given period.

The table below lists the significant components of reorganization items for the three months ended March 31, 2008 and 2007 (in millions):

	2008	2007
Provision for expected allowed claims	$ (59)	$ 105
Professional fees	62	46
Gains on asset sales, net of equipment impairments	(203)	(236)
Gain on reconsolidation of Canadian Debtors	(70)	—
DIP Facility financing and CalGen Secured Debt repayment costs	(4)	160
Interest (income) on accumulated cash	(7)	(8)
Other	2	38
Total reorganization items	$ (279)	$ 105

Provision for expected allowed claims — Represents the change in our estimate of the expected allowed claims. During the three months ended March 31, 2008, our provision for expected allowed claims consisted primarily of a $62 million credit related to the settlement of claims with the Canadian Debtors. During the three months ended March 31, 2007, our provision for expected allowed claims consisted primarily of $112 million resulting from the repudiation of a natural gas transportation contract.

Gains on asset sales, net of equipment impairments — Represents gains on the sales of the Hillabee and Fremont development project assets for the three months ended March 31, 2008. See Note 5 for further discussion of our sales of Hillabee and Fremont. The sales of these assets and utilization of the sales proceeds to repay the Bridge Facility were part of our Plan of Reorganization and are included in reorganization items even though the sales closed subsequent to the Effective Date. The amounts recorded for the three months ended March 31, 2007, primarily represent the gains recorded on the sales of the assets of the Aries Power Plant, Goldendale Energy Center and PSM.

Other — Other reorganization items consist primarily of adjustments for foreign exchange rate changes on LSTC denominated in a foreign currency and governed by foreign law, employee severance and emergence incentive costs during the three months ended March 31, 2008 and 2007.

U.S. Debtors Condensed Combined Financial Statements

Basis of Presentation — The U.S. Debtors' Condensed Combined Financial Statements exclude the financial statements of the Non-U.S. Debtor parties. Transactions and balances of receivables and payables between U.S. Debtors are eliminated in consolidation.

Condensed Combined Financial Statements of the U.S. Debtors for the three months ended March 31, 2007, are set forth below (in millions):

Condensed Combined Statement of Operations

	2007
Total revenue	$ 1,552
Total cost of revenue	1,554
Operating expense	51
Loss from operations	(53)
Interest expense	201
Other (income) expense, net	17
Reorganization items	103
Provision for income taxes	95
Net loss	$ (469)

Condensed Combined Statement of Cash Flows

	2007
Net cash provided by (used in):	
Operating activities	$ (221)
Investing activities	396
Financing activities	327
Net increase in cash and cash equivalents	502
Cash and cash equivalents, beginning of year	883
Cash and cash equivalents, end of year	$ 1,385
Net cash paid for reorganization items included in operating activities	$ 31
Net cash received from reorganization items included in investing activities	$ (248)
Net cash paid for reorganization items included in financing activities	$ 52

3. Property, Plant and Equipment, Net

As of March 31, 2008, and December 31, 2007, the components of property, plant and equipment are stated at cost less accumulated depreciation as follows (in millions):

	March 31, 2008	December 31, 2007
Buildings, machinery and equipment	$ 13,447	$ 13,439
Geothermal properties	948	944
Other	262	259
	14,657	14,642
Less: Accumulated depreciation	(2,684)	(2,582)
	11,973	12,060
Land	74	77
Construction in progress	158	155
Property, plant and equipment, net	$ 12,205	$ 12,292

4. Investments

At March 31, 2008, and December 31, 2007, our investments included the following (in millions):

	Ownership Interest as of March 31, 2008	March 31, 2008	December 31, 2007
Greenfield LP	50%	$ 81	$ 114
OMEC	100%	132	146
RockGen	100%	136	—
Other		1	—
Total investments		$ 350	$ 260

Greenfield LP — Greenfield LP is a limited partnership between certain subsidiaries of ours and of Mitsui & Co., Ltd., formed for the purpose of constructing and operating the Greenfield Energy Centre, a 1,005-MW natural gas-fired power plant in Ontario, Canada. We and Mitsui & Co., Ltd. each hold a 50% interest in Greenfield LP. Our investment is accounted for under the equity method. On May 31, 2007, Greenfield LP entered into a Can$648 million non-recourse project finance facility, which is structured as a construction loan that will convert to an 18-year term loan once the power plant begins commercial operations. Borrowings under the project finance facility are initially priced at Canadian LIBOR plus 1.2% or Canadian prime rate plus 0.2%. During the three months ended March 31, 2008, and March 31, 2007, we contributed nil and $38 million, respectively, as an additional investment in Greenfield LP.

OMEC — OMEC, an indirect wholly owned subsidiary, is the owner of the Otay Mesa Energy Center, a 596-MW natural gas-fired power plant currently under construction in southern San Diego County, California. We deconsolidated OMEC during the second quarter of 2007 as described further in Note 1. Our investment is accounted for under the equity method. On May 3, 2007, OMEC entered into a $377 million non-recourse project finance facility to finance the construction of the Otay Mesa power plant. The project finance facility is structured as a construction loan, converting to a term loan upon commercial operation of the Otay Mesa power plant, and matures in April 2019. Borrowings under the project finance facility are initially priced at LIBOR plus 1.5%.

RockGen — On December 6, 2007, our subsidiary RockGen, which had leased the RockGen Energy Center from the RockGen Owner Lessors pursuant to a sale and leaseback arrangement, entered into a settlement agreement and a purchase and sale agreement with the RockGen Owner Lessors to purchase the RockGen Energy Center for an allowed general unsecured claim of approximately $145 million. While the allowed claim was approved by the U.S. Bankruptcy Court in December 2007, the purchase agreement was conditional upon certain events before title could transfer to us. All of the conditions were satisfied in January 2008 and the acquisition of the RockGen Energy Center closed on January 15, 2008. We deconsolidated RockGen during the three months ended March 31, 2008, as described further in Note 1. Our investment is accounted for under the equity method.

Our income (loss) from our unconsolidated investments in power plants is included in other operating expense on our Consolidated Condensed Statement of Operations.

5. Asset Sales

On February 14, 2008, we completed the sale of substantially all of the assets comprising the Hillabee development project, a partially completed 774-MW combined cycle power plant located in Alexander City, Alabama, to CER Generation, LLC for approximately $156 million, plus the assumption of certain liabilities. We recorded a pre-tax gain of approximately $63 million during the three months ended March 31, 2008.

On March 5, 2008, we completed the sale of substantially all of the assets comprising the Fremont development project, a partially completed 550-MW natural gas-fired power plant located in Fremont, Ohio, to First Energy Generation Corp. for approximately $254 million, plus the assumption of certain liabilities. We recorded a pre-tax gain of approximately $136 million during the three months ended March 31, 2008.

The sales of the Hillabee and Fremont development projects, did not meet the criteria for discontinued operations due to our continuing activity in the markets in which these power plants operate or were located; therefore, the results of operations for all periods prior to sale are included in our continuing operations.

Assets Held for Sale — There were no assets held for sale as of March 31, 2008. At December 31, 2007, our current assets held for sale consisted of construction in progress of the Fremont and Hillabee development projects totaling $195 million.

6. Comprehensive Loss

Comprehensive loss is the total of net loss and all other non-owner changes in equity. Comprehensive loss includes our net loss, unrealized gains and losses from derivative instruments that qualify as cash flow hedges, our share of equity method investee's OCI, and the effects of foreign currency translation adjustments. We report AOCI in our Consolidated Condensed Balance Sheets. The table below details the components of our comprehensive loss during the three months ended March 31, 2008 and 2007 (in millions):

	2008	2007
Net loss	$ (214)	$ (459)
Other comprehensive income (loss):		
Comprehensive loss on cash flow hedges before reclassification adjustment	(404)	(13)
Reclassification adjustment	10	10
Foreign currency translation loss	(6)	—
Total comprehensive loss	$ (614)	$ (462)

7. Debt

Our debt at March 31, 2008, and December 31, 2007, was as follows (in millions):

	March 31, 2008	December 31, 2007
Exit Facilities	$ 6,140	$ —
DIP Facility	—	3,970
Second Priority Debt	—	3,672
Construction/project financing	1,897	1,944
CCFC financing	778	780
Preferred interests	570	575
Notes payable and other borrowings	419	432
Capital lease obligations	279	283
Total debt (not subject to compromise)	10,083	11,656
Less: Amounts reclassified to debt, current portion	—	59
Less: Current maturities	360	1,651
Debt (not subject to compromise), net of current portion	$ 9,723	$ 9,946

Exit Facilities — Upon our emergence from Chapter 11, we converted the approximately $4.9 billion of loans and commitments outstanding under our DIP Facility (including the $1.0 billion revolver) into loans and commitments under our approximately $7.3 billion of Exit Facilities. The Exit Facilities provide for approximately $2.1 billion in senior secured term loans and $300 million in senior secured bridge loans in addition to the loans and commitments that had been available under the DIP Facility. The facilities under the Exit Facilities include:

The Exit Credit Facility, comprising:

- approximately $6.0 billion of senior secured term loans;
- a $1.0 billion senior secured revolving facility; and
- ability to raise up to $2.0 billion of incremental term loans available on a senior secured basis in order to refinance secured debt of subsidiaries under an “accordion” provision.

The Bridge Facility, comprising:

- a $300 million senior secured bridge term loan.

The approximately $6.0 billion of senior secured term loans and the $300 million Bridge Facility were fully drawn and we drew approximately $150 million under the $1.0 billion senior secured revolving facility on the Effective Date. The proceeds of the drawdowns, above the amounts that had been applied under the DIP Facility as described below, were used to repay a portion of the Second Priority Debt, fund distributions under the Plan of Reorganization to holders of other secured claims and to pay fees, costs, commissions and expenses in connection with the Exit Facilities and the implementation of our Plan of Reorganization. Term loan borrowings under the Exit Credit Facility bear interest at a floating rate of, at our option, LIBOR plus 2.875% per annum or base rate plus 1.875% per annum. Borrowings under the Exit Credit Facility term loan facility require quarterly payments of principal equal to 0.25% of the original principal amount of the term loan, with the remaining unpaid amount due and payable at maturity on March 29, 2014. See Note 9 for a discussion of our interest rate swap derivatives.

As of March 6, 2008, the Bridge Facility had been repaid in full in accordance with its terms with proceeds from the sales of the Hillabee and Fremont development project assets. Prior to repayment, borrowings under the Bridge Facility bore interest at LIBOR plus 2.875% per annum.

The obligations under the Exit Credit Facility are unconditionally guaranteed by certain of our direct and indirect domestic subsidiaries and are secured by a security interest in substantially all of the tangible and intangible assets of Calpine Corporation and the guarantors. The obligations under the Exit Credit Facility are also secured by a pledge of the equity interests of the direct subsidiaries of each guarantor, subject to certain exceptions, including exceptions for equity interests in foreign subsidiaries, existing contractual prohibitions and prohibitions under other legal requirements.

The Exit Credit Facility contains restrictions, including limiting our ability to, among other things: (i) incur additional indebtedness and issue stock; (ii) make prepayments on or purchase indebtedness in whole or in part; (iii) pay dividends and other distributions with respect to our stock or repurchase our stock or make other restricted payments; (iv) use money borrowed under the Exit Facilities for non-guarantors (including foreign subsidiaries); (v) make certain investments; (vi) create or incur liens to secure debt; (vii) consolidate or merge with another entity, or allow one of our subsidiaries to do so; (viii) lease, transfer or sell assets and use proceeds of permitted asset leases, transfers or sales; (ix) limit dividends or other distributions from certain subsidiaries up to Calpine; (x) make capital expenditures beyond specified limits; (xi) engage in certain business activities; and (xii) acquire facilities or other businesses.

The Exit Credit Facility also requires compliance with financial covenants that include (i) a maximum ratio of total net debt to Consolidated EBITDA (as defined in the Exit Credit Facility), (ii) a minimum ratio of Consolidated EBITDA to cash interest expense and (iii) a maximum ratio of total senior net debt to Consolidated EBITDA.

As of March 31, 2008, under the Exit Credit Facility we had approximately $6.0 billion outstanding under the term loan facilities, $175 million outstanding under the revolving credit facility and $211 million of letters of credit issued against the revolving credit facility.

DIP Facility — As of December 31, 2007, our primary debt facility was the DIP Facility. The DIP Facility consisted of a $4.0 billion first priority senior secured term loan and a $1.0 billion first priority senior secured revolving credit facility together with an uncommitted term loan facility that permitted us to raise up to $2.0 billion of incremental term loan funding on a senior secured basis with the same priority as the then current debt under the DIP Facility. In addition, under the DIP Facility, the U.S. Debtors had the ability to provide liens to counterparties to secure obligations arising under certain hedging agreements. The DIP Facility was priced at LIBOR plus 2.25% or base rate plus 1.25% and matured upon the Effective Date, when the loans and commitments under the DIP Facility were converted to loans and commitments under our Exit Facilities.

On February 1, 2008, Blue Spruce entered into a $90 million senior term loan. Net proceeds from the senior term loan were used to refinance all outstanding indebtedness under the existing Blue Spruce term loan facility, to pay fees and expenses related to the transaction and for general corporate purposes. The senior term loan carries interest at LIBOR plus an initial base rate of 1.63%, which escalates to 2.50% over the life of the senior term loan and matures December 31, 2017. The senior term loan is secured by the assets of Blue Spruce.

During the three months ended March 31, 2008, we entered into a letter of credit facility related to our subsidiary Calpine Development Holdings, Inc. under which up to $150 million is available for letters of credit. As of March 31, 2008, $43 million letters of credit had been issued under this facility.

At March 31, 2008, we had a total of $374 million in amounts outstanding under letters of credit including $211 million under our Exit Credit Facility and $43 million under the letter of credit facility related to our subsidiary Calpine Development Holdings, Inc. discussed above, as well as amounts outstanding under other credit facilities. At December 31, 2007, we had a total of $298 million in letters of credit outstanding under our DIP Facility and other credit facilities.

8. Fair Value Measurements

Effective January 1, 2008, we adopted SFAS No. 157, which provides a framework for measuring fair value under GAAP and, among other things, requires enhanced disclosures about assets and liabilities carried at fair value. As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date (exit price). We utilize market data and assumptions that we believe market participants would use in pricing our assets or liabilities including assumptions about risks and the risks inherent to the inputs in the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. We primarily apply the market approach and income approach for recurring fair value measurements and utilize what we believe to be the best available information. We utilize valuation techniques that seek to maximize the use of observable inputs and minimize the use of unobservable inputs. We classify fair value balances based on the observability of those inputs. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

Level 1 — Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 — Pricing inputs include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — Pricing inputs include significant inputs that are generally less observable or from unobservable sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

SFAS No. 157 is to be applied prospectively as of the beginning of the year of adoption, except for limited retrospective application to selected items including financial instruments that were measured at fair value using the transaction price in accordance with the requirements of EITF Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities." Day one gains and losses previously deferred under EITF Issue No. 02-3 should be recorded as a cumulative effect adjustment to opening retained earnings at the date of adoption. As of January 1, 2008, we recorded a non-cash reduction to retained earnings of approximately $22 million relating to the unamortized deferred loss on a derivative instrument. The determination of the fair value incorporates various factors required under SFAS No. 157. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits and first priority liens) but also the impact of our nonperformance risk on our liabilities. Additionally, implementation of this standard resulted in expenses of $13 million included in our net loss and $33 million included in other comprehensive income (loss). This resulted from the establishment of reserves for our credit exposure of $2 million and a gain for credit exposure on our liabilities of $17 million recorded as a reduction of our derivative liabilities. Additionally, we have recorded liquidity reserves to adjust our pricing convention for measuring the fair value of certain of our derivative assets and liabilities from using a midpoint pricing convention to using either the bid price or ask price, as applicable, in determining fair value. This change resulted in a decrease of fair value of our derivative assets and liabilities of $61 million.

Prices for electricity and natural gas are volatile, which can result in material changes in the fair value measurements reported in our Consolidated Condensed Financial Statements in the future. The primary factors affecting the fair value of our commodity derivatives at any point in time are the volume of open derivative positions (MMBtu and MWh), changing commodity market prices, principally for electricity and natural gas, the credit standing of our counterparties and our own credit rating.

Derivatives — We enter into a variety of derivative instruments to include both exchange traded and OTC power and gas forwards, options and interest rate swaps.

Our level 1 fair value derivative instruments primarily consist of natural gas futures traded on the NYMEX.

Our level 2 fair value derivative instruments primarily consist of our interest rate swaps and our power and gas OTC forwards where market data for pricing inputs is observable. Generally, we obtain our level 2 pricing inputs from markets such as the Intercontinental Exchange. In certain instances, our level 2 derivative instruments may utilize models to measure fair value. These models are primarily industry-standard models that incorporate various assumptions, including quoted interest rates and time value, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Our level 3 fair value derivative instruments primarily consist of our power and gas OTC forwards and options where pricing inputs are unobservable as well as other complex and structured transactions. Complex or structured transactions are tailored to our or our customers' needs and can introduce the need for internally-developed model inputs which might not be observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in level 3. Our valuation models may incorporate historical correlation information and extrapolate available broker and other information to future periods. In cases where there is no corroborating market information available to support significant model inputs, we initially use the transaction price as the best estimate of fair value. OTC options are valued using industry-standard models, including the Black-Scholes pricing model. At each balance sheet date, we perform an analysis of all instruments subject to SFAS No. 157 and include in level 3 all of those whose fair value is based on significant unobservable inputs.

The fair value of our derivatives include the credit standing of the counterparties involved and the impact of credit enhancements, if any. We have also recorded liquidity reserves, as discussed above in the determination of fair value based on our expectation of how market participants would determine fair value. Such valuation adjustments are generally based on market evidence, if available, or management's best estimate.

Margin Deposits — Our margin deposits are cash and cash equivalents and are generally classified within level 1 of the fair value hierarchy as the amounts are valued using quoted market prices.

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2008. As required by SFAS No. 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Recurring Fair Value Measures at Fair Value as of March 31, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
	(in millions)			
Assets:				
Commodity derivatives	$ 761	$ 328	$ 1,670	$ 2,759
Interest rate derivatives	—	1	—	1
Total derivative assets	761	329	1,670	2,760
Margin deposits	422	—	—	422
Total	$ 1,183	$ 329	$ 1,670	$ 3,182
Liabilities:				
Commodity derivatives	$ (662)	$ (374)	$ (2,230)	$ (3,266)
Interest rate derivatives	—	(349)	—	(349)
Total derivative liabilities	(662)	(723)	(2,230)	(3,615)
Margin held by us posted by our counterparties	(71)	—	—	(71)
Total	$ (733)	$ (723)	$ (2,230)	$ (3,686)

Gains or losses associated with level 3 balances may not necessarily reflect trends occurring in the underlying business. Further, unrealized gains and losses for the period from level 3 items are often offset by unrealized gains and losses on positions classified in level 1 or 2, as well as positions that have been realized during the quarter. Certain of our level 3 balances qualify for hedge accounting and any unrealized gains and losses are recorded in OCI. Gains and losses for level 3 balances that do not qualify for hedge accounting are recorded in earnings.

The following table sets forth a reconciliation of changes in the fair value of derivatives classified as level 3 in the fair value hierarchy (in millions):

	Three Months Ended March 31, 2008
Balance as of January 1, 2008	$ (1)
Realized and unrealized gains (losses):	
Included in net loss(1)	(191)
Included in OCI	(487)
Purchases, issuances and settlements, net	119
Transfers in and/or out of level 3(2)	—
Balance as of March 31, 2008	$ (560)
Change in unrealized gains (losses) relating to instruments still held as of March 31, 2008(3)	$ (155)

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(1) Includes $(63) million recorded in operating revenues (for electricity contracts) and $(128) million recorded in fuel and purchased energy expense (for gas contracts) as shown on our Consolidated Condensed Statements of Operations.

(2) We transfer amounts among levels of the fair value hierarchy as of the beginning of each period.

(3) Includes $(69) million recorded in operating revenues (for electricity contracts) and $(86) million recorded in fuel and purchased energy expense (for gas contracts) as shown on our Consolidated Condensed Statements of Operations.

9. Derivative Instruments and Mark-to-Market Activities

The table below reflects the amounts that are recorded as derivative assets and liabilities on our Consolidated Condensed Balance Sheet at March 31, 2008, for our derivative instruments (in millions):

	Interest Rate Swaps	Commodity Instruments	Total Derivative Instruments
Current derivative assets	$ —	$ 2,434	$ 2,434
Long-term derivative assets	1	325	326
Total derivative assets	$ 1	$ 2,759	$ 2,760
Current derivative liabilities	$ 156	$ 2,704	$ 2,860
Long-term derivative liabilities	193	562	755
Total derivative liabilities	$ 349	$ 3,266	$ 3,615
Net derivative liabilities	$ (348)	$ (507)	$ (855)

Collateral — We did not elect to adopt the netting provisions allowed under FSP FIN 39-1, which allows an entity to offset the fair value amounts recognized for cash collateral paid or cash collateral received against the fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement.

We use margin deposits, prepayments and letters of credit as credit support with and from our counterparties for commodity procurement and risk management activities. In addition, we have granted additional first priority liens on the assets currently subject to first priority liens under the Exit Credit Facility as collateral under certain of our power, gas and interest rate swap agreements that qualify as “eligible commodity hedge agreements” under the Exit Credit Facility in order to reduce the cash collateral and letters of credit that we would otherwise be required to provide to the counterparties under such agreements. The counterparties under such agreements will share the benefits of the collateral subject to such first priority liens ratably with the lenders under the Exit Credit Facility. Such first priority liens had also been permitted under the DIP Facility prior to the conversion of the loans and commitments under the DIP Facility to our exit financing under the Exit Credit Facility.

The table below summarizes the balances outstanding under margin deposits, gas and power prepayments, and exposure under letters of credit and first priority liens as of March 31, 2008 (in millions):

	March 31, 2008
Margin deposits	$ 422
Gas and power prepayments	165
Total margin deposits and gas and power prepayments with our counterparties[1]	$ 587
Letters of credit issued	$ 273
First priority liens under power and natural gas agreements	196
First priority liens under interest rate swap agreements	311
Total letters of credit and first priority liens with our counterparties	$ 780
Margin deposits posted with us by our counterparties	$ 71
Letters of credit posted with us by our counterparties	15
Total margin deposits and letters of credit posted with us by our counterparties	$ 86

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(1) Included in margin deposits and other prepaid expense and in other assets on our Consolidated Condensed Balance Sheets.

As of March 31, 2008, we had $356 million in rights to claim cash collateral and $71 million in obligations to return cash collateral that are subject to master netting agreements.

Future collateral requirements may increase based on the extent of our involvement in standard contracts and movements in commodity prices and also based on our credit ratings and general perception of creditworthiness in our market.

The table below details the components of our total mark-to-market activity during the three months ended March 31, 2008 and 2007, and where they are recorded on our Consolidated Condensed Statements of Operations (in millions):

	2008	2007
Power contracts included in operating revenues	$ (96)	$ (12)
Gas contracts included in fuel and purchased energy expense	(55)	(47)
Interest rate swaps included in interest expense	(16)	(1)
Total mark-to-market activity	$ (167)	$ (60)

Hedge ineffectiveness is included in unrealized mark-to-market gains and losses. Gains due to ineffectiveness on commodity hedging instruments were $6 million and $2 million for the three months ended March 31, 2008 and 2007, respectively.

Below is a reconciliation of our net derivative liabilities to our accumulated other comprehensive loss, net of tax from derivative instruments at March 31, 2008 (in millions):

	March 31, 2008
Net derivative liabilities	$ (855)
Derivatives not designated as cash flow hedges and recognized hedge ineffectiveness	238
Cash flow hedges terminated prior to maturity	(29)
Cumulative OCI tax benefit	11
Accumulated other comprehensive loss from derivative instruments, net of tax[(1)]	$ (635)

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(1) Amount represents one portion of our total AOCI balance of $(631).

Where we have derivatives designated as cash flow or fair value hedges we present the cash flows from these derivatives in the same category as the item being hedged on our Consolidated Condensed Statements of Cash Flows. The realized component of interest rate swaps is classified within operating activities on our Consolidated Condensed Statements of Cash Flows. All cash flows from other derivatives are presented in investing activities on our Consolidated Condensed Statements of Cash Flows unless they contain an other-than-insignificant financing element in which case their cash flows are classified within financing activities.

The table below reflects the contribution of our cash flow hedge activity to pre-tax earnings (losses) based on the reclassification adjustment from AOCI to earnings for the three months ended March 31, 2008 and 2007 (in millions):

	2008	2007
Natural gas derivatives	$ (22)	$ (6)
Power derivatives	14	3
Interest rate derivatives	(2)	(7)
Total derivatives	$ (10)	$ (10)

As of March 31, 2008, the maximum length of time over which we were hedging our exposure to the variability in future cash flows for forecasted transactions was 5 and 11 years for commodity and interest rate derivative instruments, respectively. We currently estimate that pre-tax losses of $307 million would be reclassified from AOCI into earnings during the twelve months ended March 31, 2009, as the hedged transactions affect earnings assuming constant gas and power prices and interest rates over time; however, the actual amounts that will be reclassified will likely vary based on changes in gas and power prices as well as interest rates. Therefore, management is unable to predict what the actual reclassification from AOCI to earnings (positive or negative) will be for the next twelve months.

The table below presents the pre-tax gains (losses) currently held in AOCI that will be recognized annually into earnings, assuming constant gas and power prices and interest rates over time (in millions):

	2008	2009	2010	2011	2012	Thereafter	Total
Natural gas derivatives	$ 278	$ 54	$ 8	$ 5	$ 5	$ —	$ 350
Power derivatives	(420)	(169)	(21)	(14)	(14)	—	(638)
Interest rate derivatives	(136)	(121)	(49)	(24)	(27)	(1)	(358)
Total pre-tax AOCI	$ (278)	$ (236)	$ (62)	$ (33)	$ (36)	$ (1)	$ (646)

10. Loss per Share

Pursuant to the Plan of Reorganization, all shares of our common stock outstanding prior to the Effective Date were canceled and the issuance of 485 million new shares of reorganized Calpine Corporation common stock was authorized to resolve allowed unsecured claims. In addition, approximately 2 million restricted shares of reorganized Calpine Corporation common stock were issued pursuant to the Calpine Equity Incentive Plans, net of forfeitures. A portion of the 485 million authorized shares was immediately distributed, and the remainder was reserved for distribution to holders of certain disputed claims that, although unresolved as of the Effective Date, later become allowed. To the extent that any of the reserved shares remain undistributed upon resolution of the disputed claims, such shares will not be returned to us but rather will be distributed pro rata to claimants with allowed claims to increase their recovery. Therefore, pursuant to the Plan of Reorganization, all 485 million shares ultimately will be distributed. Accordingly, although the reserved shares are not yet issued and outstanding, all conditions of distribution had been met for these reserved shares as of the Effective Date, and such shares are considered issued under SFAS No. 128 "Earnings per Share" and are included in our calculation of weighted average shares outstanding. Our basic and diluted weighted average shares outstanding for the three months ended March 31, 2008, is 485 million shares.

As we have incurred net losses during the three months ended March 31, 2008 and 2007, diluted loss per share is computed on the same basis as basic loss per share as the inclusion of any other potential shares outstanding would be anti-dilutive. Potentially dilutive securities excluded from our calculation of diluted loss per share for the three months ended March 31, 2008, consisted of incremental shares from employee stock options, common stock warrants, restricted stock and restricted stock units. Potentially dilutive securities excluded from our calculation of diluted loss per share for the three months ended March 31, 2007, consist of incremental shares from employee stock options, restricted stock, convertible securities and shares issued subject to a share lending agreement. See Note 11 for a discussion of our stock-based compensation and Note 2 for a discussion of our common stock warrants.

As discussed in Note 2, all shares of our common stock outstanding prior to the Effective Date were canceled pursuant to the Plan of Reorganization and new shares of reorganized Calpine Corporation common stock were issued. Although loss per share information for the three months ended March 31, 2007, is presented, it is not comparable to the information presented for the three months ended March 31, 2008, due to the changes in our capital structure on the Effective Date, which also included termination of all outstanding convertible securities.

11. Stock-Based Compensation

Calpine Equity Incentive Plans — The Calpine Equity Incentive Plans were approved as part of our Plan of Reorganization. These plans are administered by the Compensation Committee of Calpine's Board of Directors and provide for the issuance of equity awards to all employees as well as the non-employee members of our Board of Directors. The equity awards may include incentive or non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, performance compensation awards, and other stock-based awards. Under the MEIP and DEIP there are 14,833,000 shares and 167,000 shares, respectively, of reorganized Calpine Corporation common stock available for issuance to participants.

The equity awards granted during the three months ended March 31, 2008, vest over periods between one and three years, contain contractual terms of ten years and are subject to forfeiture provisions under certain circumstances including termination of employment prior to vesting. Stock-based compensation expense (income) recognized was $6 million and $(2) million for the three months ended March 31, 2008 and 2007, respectively. At March 31, 2008, there was $61 million of unrecognized compensation cost related to equity awards, which is expected to be recognized over a weighted-average period of 1.5 years for options, 1.7 years for restricted shares and 0.9 years for restricted stock units.

A summary of our non-qualified stock option activity for the MEIP and DEIP for the three months ended March 31, 2008, is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding – December 31, 2007	—	$ —		
Granted	5,278,900	$ 17.53		
Exercised	—	$ —		
Forfeited	411,600	$ 16.93		
Expired	—	$ —		
Outstanding – March 31, 2008	4,867,300	$ 17.59	9.8	$ 4
Exercisable – March 31, 2008	—	$ —	—	$ —
Vested and expected to vest – March 31, 2008	4,519,197	$ 17.57	9.8	$ 4

The fair value of options granted was determined on the grant date using the Black-Scholes pricing model. Certain assumptions were used in order to estimate fair value for options granted during the three months ended March 31, 2008, as noted in the following table. No options were granted or exercised during the three months ended March 31, 2007.

	March 31, 2008
Expected term (in years)(1)	5.4 – 6.1
Risk-free interest rate(2)	2.7 – 3.1%
Expected volatility(3)	35.9 – 40.9%
Dividend yield	—
Weighted average grant-date fair value (per option)	$ 7.22

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(1) Expected term calculated using the simplified method under SAB 110 “Shared-Based Payment.”

(2) Zero Coupon U.S. Treasury rate based on expected term.

(3) Volatility calculated using the weighted average implied volatility of our industry peers’ exchange traded stock options.

A summary of our restricted stock and restricted stock unit activity for the MEIP and DEIP for the three months ended March 31, 2008, is as follows:

	Number of Restricted Stock Awards	Weighted Average Grant-Date Fair Value
Nonvested – December 31, 2007	—	$ —
Granted	2,732,852	$ 16.70
Forfeited	507,700	$ 16.45
Vested	—	$ —
Nonvested – March 31, 2008	2,225,152	$ 16.76

On March 25, 2008, we amended the employment agreement with our Chief Executive Officer, Mr. Robert P. May. Under the terms of the amendment, Mr. May agreed to forfeit his right to 348,700 non-qualified stock options with an exercise price of $16.90 granted on January 31, 2008, as well as 474,600 shares of restricted stock granted on February 6, 2008, both of which were to vest ratably over periods of approximately 1.5 years and 3 years. In exchange for canceling these non-qualified stock options and restricted stock, on March 25, 2008, we granted Mr. May 325,500 non-qualified stock options with an exercise price of $17.53 (which equaled the closing price of our common stock on the date of grant) and modified the vesting terms on 73,000 shares of restricted stock. The awards granted and modified on March 25, 2008, vest in their entirety on December 31, 2008. Both of these changes to Mr. May's non-qualified stock options and restricted stock awards were accounted for as Type III modifications under the provisions of SFAS No. 123(R) "Share-Based Payment." Under this scenario, we deemed that Mr. May's vesting condition under his original grant was not probable of achievement on the modification date and, thus, the original grant date fair value is no longer used to measure compensation cost. The modification date fair value of the new awards is used to measure compensation cost which is expensed over the modified vesting term.

12. Commitments and Contingencies

We are party to various litigation matters, including regulatory and administrative proceedings arising out of the normal course of business, the more significant of which are summarized below. We review our litigation activities and determine if an unfavorable outcome to us is considered "remote," "reasonably possible," or "probable" as defined by GAAP. Where we have determined an unfavorable outcome is probable and is reasonably estimable, we have accrued for potential litigation losses. The ultimate outcome of each of these matters cannot presently be determined, nor can the liability that could potentially result from a negative outcome be reasonably estimated presently for every case. The liability we may ultimately incur with respect to any one of these matters in the event of a negative outcome may be in excess of amounts currently accrued with respect to such matters and, as a result of these matters, may potentially be material to our financial position or results of operations. During the pendency of our Chapter 11 cases through the Effective Date, pursuant to automatic stay provisions under the Bankruptcy Code and orders granted by the Canadian Court, all actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date as well as all pending litigation against the Calpine Debtors generally were stayed. See Note 2 for information regarding our Chapter 11 cases and CCAA proceedings. Following the Effective Date, pending actions to enforce or otherwise effect repayment of liabilities preceding the Petition Date, as well as pending litigation against the U.S. Debtors related to such liabilities generally have been permanently enjoined. Any unresolved claims will continue to be subject to the claims reconciliation process under the supervision of the U.S. Bankruptcy Court. However, certain pending litigation related to pre-petition liabilities may proceed in courts other than the U.S. Bankruptcy Court to the extent the parties to such litigation have obtained relief from the permanent injunction. In particular, certain pending actions against us are anticipated to proceed as described below. In addition to the Chapter 11 cases and CCAA proceedings (in connection with which certain of the matters described below arose), and the other matters described below, we are involved in various other claims and legal actions, including regulatory and administrative proceedings arising out of the normal course of our business. We do not expect that the outcome of such other claims and legal actions will have a material adverse effect on our financial position or results of operations.

Pre-Petition Litigation

Hawaii Structural Ironworkers Pension Fund v. Calpine, et al. This case was filed in San Diego County Superior Court on March 11, 2003, and later transferred, on a defense motion, to Santa Clara County Superior Court. Defendants in this case are Calpine Corporation, Peter Cartwright, Ann B. Curtis, John Wilson, Kenneth Derr, George Stathakis, Credit Suisse First Boston LLC, Banc of America Securities LLC, Deutsche Bank Securities, Inc., and Goldman Sachs & Co. The Hawaii Structural Ironworkers Pension Trust Fund alleges that the prospectus and registration statement for an April 2002 offering of Calpine Corporation securities contained false or misleading statements regarding: Calpine Corporation's actual financial results for 2000 and 2001; Calpine Corporation's projected financial results for 2002; Mr. Cartwright's alleged agreement not to sell or purchase shares within 90 days of the April 2002 offering; and Calpine Corporation's alleged involvement in "wash trades." The action in the Santa Clara County Superior Court was stayed against Calpine Corporation as a result of Calpine Corporation's Chapter 11 filing.

On December 19, 2007, Calpine Corporation entered into an agreement with the Hawaii Structural Ironworkers Pension Fund to allow the action to proceed in the Santa Clara County Superior Court. Calpine Corporation remains a defendant to the action. However, the December 19, 2007, agreement provides that the Hawaii Structural Ironworkers Pension Fund waived its right to collect from Calpine Corporation on the claim it had filed against Calpine Corporation in the Chapter 11 cases, or for any settlement with Calpine Corporation, and agreed to seek recovery to satisfy its claim against Calpine Corporation, or for any settlement with Calpine Corporation, solely from any insurance coverage that may be available to Calpine Corporation. The December 19, 2007, agreement does not address the Hawaii Structural Ironworkers

Pension Fund's claims against any of the other defendants. Some or all of the other defendants have asserted or may assert indemnification claims against Calpine Corporation in connection with this action. No trial date has been set in this action. We consider this lawsuit to be without merit and intend to continue to defend vigorously against the allegations.

In re Calpine Corp. ERISA Litig. Two nearly identical class action complaints alleging claims under ERISA (*Phelps v. Calpine Corporation, et al.* and *Lenette Poor-Herena v. Calpine Corporation et al.*) were consolidated under the caption *In re Calpine Corp. ERISA Litig.*, Master File No. C 03-1685 SBA, in the Northern District Court. Plaintiff Poor-Herena subsequently dropped her claim. The consolidated complaint, which names as defendants Calpine Corporation, the members of Calpine Corporation's Board of Directors, the 401(k) Plan's Advisory Committee and its members, signatories of the 401(k) Plan's Annual Return/Report of Employee Benefit Plan Forms 5500 for 2001 and 2002, an employee of a consulting firm hired by the 401(k) Plan, and unidentified fiduciary defendants, alleged claims under ERISA on behalf of the participants in the 401(k) Plan from January 5, 2001, to the present who invested in the Calpine unitized stock fund. The consolidated complaint alleged that defendants breached their fiduciary duties under ERISA by permitting participants to buy and hold interests in the Calpine unitized stock fund. All claims were dismissed with prejudice by the Northern District Court. The plaintiff appealed the dismissal to the Ninth Circuit Court of Appeals. As a result of the Chapter 11 filings, the appeal was automatically stayed with respect to Calpine Corporation. In addition, Calpine Corporation filed a motion with the U.S. Bankruptcy Court to extend the automatic stay to the individual defendants. Plaintiff opposed the motion and a hearing was scheduled for June 5, 2006; however, prior to the hearing, the parties stipulated to allow the appeal to the Ninth Circuit Court of Appeals to proceed. If the Northern District Court ruling is reversed, the plaintiff may then seek leave from the U.S. Bankruptcy Court to proceed with the action. Plaintiff's opening brief was filed with the Ninth Circuit Court of Appeals on November 6, 2006. Further briefing on the appeal was then stayed pending completion of the parties' participation in the Ninth Circuit Court of Appeal's alternative dispute resolution program. On March 21, 2007, the parties reached an agreement in principle to settle the claims of plaintiff and the purported class in return for a payment of approximately $4 million by Calpine's fiduciary insurance carrier, the net proceeds of which will ultimately be deposited into individual plan members' accounts. The parties finalized the settlement agreement on March 7, 2008. Pursuant to the terms of the settlement, the Ninth Circuit Court of Appeals dismissed plaintiff's appeal without prejudice and remanded the case to the Northern District Court by order dated April 8, 2008. The settlement remains subject to approval by the Northern District Court.

Johnson v. Peter Cartwright, et al. On December 17, 2001, a shareholder filed a derivative lawsuit on behalf of Calpine Corporation against its directors and one of its senior officers. Calpine Corporation was a nominal defendant in this lawsuit, which alleged claims relating to purportedly misleading statements about Calpine Corporation and stock sales by certain of the director defendants and the officer defendant. In July 2003, the Santa Clara County Superior Court stayed the action. After the Chapter 11 filings, the case against Calpine Corporation also was stayed pursuant to the Bankruptcy Code, and in June 2006 the Bankruptcy Court granted Calpine Corporation's motion to extend that stay to the individuals. Thereafter, Calpine Corporation objected to the claim against it, and that claim was expunged by order of the U.S. Bankruptcy Court. Plaintiff filed a request for dismissal of the entire action, with prejudice, on February 8, 2008, which the Santa Clara County Superior Court granted on February 14, 2008. No defendant paid or provided any compensation to plaintiff, but agreed that all parties would bear their own costs and attorney's fees.

Panda Energy International, Inc., et al. v. Calpine Corporation, et al. On November 5, 2003, Panda filed suit in the U.S. District Court, Northern District of Texas against Calpine Corporation and certain of its affiliates alleging, among other things, that defendants breached duties of care and loyalty allegedly owed to Panda by failing to correctly construct and operate the Oneta Energy Center, the development rights of which we had acquired from Panda, in accordance with Panda's original plans. Panda alleges that it is entitled to a portion of the profits of the Oneta Energy Center and that the defendant's actions have reduced the profits from Oneta Energy Center thereby undermining Panda's ability to repay monies owed to Calpine on December 1, 2003, under a promissory note on which approximately $53 million (including related interest) was outstanding at March 31, 2008. Calpine has filed a counterclaim against Panda and related parties based on a guaranty and loan agreement. Defendants have also been successful in dismissing the causes of action alleged by Panda for federal and state securities laws violations. We consider Panda's lawsuit to be without merit and intend to continue to vigorously defend against it. Moreover, any judgment in favor of Panda may only be enforced in the U.S. Debtors' Chapter 11 cases. However, Calpine does not believe that Panda may receive any distribution from the U.S. Debtors' Chapter 11 estates related to the

Panda litigation because Panda did not file a timely proof of claim in the U.S. Debtors' Chapter 11 cases. Calpine stopped accruing interest income on the promissory note due December 1, 2003, as of the due date because of Panda's default on repayment of the note. Trial was set for May 22, 2006, but did not proceed due to the stay. Calpine filed a motion to lift the automatic stay to pursue our counterclaim on October 3, 2007. On November 14, 2007, the U.S. Bankruptcy Court granted the motion and the stay was lifted. On January 30, 2008, the U.S. District Court issued an order that re-instated the case on the court's docket. Thereafter, the parties submitted a joint status report and are awaiting further scheduling.

Harbert Convertible Arbitrage Master Fund, Ltd. et al. v. Calpine Corporation. Plaintiff Harbert Convertible Fund and two affiliated funds filed this action on July 11, 2005, in the New York County Supreme Court, and filed an amended complaint on July 19, 2005. In their amended complaint, plaintiffs alleged that in a July 5, 2005, letter to Calpine Corporation they provided "reasonable evidence" as required under the indenture governing the 2014 Convertible Notes that, on one or more days beginning on July 1, 2005, the trading price of the 2014 Convertible Notes was less than 95% of the product of the common stock price multiplied by the conversion rate, as those terms are defined in the 2014 Convertible Notes indenture, and that Calpine Corporation therefore was required to instruct the bid solicitation agent for the 2014 Convertible Notes to determine the trading price beginning on the next trading day. If the trading price as determined by the bid solicitation agent was below 95% of the product of the common stock price multiplied by the conversion rate for the next five consecutive trading days, then the 2014 Convertible Notes would become convertible into cash and common stock for a limited period of time. Plaintiffs have asserted a claim for breach of contract, seeking unspecified damages, because Calpine Corporation did not instruct the bid solicitation agent to begin to calculate the trading price. In addition, plaintiffs sought a declaration that Calpine had a duty, based on the statements in the letter dated July 5, 2005, to commence the bid solicitation process, and also sought injunctive relief to force Calpine Corporation to instruct the bid solicitation agent to determine the trading price of the 2014 Convertible Notes. On November 18, 2005, Harbert Convertible Fund filed a second amended complaint for breach and anticipatory breach of indenture, which also added the 2014 Convertible Notes trustee as a plaintiff.

The treatment provided to the holders of the 2014 Convertible Notes under the Plan of Reorganization was in full satisfaction, settlement, release, and discharge of any claims related to the 2014 Convertible Notes. Accordingly, on April 16, 2008, the New York County Supreme Court discontinued this action with prejudice.

Whitebox Convertible Arbitrage Fund, L.P., et al. v. Calpine Corporation. Plaintiff Whitebox Convertible Arbitrage Fund, L.P. and seven affiliated funds filed an action in the New York County Supreme Court for breach of contract on October 17, 2004. The factual allegations and legal basis for the claims set forth in that action are nearly identical to those set forth in the Harbert Convertible Fund filings. On October 19, 2005, the Whitebox plaintiffs filed a motion for preliminary injunctive relief, but withdrew the motion on November 7, 2005. Whitebox had informed Calpine Corporation and the New York County Supreme Court that the trustee was considering intervening in the case and/or filing a similar action for the benefit of all holders of the 2014 Convertible Notes. The treatment provided to the holders of the 2014 Convertible Notes under the Plan of Reorganization was in full satisfaction, settlement, release, and discharge of any claims related to the 2014 Convertible Notes. Accordingly, on April 11, 2008, the New York County Supreme Court discontinued this action with prejudice.

Pit River Tribe, et al. v. Bureau of Land Management, et al. On June 17, 2002, Pit River filed suit in the U.S. District Court for the Eastern District of California seeking to enjoin further exploration, construction and development of the Calpine Fourmile Hill Project at Glass Mountain. It challenges the validity of the decisions of the BLM and the Forest Service to permit the development of the project under leases previously issued by the BLM. The lawsuit also sought to invalidate the leases. Only declaratory and equitable relief were sought. Our answer was submitted on August 20, 2002. Cross-motions for summary judgment on all claims in the lawsuit were submitted in May and June 2003. The court held oral argument on the motions on September 10, 2003, and took the motions under advisement. Defendants' motions for summary judgment were granted on February 13, 2004, and the lawsuit was dismissed. Plaintiff filed an appeal to the Ninth Circuit Court of Appeals on April 15, 2004. Briefing on the appeal was completed on December 6, 2004. Following our Chapter 11 filing, we and Pit River filed a stipulation with the U.S. Bankruptcy Court to lift the automatic stay to allow the appeal to proceed with oral arguments, which were held on February 14, 2006. On November 5, 2006, the Ninth Circuit Court of Appeals issued a decision granting the plaintiffs relief by holding that the BLM had not complied with the National Environmental Policy Act, and other procedural requirements, when granting the lease extensions and, therefore, held that the lease extensions were invalid. On February 20, 2007, the federal appellees filed a Petition for Panel Rehearing of the November 5, 2006, order. We filed our Petition for Rehearing and Suggestion for Rehearing En Banc on February 21, 2007. On April 18, 2007, the Ninth Circuit Court of Appeals issued an order denying both the federal appellees and our Petitions for Rehearing. The remedy phase of the Ninth Circuit Court of Appeals' opinion had been stayed until Calpine's emergence from Chapter 11. Now that we have emerged, we are in communication with the U.S. Department of Justice regarding the possible remedies which could be argued to the District Court and are preparing to file motions regarding how to implement the Ninth Circuit mandate.

In May 2004, Pit River and other interested parties filed two separate suits in the U.S. District Court for the Eastern District of California seeking to enjoin exploration, construction, and development of the Telephone Flat leases and proposed Project at Glass Mountain. These two related cases had been stayed until emergence. Similar to above, we are now in communication with the U.S. Department of Justice and preparing to re-commence litigation.

Post-Petition Litigation

Chapter 11 Related Litigation

Appeal of Confirmation Order. The Confirmation Order was entered by the U.S. Bankruptcy Court on December 19, 2007. Two motions to reconsider the Confirmation Order were filed by holders of shares of our common stock that were canceled on the Effective Date: the first was filed on December 28, 2007, by Elias A. Felluss and the second on December 31, 2007, by Compania Internacional Financiera, S.A., Coudree Global Equities Fund, Standard Bank of London and Leonardo Capital Fund SPC. On January 15, 2008, the U.S. Bankruptcy Court entered an order denying both of the motions to reconsider. On January 18, 2008, the shareholders who had filed the December 31, 2007, motion filed a notice of appeal to the SDNY Court and moved the U.S. Bankruptcy Court for a stay of the Confirmation Order pending appeal. Various additional shareholders subsequently filed joinders to the stay motion in the U.S. Bankruptcy Court. On January 24, 2008, the U.S. Bankruptcy Court entered an order denying the stay motion. The shareholders who filed the December 31, 2007, motion filed an emergency motion with the SDNY Court on January 25, 2008, seeking to expedite their appeal and stay the Confirmation Order pending appeal; their emergency motion was denied by the SDNY Court on February 1, 2008. In the meantime, on January 28, 2008, additional shareholders filed notices of appeal to the SDNY Court. On January 31, 2008, the Plan of Reorganization became effective and we emerged from Chapter 11. Despite the effectiveness of the Plan of Reorganization, all of the appeals remain pending in the SDNY Court. On February 25, March 10, and March 14, 2008, the shareholder appellants filed their respective opening briefs. We filed a response on March 28, 2008, seeking to dismiss the appeals on grounds that (i) the appeals were equitably moot, (ii) the appellants had not made the threshold showing required to reverse the U.S. Bankruptcy Court; and (iii) the appeals all lack merit. The appellants filed their reply briefs on April 7, 2008. We are now waiting for the SDNY Court to schedule oral argument and/or render its decision.

Rosetta Avoidance Action. On June 29, 2007, Calpine Corporation filed a petition in the U.S. Bankruptcy Court against Rosetta for avoidance and recovery of a fraudulent transfer. In July 2005, Calpine Corporation had sold substantially all its remaining domestic oil and gas assets for $1.1 billion to a group led by Calpine Corporation insiders who constituted the management team of Rosetta, which prior to the sale was a subsidiary of Calpine Corporation. The petition alleges that Rosetta's purchase of the domestic oil and natural gas assets prior to Calpine Corporation's Chapter 11 filing was for less than reasonably equivalent value. We are seeking monetary damages for the value Rosetta did not pay Calpine Corporation for the assets it acquired, plus interest, which is currently estimated to be approximately $490 million. However, discovery and further analysis may result in changes to that amount. In the alternative, we are seeking the return of the domestic oil and natural gas assets from Rosetta. On September 11, 2007, Rosetta filed a motion to dismiss the adversary proceeding or seek a stay of the proceeding. We filed an objection to the motion to dismiss on September 24, 2007. On October 24, 2007, the Court denied Rosetta's motion to dismiss or stay the proceeding. On November 5, 2007, Rosetta filed its answer and six counterclaims, principally based on state contract and tort law. On January 4, 2008, we filed a motion to dismiss three of the six counterclaims as legally unsustainable. We are awaiting a hearing date for the motion. Pre-trial document and deposition discovery is ongoing. No trial date has been set.

Other Post-Petition Matters

Texas City and Clear Lake Environmental Matters — As part of an internal review of our Texas City and Clear Lake Cogeneration power plants we determined that our Acid Rain Program exemption under 40 CFR 72.6(b)(5) had ceased to apply and we were in violation of the requirements of the Acid Rain Program found in 40 CFR Parts 72-78. We were originally exempt from these provisions based upon each plant being a qualifying cogeneration facility in operation before November 1990 with qualifying Power Purchase Agreements; however, these Power Purchase Agreements expired in 2002 for Texas City and 2004 for Clear Lake. To remedy the violation, we are required to report our SO_2 emissions to the U.S. Environmental Protection Agency and purchase allowances and remit an excess emission fee for each ton of SO_2 emitted since expiration of the exemption. We recorded estimated fees of $200,000 for Texas City and Clear Lake Cogeneration power plants, as of March 31, 2008. We self-reported these violations and are working with the Texas Commission on Environmental Quality and the U.S. Environmental Protection Agency to resolve these matters in a timely manner. Although these agencies have the authority and discretion to issue substantial fines that could be material, we do not believe that the penalties, if any, resulting from these matters will have a material adverse effect on our business, financial condition or results of operations based upon our analysis of the facts and circumstances and consideration of recent cases addressed by the agencies involved.

Communications with the SEC — We have been contacted by and have had meetings with the staff of the SEC regarding our financial statements and internal control over financial reporting as well as those of CalGen, a wholly owned subsidiary. We are cooperating with the SEC staff and have voluntarily provided information in response to their requests. We will continue to cooperate with the SEC with respect to these matters. A negative outcome of this investigation could require us to pay fines or penalties or satisfy other remedies under various provisions of the U.S. securities laws, and any of these outcomes could under certain circumstances have a material adverse effect on our business.

13. Segment Information

We operate in one line of business, the generation and sale of electricity and electricity-related products. We assess our business primarily on a regional basis due to the impact on our financial performance of the differing characteristics of these regions, particularly with respect to competition, regulation and other factors impacting supply and demand. Accordingly, our reportable segments are West (including geothermal), Texas, Southeast, North and Other. Our Other segment includes fuel management, our turbine maintenance group, our TTS and PSM businesses for periods prior to their sale and certain hedging and other corporate activities.

Commodity margin includes our electricity and steam revenues, hedging and optimization activities, renewable energy credit revenue, transmission revenue and expenses, and fuel and purchased energy expense, but excludes mark-to-market activity and other service revenues. Commodity margin is the key operational measure reviewed by our chief operating decision maker to assess the performance of our segments.

Financial data for our segments were as follows (in millions):

	Three Months Ended March 31, 2008						
	West	Texas	Southeast	North	Other	Consolidation And Elimination	Total
Revenues from external customers	$ 962	$ 641	$ 257	$ 150	$ (59)	$ —	$ 1,951
Intersegment revenues	9	41	34	5	2	(91)	—
Total revenue	$ 971	$ 682	$ 291	$ 155	$ (57)	$ (91)	$ 1,951
Commodity margin	269	130	37	62	(12)	—	486
Add: Mark-to-market activity, net and other service revenues(1)	10	(33)	1	—	(115)	(3)	(140)
Less:							
Plant operating expense	104	62	28	25	15	(2)	232
Depreciation and amortization	50	30	19	12	1	(1)	111
Other cost of revenue	16	—	8	6	2	—	32
Gross profit (loss)	109	5	(17)	19	(145)	—	(29)
Other operating expense							53
Loss from operations							(82)
Interest expense, net of interest income							406
Other (income) expense, net							10
Loss before reorganization items and income taxes							(498)
Reorganization items							(279)
Loss before income taxes							$ (219)

	Three Months Ended March 31, 2007						
	West	Texas	Southeast	North	Other	Consolidation And Elimination	Total
Revenues from external customers	$ 798	$ 523	$ 207	$ 152	$ (18)	$ —	$ 1,662
Intersegment revenues	7	(3)	22	1	13	(40)	—
Total revenue	$ 805	$ 520	$ 229	$ 153	$ (5)	$ (40)	$ 1,662
Commodity margin	230	86	37	63	6	—	422
Add: Mark-to-market activity, net and other service revenues(1)	12	4	—	—	(34)	(13)	(31)
Less:							
Plant operating expense	79	29	24	16	22	(2)	168
Depreciation and amortization	51	31	23	13	1	(1)	118
Other cost of revenue	9	—	8	8	17	(5)	37
Gross profit (loss)	103	30	(18)	26	(68)	(5)	68
Other operating expense							49
Income from operations							19
Interest expense, net of interest income							283
Other (income) expense, net							1
Loss before reorganization items and income taxes							(265)
Reorganization items							105
Loss before income taxes							$ (370)

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(1) Mark-to-market activity, net included in operating revenues and fuel and purchased energy expense.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Forward-Looking Information

In addition to historical information, this Report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. We use words such as "believe," "intend," "expect," "anticipate," "plan," "may," "will" and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all 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. Such risks and uncertainties include, but are not limited to: (i) our ability to implement our business plan; (ii) financial results that may be volatile and may not reflect historical trends; (iii) seasonal fluctuations of our results and exposure to variations in weather patterns; (iv) potential volatility in earnings associated with fluctuations in prices for commodities such as natural gas and power; (v) our ability to manage liquidity needs and comply with covenants related to our Exit Facilities and other existing financing obligations; (vi) our ability to complete the implementation of our Plan of Reorganization and the discharge of our Chapter 11 cases including successfully resolving any remaining claims; (vii) disruptions in or limitations on the transportation of natural gas and transmission of electricity; (viii) the expiration or termination of our PPAs and the related results on revenues; (ix) risks associated with the operation of power plants including unscheduled outages; (x) factors that impact the output of our geothermal resources and generation facilities, including unusual or unexpected steam field well and pipeline maintenance and variables associated with the waste water injection projects that supply added water to the steam reservoir; (xi) risks associated with power project development and construction activities; (xii) our ability to attract, retain and motivate key employees including filling certain significant positions within our management team; (xiii) our ability to attract and retain customers and counterparties; (xiv) competition; (xv) risks associated with marketing and selling power from plants in the evolving energy markets; (xvi) present and possible future claims, litigation and enforcement actions; (xvii) effects of the application of laws or regulations, including changes in laws or regulations or the interpretation thereof; and (xviii) other risks identified in this Report and our 2007 Form 10-K. You should also carefully review other reports that we file with the SEC. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future developments or otherwise.

We file annual, quarterly and other reports, proxy statements and other information with the SEC. You may obtain and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC at its principal office at 100 F Street, NE, Room 1580, Washington, D.C. 20549-1004. The SEC maintains an Internet website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our SEC filings, including exhibits filed therewith, are accessible through the Internet at that website.

Our reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports as well as our other filings with the SEC, are available for download, free of charge, as soon as reasonably practicable after these reports are filed with the SEC, at our website at http://www.calpine.com. The content of our website is not a part of this Report. You may request a copy of our SEC filings, at no cost to you, by writing or telephoning us at: Calpine Corporation, 717 Texas Avenue, Houston, TX 77002, attention: Corporate Communications, telephone: (713) 830-8775. We will not send exhibits to the documents, unless the exhibits are specifically requested and you pay our fee for duplication and delivery.

Executive Overview

We are an independent power producer that operates and develops clean and reliable power generation facilities primarily in the U.S. Our fleet of power generation facilities, with nearly 24,000 MW of capacity as of March 31, 2008, makes us one of the largest independent power producers in the U.S. Our portfolio is comprised of two power generation technologies: natural gas-fired combustion (primarily combined-cycle) and renewable geothermal. We operate 60 natural gas-fired power plants capable of producing approximately 23,000 MW and 17 geothermal facilities in the Geysers region of northern California capable of producing 725 MW. Our renewable geothermal facilities are the largest producing geothermal resource in the U.S.

We are focused on maximizing the value of the Company by leveraging our portfolio of power plants, our geographic diversity and our operational and commercial expertise to provide the optimal combination of products and services to our customers. To accomplish this goal, we seek to maximize asset performance, optimize the management of our commodity exposure and take advantage of growth and development opportunities that fit our core business and are accretive to earnings.

Our Financial Performance Highlights

During the three months ended March 31, 2008, we recognized a net loss of $214 million compared to a net loss of $459 million during the three months ended March 31, 2007. Our current period net loss primarily resulted from unfavorable movement in our mark-to-market activity recorded in both operating revenues and within fuel and purchased energy expense, which increased from a net expense of $59 million in 2007 to $151 million for the three months ending March 31, 2008. We also experienced increased plant operating expense of $64 million primarily due to higher major maintenance costs. Our net loss was mitigated by an increase in commodity margin (which excludes mark-to-market activity) of $64 million related to increased generation and gains within reorganization items of (i) $199 million recorded for the sales of the Fremont and Hillabee development projects and (ii) $70 million for the reconsolidation of the Canadian Debtors.

Financial Reporting Matters Following Our Emergence from Chapter 11

During the three month period ended March 31, 2007, and for the period January 1, 2008, through the Effective Date, we conducted our business in the ordinary course as debtors-in-possession under the protection of the Bankruptcy Courts. We emerged from Chapter 11 on January 31, 2008. Our Plan of Reorganization provided for the discharge of claims through the issuance of reorganized Calpine Corporation common stock, cash and cash equivalents, or a combination thereof. On or about the Effective Date, we canceled all of our then outstanding common stock and authorized the issuance of 485 million shares of reorganized Calpine Corporation common stock for distribution to holders of unsecured claims and for general contingencies pursuant to our Plan of Reorganization. In addition, we issued warrants to purchase approximately 48.5 million shares of reorganized Calpine Corporation common stock to the holders of our previously outstanding common stock that had been canceled on the Effective Date. Our reorganized Calpine Corporation common stock has been listed on the NYSE and began “regular way” trading under the symbol “CPN” on February 7, 2008.

At the Petition Date, we carried $17.4 billion of debt with an average interest rate of 10.3%. As a result of retiring unsecured debt with reorganized Calpine Corporation common stock, proceeds received from the sale of certain of our assets and the repayment or refinancing of certain of our project debt, we have reduced our pre-petition debt by approximately $7.0 billion. On the Effective Date, we closed on our approximately $7.3 billion of Exit Facilities. We borrowed approximately $6.4 billion under our Exit Facilities, which was used to repay the outstanding term loan balance of $3.9 billion (excluding the unused portion under the $1.0 billion revolver) under our DIP Facility. The remaining net proceeds of approximately $2.5 billion were used to fund cash payment obligations under the Plan of Reorganization including the repayment of a portion of the Second Priority Debt and the payment of administrative claims and other pre-petition claims, as well as to pay fees and expenses in connection with the Exit Facilities and for working capital and general corporate purposes. Upon our emergence from Chapter 11, we carried $10.4 billion of debt with an average interest rate of 8.1%.

On February 8, 2008, the Canadian Effective Date, the Canadian Court ordered and declared that the proceedings under the CCAA were terminated. The termination of the proceedings of the CCAA and our emergence under the Plan of Reorganization allowed us to maintain our equity interest in the Canadian Debtors and other foreign entities, whose principal net assets include debt, various working capital items and a 50% ownership interest in Whitby, an equity method investment. As a result, we regained control over our Canadian Debtors which were reconsolidated into our Consolidated Condensed Financial Statements as of the Canadian Effective Date.

We accounted for the reconsolidation under the purchase method in a manner similar to a step acquisition. The excess of the fair market value of the reconsolidated net assets over the carrying value of our investment balance of $0 amounted to approximately $107 million. We recorded the Canadian assets acquired and the liabilities assumed based on their estimated fair value, with the exception of Whitby. We reduced the fair value of our Whitby equity investment (approximately $37 million) to $0 and recorded the $70 million balance of the excess as a gain in reorganization items on our Consolidated Condensed Statements of Operations for the three months ended March 31, 2008.

In connection with our emergence from Chapter 11, we recorded certain “plan effect” adjustments to our Consolidated Condensed Balance Sheet as of the Effective Date in order to reflect certain provisions of our Plan of Reorganization. These adjustments included the distribution of approximately $4.1 billion in cash and the authorized issuance of 485 million shares of reorganized Calpine Corporation common stock as described above. As a result, our equity increased by approximately $8.9 billion.

During the pendency of the Chapter 11 cases, we began an asset rationalization process that resulted in the sale of certain under-performing assets and non-core businesses. We sold the assets of the Hillabee and Fremont development projects for which construction had been suspended and recorded pre-tax gains of approximately $199 million as reorganization items related to these asset sales during the three months ended March 31, 2008. The proceeds from these two sales were used to retire the $300 million drawn under our Bridge Facility. We continue to market two operating natural gas-fired power plants and their eventual sale remains a possibility. We believe these actions will allow us to compete more effectively in the future in the markets in which we operate.

Our Business Segments

We assess our business primarily on a regional basis due to the impact on our financial performance of the differing characteristics of these regions. Our reportable segments are West (including geothermal), Texas, Southeast, North and Other. Our Other segment currently includes fuel management, our turbine maintenance group, certain hedging and other corporate activities.

Results of Operations for the Three Months Ended March 31, 2008 and 2007

Set forth below are the results of operations for the three months ended March 31, 2008, as compared to the same period in 2007 (in millions, except for unit pricing information, MWh and percentages). In the comparative tables below, increases in revenue/income or decreases in expense (favorable variances) are shown without brackets while decreases in revenue/income or increases in expense (unfavorable variances) are shown with brackets in the "$ Change" and ''% Change" columns.

	2008	2007	$ Change	% Change
Operating revenues	$ 1,951	$ 1,662	$ 289	17%
Cost of revenue:				
Fuel and purchased energy expense	1,605	1,271	(334)	(26)
Plant operating expense	232	168	(64)	(38)
Depreciation and amortization expense	111	118	7	6
Other cost of revenue	32	37	5	14
Total cost of revenue	1,980	1,594	(386)	(24)
Gross profit (loss)	(29)	68	(97)	#
Sales, general and other administrative expense	48	40	(8)	(20)
Other operating expense	5	9	4	44
Income (loss) from operations	(82)	19	(101)	#
Interest expense	419	300	(119)	(40)
Interest (income)	(13)	(17)	(4)	(24)
Minority interest expense	—	2	2	#
Other (income) expense, net	10	(1)	(11)	#
Loss before reorganization items and income taxes	(498)	(265)	(233)	(88)
Reorganization items	(279)	105	384	#
Loss before income taxes	(219)	(370)	151	41
Provision (benefit) for income taxes	(5)	89	94	#
Net loss	$ (214)	$ (459)	$ 245	53

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\# Variance of 100% or greater

Operating revenues increased primarily as a result of an 18% increase in our average realized electric price and, to a lesser extent, a 3% increase in generation for the three months ended March 31, 2008, compared to the same period in 2007. As a result, our electricity and steam revenue as well as hedging and optimization revenues increased by 19% and 39%, respectively, during the three months ended March 31, 2008, compared to 2007. These increases were partially offset by higher mark-to-market losses on derivative electricity contracts that do not qualify for hedge accounting, which increased by $84 million period over period.

Fuel and purchased energy expense increased due to an 18% increase in the average cost of natural gas consumed, unfavorable mark-to-market losses on our fuel derivatives and, to a lesser extent, higher generation for the three months ended March 31, 2008, compared to the three months ended March 31, 2007.

Plant operating expense increased during the three months ended March 31, 2008, compared to the same period in 2007 primarily as a result of a $26 million increase in expense for major maintenance and parts repair costs and a $15 million increase in expense for outages caused by equipment failures. Also contributing to the increase were higher property taxes of $10 million and an increase of $7 million in plant personnel costs.

Depreciation and amortization expense decreased for the three months ended March 31, 2008, compared to the three months ended March 31, 2007, primarily related to the sale of our Acadia Power Plant in September 2007.

Other cost of revenue decreased for the three months ended March 31, 2008, compared to the three months ended March 31, 2007, resulting primarily from the sale of PSM in March 2007.

Sales, general and other administrative expenses were higher for the three months ended March 31, 2008, compared to the same period in 2007 due to a $7 million increase in personnel costs due primarily to higher severance costs and higher stock compensation expense arising primarily from the grant of emergence and annual plan awards of restricted stock and stock options during the three months ended March 31, 2008.

Interest expense increased for the three months ended March 31, 2008, compared to the three months ended March 31, 2007, due largely to $148 million in post-petition interest related to pre-petition obligations recorded during the three months ended March 31, 2008. Also contributing to the increase was higher interest expense related to interest rate swaps that do not qualify for hedge accounting and an increase in our related party interest expense on settlement obligations related to our Canadian subsidiaries recorded prior to their reconsolidation in February 2008. The increase was partially offset by lower average debt balances and lower interest rates. During the three months ended March 31, 2008, we settled a portion of our debt through payment of cash and issuance of reorganized Calpine Corporation common stock pursuant to the Plan of Reorganization. Additionally, we repaid our $300 million Bridge Facility with the proceeds received from the sales of the Hillabee and Fremont development project assets. We lowered our effective interest rates on existing debt compared to the same period in 2007 through the refinancings of our Original DIP Facility and the CalGen Secured Debt in late March 2007 with proceeds received under the DIP Facility, which carried lower interest rates.

Interest income decreased primarily due to lower average cash balances for the three months ended March 31, 2008, compared to the same period in 2007 resulting from the distribution of cash pursuant to the Plan of Reorganization in the first quarter of 2008, and due to lower average interest rates.

Other (income) expense, net decreased primarily due to $7 million in refinancing costs related to the refinancing of all outstanding indebtedness under the existing Blue Spruce term loan facility.

The table below lists the significant items within reorganization items for the three months ended March 31, 2008 and 2007 (in millions, except for percentages):

	2008	2007	$ Change	% Change
Provision for expected allowed claims	$ (59)	$ 105	$ 164	#%
Professional fees	62	46	(16)	(35)
Gains on asset sales, net of equipment impairments	(203)	(236)	(33)	(14)
Gain on reconsolidation of Canadian Debtors	(70)	—	70	#
DIP Facility financing and CalGen Secured Debt repayment costs	(4)	160	164	#
Interest (income) on accumulated cash	(7)	(8)	(1)	(13)
Other	2	38	36	95
Total reorganization items	$ (279)	$ 105	$ 384	#

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\# Variance of 100% or greater

Provision for Expected Allowed Claims — During the three months ended March 31, 2008, our provision for expected allowed claims consisted primarily of a $62 million credit related to the settlement of claims with the Canadian Debtors. During the three months ended March 31, 2007, our provision for expected allowed claims consisted primarily of $112 million resulting from the repudiation of a natural gas transportation contract.

Professional Fees — The increase in professional fees for the three months ended March 31, 2008, over the comparable period in 2007 resulted primarily from an increase in activity managed by our third party advisors related to our emergence from Chapter 11 on the Effective Date.

Gains on Asset Sales, Net of Equipment Impairments — During the three months ended March 31, 2008, gains on asset sales primarily resulted from the sales of the Hillabee and Fremont development project assets. During the three months ended March 31, 2007, gains on asset sales primarily resulted from the sales of Aries Power Plant, Goldendale Energy Center and PSM. See Note 5 of the Notes to Consolidated Condensed Financial Statements for further information.

Gain on Reconsolidation of Canadian Debtors — During the three months ended March 31, 2008, we recorded a gain of $70 million related to the reconsolidation of our Canadian subsidiaries. See Note 1 of the Notes to Consolidated Condensed Financial Statements for further information.

DIP Facility Financing and CalGen Secured Debt Repayment Costs — During the three months ended March 31, 2008, we recorded a $4 million credit related to a valuation revision for secured shortfall claims related to our Second Priority Debt. During the three months ended March 31, 2007, we recorded costs related to the refinancing of our Original DIP Facility and repayment of the CalGen Secured Debt consisting of (i) $52 million of DIP Facility transaction costs, (ii) the write-off of $32 million in unamortized discount and deferred financing costs related to the CalGen Secured Debt and (iii) $76 million as our estimate of the expected allowed claims resulting from the unsecured claims for damages granted to the holders of the CalGen Secured Debt.

Other — Other reorganization items decreased primarily due to a non-recurring charge of $14 million during the three months ended March 31, 2007, resulting from debt pre-payment and make whole premium fees to the project lenders related to the sale of the Aries Power Plant as well as a $10 million increase in foreign exchange gains on LSTC denominated in a foreign currency in the first quarter of 2008 compared to 2007. Also contributing to the decrease was a $9 million decrease in emergence incentive cost accruals related to our emergence from Chapter 11 recorded during the three months ended March 31, 2008, compared to the three months ended March 31, 2007.

Provision for income taxes — For the three months ended March 31, 2008, we recorded a tax benefit of approximately $5 million compared to a tax provision of $89 million for the three months ended March 31, 2007. See Note 1 of the Notes to Consolidated Condensed Financial Statements for further information.

Non-GAAP Financial Measures

Management's Discussion and Analysis of Financial Condition and Results of Operations includes financial information prepared in accordance with GAAP, as well as the non-GAAP financial measures, commodity margin, as discussed below and in "— Executive Overview," and Adjusted EBITDA, discussed below, which we utilize as a measure of our liquidity and performance. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP.

Consolidated Commodity Margin

We use the non-GAAP financial measure "commodity margin" to assess our financial performance on a consolidated basis and by our reportable segments. Commodity margin includes our electricity and steam revenues, hedging and optimization activities, renewable energy credit revenue, transmission revenue and expenses, and fuel and purchased energy expense, but excludes mark-to-market activity and other service revenues. We believe that commodity margin is a useful tool for assessing the performance of our core operations and is a key operational measure reviewed by our chief operating decision maker. Commodity margin is not a measure calculated in accordance with GAAP, and should be viewed as a supplement to and not a substitute for our results of operations presented in accordance with GAAP. Commodity margin does not purport to represent net income (loss), the most comparable GAAP measure, as an indicator of operating performance and is not necessarily comparable to similarly-titled measures reported by other companies.

The following table reconciles our commodity margin to our GAAP results for the three months ended March 31, 2008 and 2007 (in millions):

	2008	2007
Operating revenues	$ 1,951	$ 1,662
(Less): Other service revenues	(11)	(28)
(Less): Fuel and purchased energy expense	(1,605)	(1,271)
Adjustment to remove: Mark-to-market activity, net[(1)]	151	59
Consolidated commodity margin	$ 486	$ 422

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(1) Included in operating revenues and fuel and purchased energy expense.

Our consolidated commodity margin increased by $64 million, or 15%, for the three months ended March 31, 2008, compared to the three months ended March 31, 2007. The increase is primarily due to a 3% increase in generation resulting from stronger demand, particularly in the West, and higher market spark spreads and favorable hedging and optimization activities, particularly in Texas. Our average capacity factor, excluding peakers, increased to 46.2% for the three months ended March 31, 2008, compared to 41.7% for the three months ended March 31, 2007. See “— Operating Performance Metrics” below for a definition of average capacity factor.

Commodity Margin by Segment

The following table shows our commodity margin by segment for the three months ended March 31, 2008 and 2007 (in millions, except for percentages):

	2008	2007	$ Change	% Change
West	$ 269	$ 230	$ 39	17%
Texas	130	86	44	51
Southeast	37	37	—	—
North	62	63	(1)	(2)
Other	(12)	6	(18)	#
Consolidated commodity margin	$ 486	$ 422	$ 64	15

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\# Variance of 100% or greater

Commodity margin increased in our West and Texas segments for three months ended March 31, 2008, compared to the same period in 2007, due to increased generation in the West and favorable pricing in Texas. Commodity margin was relatively unchanged in our Southeast and North segments.

West — Commodity margin in our West segment increased by 17% for the three months ended March 31, 2008, compared to the same period a year ago due to a 9% increase in generation attributable to higher market spark spreads in the first quarter of 2008 compared to 2007. Our average capacity factor, excluding peakers, increased in the West segment to 66.4% for the three months ended March 31, 2008, from 60.1% for the three months ended March 31, 2007. Our geothermal commodity margin also increased as a result of higher electric prices in the first quarter of 2008.

Texas — Commodity margin in our Texas segment increased by 51% due to higher market spark spreads and the favorable impacts of our hedging and optimization activities in the first quarter of 2008, as compared to the same period in 2007.

Southeast — Commodity margin in our Southeast segment was unchanged for the three months ended March 31, 2008, compared to the three months ended March 31, 2007. Total generation and market spark spreads were relatively flat in the first quarter of 2008 compared to 2007. Our average total MW in operation in our Southeast segment decreased by 19%, which was offset by a 26% increase in our average capacity factor to 22.6% for the three months ended March 31, 2008, from 18.0% for the three months ended March 31, 2007.

North — Commodity margin in our North segment decreased by 2% resulting from a 10% decrease in generation as we had a 22% decrease in our average total MW in operation for the three months ended March 31, 2008, compared to the same period in 2007 due to the sales of our Parlin Power Plant and Aries Power Plant in 2007. The effects of these decreases were largely offset by higher market spark spreads in the first quarter of 2008 compared to 2007 as a result of cooler than normal temperatures.

Other — Commodity margin in our Other segment decreased by $18 million primarily resulting from lower contribution from hedging and optimization activity that is not region specific.

Adjusted EBITDA

We define Adjusted EBITDA as EBITDA as adjusted for certain items described below and presented in the accompanying reconciliation. Adjusted EBITDA is not a measure calculated in accordance with GAAP, and should be viewed as a supplement to and not a substitute for our results of operations presented in accordance with GAAP. Adjusted EBITDA does not purport to represent cash flow from operations or net income (loss) as defined by GAAP as an indicator of operating performance. Furthermore, Adjusted EBITDA is not necessarily comparable to similarly-titled measures reported by other companies.

We believe Adjusted EBITDA is used by and useful to investors and other users of our financial statements in analyzing our liquidity as it is the basis for material covenants under the Exit Credit Facility. We are not permitted to exceed a consolidated leverage ratio calculated by dividing total net debt by Adjusted EBITDA (defined as “Consolidated EBITDA” in the Exit Credit Facility), and we must also comply with (i) a minimum ratio of Adjusted EBITDA to cash interest expense and (ii) a maximum ratio of total senior net debt to Adjusted EBITDA. Moreover, prior to the conversion of the loans and commitments under the DIP Facility to our exit financing under the Exit Credit Facility on the Effective Date, Adjusted EBITDA formed the basis for material covenants under our DIP Facility, which was our primary source of financing during our Chapter 11 cases. Non-compliance with these covenants under our Exit Credit Facility could result in the lenders requiring us to immediately repay all amounts borrowed. In addition, if we cannot satisfy these financial covenants, we may be prohibited from engaging in other activities, such as incurring additional indebtedness and making restricted payments.

We believe Adjusted EBITDA is also used by and is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods. We believe that EBITDA is widely used by investors to measure a company’s operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Additionally, we believe that investors commonly adjust EBITDA information to eliminate the effect of restructuring and other expenses, which vary widely from company to company and impair comparability. As we define it, Adjusted EBITDA excludes the impact of reorganization items and impairment charges, among other items as detailed in the below reconciliation. We have recognized substantial reorganization items, both direct and incremental, in connection with our Chapter 11 cases as well as substantial asset impairment charges related to our Chapter 11 filings and actions we have taken with respect to our portfolio of assets in connection with our reorganization efforts. These reorganization items and impairment charges are not expected to continue at these levels following our emergence from Chapter 11, but rather are expected to be reduced over time in the periods following our emergence. Therefore, we exclude reorganization items and impairment charges from Adjusted EBITDA as our management believes that these items would distort their ability to efficiently view and assess our core operating trends.

In summary, our management uses Adjusted EBITDA (i) as a measure of liquidity in determining our ability to maintain borrowings under the Exit Credit Facility, (ii) as a measure of operating performance to assist in comparing performance from period to period on a consistent basis and to readily view operating trends; (iii) as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations; and (iv) in communications with our Board of Directors, shareholders, creditors, analysts and investors concerning our financial performance.

The below table provides a reconciliation of Adjusted EBITDA to our cash flow from operations and GAAP net loss (in millions):

	Three Months Ended March 31,	
	2008	**2007**
Cash used in operating activities	$ (262)	$ (232)
Less:		
Changes in operating assets and liabilities, excluding the effects of acquisition	(126)	(129)
Additional adjustments to reconcile GAAP net loss to net cash used in operating activities from both continuing and discontinued operations:		
Depreciation and amortization expense [(1)]	155	143
Deferred income taxes	64	89
Mark-to-market activities, net	167	60
Reorganization items (non-cash portion) and other Chapter 11 related items	(325)	63
Other	17	1
GAAP net loss	(214)	(459)
Add:		
Adjustments to reconcile Adjusted EBITDA to net loss from continuing operations:		
Interest expense, net of interest income	406	282
Depreciation and amortization expense, excluding deferred financing costs[(1)]	122	129
Provision (benefit) for income taxes	(5)	89
Impairment charges	—	2
Reorganization items	(279)	105
Major maintenance expense	54	28
Losses on repurchase or extinguishment of debt	7	—
Operating lease expense	12	11
Losses on derivatives (non-cash portion)	179	64
Other	12	(1)
Adjusted EBITDA	$ 294	$ 250

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(1) Depreciation and amortization in the GAAP net loss calculation on our Consolidated Condensed Statements of Operations excludes amortization of other assets and amounts classified as sales, general and other administrative expenses.

Operating Performance Metrics

In understanding our business, we believe that certain operating performance metrics and non-GAAP financial measures are particularly important. These are described below:

- *Total MWh generated*. We generate power that we sell to third parties. The volume in MWh is a direct indicator of our level of electricity generation activity.

- *Average availability and average capacity factor, excluding peakers*. Availability represents the percent of total hours during the period that our plants were available to run after taking into account the downtime associated with both scheduled and unscheduled outages. The average capacity factor, excluding peakers is calculated by dividing (a) total MWh generated by our power plants (excluding peakers) by the product of multiplying (b) the weighted average MW in operation during the period by (c) the total hours in the period. The average capacity factor, excluding peakers is thus a measure of total actual generation as a percent of total potential generation. If we elect not to generate during periods when electricity pricing is too low or gas prices too high to operate profitably, the average capacity factor, excluding peakers will reflect that decision as well as both scheduled and unscheduled outages due to maintenance and repair requirements.

- *Steam adjusted Heat Rate for gas-fired fleet of power plants expressed in Btus of fuel consumed per KWh generated.* We calculate the steam adjusted Heat Rate for our gas-fired power plants (excluding peakers) by dividing (a) fuel consumed in Btu by (b) KWh generated. We adjust the fuel consumption in Btu down by the equivalent heat content in steam or other thermal energy exported to a third party, such as to steam hosts for our cogeneration facilities. The resultant steam adjusted Heat Rate is a measure of fuel efficiency, so the lower the steam adjusted Heat Rate, the lower our cost of generation.

- *Average realized electric price expressed in dollars per MWh generated.* Our energy trading and optimization activities are integral to our power generation business and directly impact our total realized revenues from generation. Accordingly, we calculate the average realized electric price per MWh generated by dividing (a) adjusted electricity and steam revenue, which includes capacity revenues, energy revenues, thermal revenues, the spread on sales of purchased electricity for hedging, balancing, and optimization activity by (b) total generated MWh in the period.

- *Average cost of natural gas expressed in dollars per MMBtu of fuel consumed.* Our energy trading and optimization activities related to fuel procurement directly impact our total fuel and purchased energy expense. The fuel costs for our gas-fired power plants are a function of the price we pay for fuel purchased and the results of the fuel hedging, balancing, and optimization activities by CES. Accordingly, we calculate the cost of natural gas per MMBtu of fuel consumed in our power plants by dividing (a) adjusted fuel expense which includes the cost of fuel consumed by our plants and the spread on sales of purchased gas for hedging, balancing, and optimization activity, by (b) the heat content in millions of Btu of the fuel we consumed in our power plants for the period.

The table below shows the operating performance metrics for continuing operations discussed above:

	Three Months Ended March 31,	
	2008[(1)]	2007
	(MWh in thousands)	
Total MWh generated	20,906	20,343
West	9,157	8,419
Texas	7,741	7,771
Southeast	2,670	2,661
North	1,338	1,492
Average Availability	85.8%	90.9%
West	83.3%	89.8%
Texas	82.0%	90.6%
Southeast	91.0%	93.6%
North	92.0%	86.4%
Average total MW in operation	23,113	25,356
West	7,246	7,389
Texas	7,251	7,274
Southeast	6,254	7,674
North	2,362	3,019
Average MW of peaker facilities	2,540	3,000
West	983	983
Texas	—	—
Southeast	963	963
North	594	1054
Average capacity factor, excluding peakers	46.2%	41.7%
West	66.4%	60.1%
Texas	48.9%	49.5%
Southeast	22.6%	18.0%
North	34.3%	34.2%
Steam adjusted Heat Rate	7,161	7,111
West	7,228	7,320
Texas	6,951	6,685
Southeast	7,461	7,538
North	7,419	7,646
Average realized electric price	$ 75.07	$ 63.81
Average cost of natural gas per MMBtu	$ 7.51	$ 6.34

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(1) Excludes RockGen, which was deconsolidated. See Note 1 of the Notes to Consolidated Condensed Financial Statements.

Liquidity and Capital Resources

Our business is capital intensive. Our ability to successfully implement our business plan, including operating our current fleet of power plants, completing our remaining plants under construction and maintaining our relationships with vendors, suppliers, customers and others with whom we conduct or seek to conduct business, as well as exploring potential growth opportunities, is dependent on the continued availability of capital on attractive terms. As described below, upon implementation of our Plan of Reorganization and emergence from Chapter 11, we converted our existing DIP Facility into exit financing under our Exit Credit Facility, which, including the term loans funded, currently provides approximately $7.0 billion of term and revolving credit.

We currently obtain cash from our operations, borrowings under credit facilities including the Exit Credit Facility, project financings and refinancings. In the past, we have also obtained cash from issuances of equity or debt securities, proceeds from sale/leaseback transactions, contract monetizations, and sale or partial sale of certain assets. We or our subsidiaries may in the future complete similar transactions consistent with achieving the objectives of our business plan. We utilize this cash to fund our operations, service or prepay debt obligations, fund acquisitions, develop and construct power generation facilities, finance capital expenditures, support our hedging, balancing and optimization activities, and meet our other cash and liquidity needs. We reinvest any cash from operations into our business or use it to reduce or pay interest on our debt, rather than to pay cash dividends. We have remaining unused credit under our Exit Facility of approximately $614 million to issue additional letters of credit or to borrow additional cash. We do not intend to pay any cash dividends on our common stock in the foreseeable future because of our ongoing liquidity constraints and the needs of our business operations. In addition, our ability to pay cash dividends is restricted under the Exit Credit Facility and certain of our other debt agreements. Future cash dividends, if any, will be at the discretion of our Board of Directors and will depend upon, among other things, our future operations and earnings, capital requirements, general financial condition, contractual restrictions and such other factors as our Board of Directors may deem relevant.

In order to improve our liquidity position, maximize our core strategic assets in the markets in which we operate and control our business growth, we have taken steps to stabilize, improve and strengthen our power generation business and our financial health by reducing activities and curtailing expenditures in certain non-core areas. We expect to continue our efforts to reduce overhead and discontinue activities that do not have compelling profit potential or otherwise do not constitute a strategic fit with our core business of generating and selling electricity and electricity-related products. Our development activities have been reduced, and we have only one project, Russell City Energy Center, currently in active development. We have interests in two projects, OMEC and Greenfield LP, currently under construction. We continue to review our other development opportunities, which we have put on hold, to determine what actions we should take. We may pursue new opportunities that arise, including expansions of existing facilities, particularly if power contracts and financing are available and attractive returns are expected. We have completed the sale of certain of our power plants or other assets, and expect that, as a result of our ongoing review process, additional power plants or other assets may be sold, the agreements relating to certain of our facilities may be restructured, or commercial operations may be suspended at certain of our power plants. See Note 5 of the Notes to Consolidated Condensed Financial Statements and "— Asset Sales" below for further information regarding activities during the three months ended March 31, 2008.

We believe the actions we have taken, including implementing our Plan of Reorganization, closing on our Exit Credit Facility, reducing our activities in certain non-core areas and disposing of certain underperforming assets, will allow us to generate sufficient cash to support our operations over the next twelve months. Our ability to generate sufficient cash is dependent upon, among other things: (i) improving the profitability of our operations; (ii) complying with the covenants under our Exit Credit Facility and other existing financing obligations; (iii) developing a long-term strategy focused on projects that fit our core business; and (iv) stabilizing and increasing future contractual cash flows.

Exit Facilities — Upon our emergence from Chapter 11, we converted the approximately $4.9 billion of loans and commitments outstanding under our DIP Facility (including the $1.0 billion revolver) into loans and commitments under our approximately $7.3 billion of Exit Facilities. The Exit Facilities provide for approximately $2.1 billion in senior secured term loans and $300 million in senior secured bridge loans in addition to the loans and commitments that had been available under the DIP Facility. The facilities under the Exit Facilities include:

The Exit Credit Facility, comprising:

- approximately $6.0 billion of senior secured term loans;

- a $1.0 billion senior secured revolving facility; and

- ability to raise up to $2.0 billion of incremental term loans available on a senior secured basis in order to refinance secured debt of subsidiaries under an "accordion" provision.

The Bridge Facility, comprising:

- a $300 million senior secured bridge term loan.

The approximately $6.0 billion of senior secured term loans and the $300 million Bridge Facility were fully drawn and we drew approximately $150 million under the $1.0 billion senior secured revolving facility on the Effective Date. The proceeds of the drawdowns, above the amounts that had been applied under the DIP Facility as described below, were used to repay a portion of the Second Priority Debt, fund distributions under the Plan of Reorganization to holders of other secured claims and to pay fees, costs, commissions and expenses in connection with the Exit Facilities and the implementation of our Plan of Reorganization. Term loan borrowings under the Exit Credit Facility bear interest at a floating rate of, at our option, LIBOR plus 2.875% per annum or base rate plus 1.875% per annum. Borrowings under the Exit Credit Facility term loan facility require quarterly payments of principal equal to 0.25% of the original principal amount of the term loan, with the remaining unpaid amount due and payable at maturity on March 29, 2014.

As of March 6, 2008, the Bridge Facility had been repaid in full in accordance with its terms with proceeds from the sales of the Hillabee and Fremont development project assets.

The obligations under the Exit Credit Facility are unconditionally guaranteed by certain of our direct and indirect domestic subsidiaries and are secured by a security interest in substantially all of the tangible and intangible assets of Calpine Corporation and the guarantors. The obligations under the Exit Credit Facility are also secured by a pledge of the equity interests of the direct subsidiaries of each guarantor, subject to certain exceptions, including exceptions for equity interests in foreign subsidiaries, existing contractual prohibitions and prohibitions under other legal requirements.

The Exit Credit Facility contains restrictions, including limiting our ability to, among other things: (i) incur additional indebtedness and issue stock; (ii) make prepayments on or purchase indebtedness in whole or in part; (iii) pay dividends and other distributions with respect to our stock or repurchase our stock or make other restricted payments; (iv) use money borrowed under the Exit Facilities for non-guarantors (including foreign subsidiaries); (v) make certain investments; (vi) create or incur liens to secure debt; (vii) consolidate or merge with another entity, or allow one of our subsidiaries to do so; (viii) lease, transfer or sell assets and use proceeds of permitted asset leases, transfers or sales; (ix) limit dividends or other distributions from certain subsidiaries up to Calpine; (x) make capital expenditures beyond specified limits; (xi) engage in certain business activities; and (xii) acquire facilities or other businesses.

The Exit Credit Facility also requires compliance with financial covenants that include (i) a maximum ratio of total net debt to Consolidated EBITDA (as defined in the Exit Credit Facility), (ii) a minimum ratio of Consolidated EBITDA to cash interest expense and (iii) a maximum ratio of total senior net debt to Consolidated EBITDA. We were in compliance with all our covenants related to our Exit Credit Facility at March 31, 2008.

As of March 31, 2008, under the Exit Credit Facility we had approximately $6.0 billion outstanding under the term loan facilities, and $175 million outstanding under the revolving credit facility and $211 million of letters of credit issued against the revolving credit facility.

On February 1, 2008, Blue Spruce entered into a $90 million senior term loan. Net proceeds from the senior term loan were used to refinance all outstanding indebtedness under the existing Blue Spruce term loan facility, to pay fees and expenses related to the transaction and for general corporate purposes. The senior term loan carries interest at LIBOR plus an initial base rate of 1.63%, which escalates to 2.50% over the life of the senior term loan and matures December 31, 2017. The senior term loan is secured by the assets of Blue Spruce.

During the three months ended March 31, 2008, we entered into a letter of credit facility related to our subsidiary Calpine Development Holdings, Inc. under which up to $150 million is available for letters of credit. As of March 31, 2008, $43 million letters of credit had been issued under this facility.

Cash Management — We manage our cash in accordance with our intercompany cash management system subject to the requirements of the Exit Credit Facility and requirements under certain of our project debt and lease agreements or by regulatory agencies.

During the pendency of our Chapter 11 cases, in lieu of distributions, our U.S. Debtor subsidiaries were permitted under the terms of the Cash Collateral Order to make transfers from their excess cash flow in the form of loans to other U.S. Debtors, notwithstanding the existence of any default or event of default related to our Chapter 11 cases.

Cash Flow Activities — The following table summarizes our cash flow activities for the three months ended March 31, 2008 and 2007 (in millions):

	2008	2007
Beginning cash and cash equivalents	$ 1,915	$ 1,077
Net cash provided by (used in):		
Operating activities	(262)	(232)
Investing activities	405	468
Financing activities	(1,777)	192
Net increase (decrease) in cash and cash equivalents	(1,634)	428
Ending cash and cash equivalents	$ 281	$ 1,505

Cash flows from operating activities for the three months ended March 31, 2008, resulted in net outflows of $262 million as compared to net outflows of $232 million in the same period in 2007. The decrease in cash flows from operating activities is mainly driven by a higher net loss adjusted for non-cash operating items which accounted for a $136 million use of funds for the three months ended March 31, 2008, compared to a $103 million use of funds for the same period in 2007. Partially offsetting this was a net favorable impact from changes in operating assets and liabilities as there was a net use of funds of $126 million for the three months ended March 31, 2008, as compared to use of $129 million for the same period in 2007. Included in the changes in operating assets and liabilities is a reduction in accounts receivable partially offset by (i) an increase of $85 million for margin deposits and prepayments for the three months ended March 31, 2008, as compared to the same period in 2007 primarily due to higher gas prices and (ii) a use of funds from a net reduction of accounts payable, LSTC, accrued expenses and other liabilities primarily due to increased interest payments. Also, $37 million relates to payment of allowed claims and professional fees related to our emergence from Chapter 11.

Cash flows from investing activities for the three months ended March 31, 2008, resulted in net inflows of $405 million as compared to net inflows of $468 million for the same period in 2007. The decrease in cash flows from investing activities is primarily due to a decrease of $81 million in cash flows from derivatives not designated as hedges. For the three months ended March 31, 2008, we incurred outflows of $78 million related to settlements and margin posted on derivatives not designated as hedges, as compared to inflows of $3 million related to settlements and margin posted on derivatives not designated as hedges for the same period in 2007. Also contributing to the decrease in cash flows from investing activities was an increase of $31 million in purchases of property, plant and equipment to $56 million for the three months ended March 31, 2008, as compared to $25 million for the same period in 2007. Additionally, for the three months ended March 31, 2008, we had lower inflows from net reductions of restricted cash to $43 million in 2008 as compared to $125 million for the same period in 2007. Offsetting these decreases in cash flows from investing activities was a $24 million return of investment in Greenfield LP and cash received from the reconsolidation of our Canadian subsidiaries of $64 million. Furthermore, we did not have any advances to joint ventures for the three months ended March 31, 2008, as compared to $38 million for the same period in 2007.

Cash flows from financing activities for the three months ended March 31, 2008, resulted in net outflows of $1.8 billion, as compared to net inflows of $192 million for the same period in 2007, reflecting our recapitalization on the Effective Date. The primary sources of cash during the three months ended March 31, 2008, were borrowings under the Exit Facility of $2.7 billion, mainly used to repay the outstanding term loan balance of $3.9 billion (excluding the unused portion under the $1.0 billion revolver) under our DIP Facility, cash payment of obligations under the Plan of Reorganization, working capital and other general corporate purposes, and project financing of $90 million. This compares to borrowings under the DIP Facility of $614 million for the same period in 2007, and project borrowings of $15 million for the three months ended March 31, 2007. The primary uses of cash during the three months ended March 31, 2008, were repayments of $3.7 billion for the Second Priority Debt, $98 million for the DIP Facility, $455 million for the Exit Facility, $140 million for project financing and $49 million for notes payable and other lines of credit. For the same period in 2007, our primary uses of cash included a payments of $224 million to repay a portion of the CalGen Secured Debt, $88 million for notes payable and other lines of credit and $59 million for project financing. In addition, we had financing costs of $175 million related to the Exit Facility for the three months ended March 31, 2008, as compared to $53 million related to our DIP Facility for the same period in 2007.

Letter of Credit Facilities — At March 31, 2008, we had a total of $374 million in amounts outstanding under letters of credit including $211 million under our Exit Credit Facility and $43 million outstanding under the letter of credit facility related to our subsidiary Calpine Development Holdings, Inc discussed above as well as amounts outstanding under other credit facilities.

Margin Deposits and Other Credit Support — We use margin deposits, prepayments and letters of credit as credit support with and from our counterparties for commodity procurement and risk management activities. In addition, we have granted additional first priority liens on the assets currently subject to first priority liens under the Exit Credit Facility as collateral under certain of our power, gas and interest rate swap agreements that qualify as "eligible commodity hedge agreements" under the Exit Credit Facility in order to reduce the cash collateral and letters of credit that we would otherwise be required to provide to the counterparties under such agreements. The counterparties under such agreements will share the benefits of the collateral subject to such first priority liens ratably with the lenders under the Exit Credit Facility. Such first priority liens had also been permitted under the DIP Facility prior to the conversion of the loans and commitments under the DIP Facility to our exit financing under the Exit Credit Facility. See Note 9 of the Notes to Consolidated Condensed Financial Statements for further information on our margin deposits and collateral used for commodity procurement and risk management activities.

Future cash collateral and first priority lien requirements may increase based on the extent of our involvement in standard contracts and movements in commodity prices and also based on our credit ratings and general perception of creditworthiness in our market. While we believe that we have adequate liquidity to support our operations at this time, it is difficult to predict future developments and the amount of credit support that we may need to provide as part of our business operations.

Asset Sales and Purchase of Investment — A significant component of our restructuring activities has been to return our focus to our core strategic assets and selectively dispose of or restructure certain less strategically important assets. As a result of the review of our asset portfolio, we sold or otherwise disposed of the following assets, and acquired the RockGen assets, which had previously been leased.

Asset	Transaction Description	Closing Date	Consideration
RockGen Energy Center	Purchase of investment	January 15, 2008	$145 million allowed unsecured claim
Hillabee development project	Sale of assets	February 14, 2008	$156 million
Fremont development project	Sale of assets	March 5, 2008	$254 million

We continue to market two natural gas-fired power plants and their eventual sale remains a possibility.

Special Purpose Subsidiaries — Pursuant to applicable transaction agreements, we have established certain of our entities separate from Calpine and our other subsidiaries. In accordance with applicable accounting standards, we consolidate these entities. As of the date of filing this Report, these entities included: Rocky Mountain Energy Center, LLC, Riverside Energy Center, LLC, Calpine Riverside Holdings, LLC, PCF, PCF III, Gilroy Energy Center, LLC, Calpine Gilroy Cogen, L.P., Calpine Gilroy 1, Inc., Calpine King City Cogen, LLC, Calpine Securities Company, L.P. (a parent company of Calpine King City Cogen, LLC), Calpine King City, LLC (an indirect parent company of Calpine Securities Company, L.P.), Calpine Deer Park Partner, LLC, Calpine DP, LLC, Deer Park Energy Center Limited Partnership, CCFC Preferred Holdings, LLC, Metcalf Energy Center, LLC and Russell City Energy Company, LLC.

Financial Market Risks

As we are primarily focused on the generation of electricity using gas-fired turbines, our natural physical commodity risk is an option to be "short" fuel (i.e., natural gas buyer) and "long" power (i.e., electricity seller) at our generation's cost of conversion. As a result, we are exposed to commodity price volatility in the markets in which our plants operate. We utilize derivatives, which are defined in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" to include physical commodity contracts and commodity financial instruments such as swaps, options, and forward contracts, to maximize the risk-adjusted returns from our power and gas assets. We conduct these hedging and optimization activities within a structured risk management framework based on clearly communicated controls, policies and procedures. We monitor these activities through active and ongoing management and oversight, clearly defined roles and responsibilities, and daily risk measurement and reporting. Additionally, we manage the associated risks through diversification, by controlling position sizes, by using portfolio position limits, and by entering into offsetting positions.

Derivative contracts are measured at their fair value and recorded as either assets or liabilities unless exempted from derivative treatment as a normal purchase and sale. All changes in the fair value of contracts accounted for as derivatives are recognized currently in earnings (as a component of our operating revenues, fuel and purchased energy expense, or interest expense) unless specific hedge criteria are met. The hedge criteria requires us to formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

Along with our portfolio of hedging transactions, we enter into electricity and natural gas trading positions that often act as hedges to our asset portfolio, but do not qualify as hedges under hedge criteria guidelines, such as commodity options transactions. While our trading in electricity and natural gas is mostly physical in nature, we also engage in trading activities, particularly in natural gas, that are financial in nature. While we enter into these transactions primarily to provide us with improved price and price volatility discovery as well as greater market access, which benefits our hedging activities, we also are susceptible to commodity price movements (both profits and losses) in connection with these transactions. Trading positions are included in and subject to our consolidated risk management portfolio position limits and controls structure. Changes in fair value of commodity trading positions are recognized currently in earnings in mark-to-market activities within operating revenues, in the case of power transactions, and within fuel and purchased energy expense, in the case of natural gas transactions. Our future hedged status and trading activities are subject to change as determined by our commercial operations group, senior management, Chief Risk Officer and Board of Directors.

Effective January 1, 2008, we adopted SFAS No. 157, which provides a framework for measuring fair value under GAAP and, among other things, requires enhanced disclosures about assets and liabilities carried at fair value. See Note 8 of the Notes to Consolidated Condensed Financial Statements for further discussion related to the adoption of this standard.

Derivatives — We enter into a variety of derivative instruments to include both exchange traded and OTC power and gas forwards, options and interest rate swaps.

Our level 1 fair value derivative instruments primarily consist of power and natural gas futures traded on the NYMEX.

Our level 2 fair value derivative instruments primarily consist of our interest rate swaps and our power and gas OTC forwards where market data for pricing inputs is observable. Generally, we obtain our level 2 pricing inputs from markets such as the Intercontinental Exchange. In certain instances, our level 2 derivative instruments may utilize models to measure fair value. These models are primarily industry-standard models that incorporate various assumptions, including quoted interest rates, time value, and volatility factors, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Our level 3 fair value derivative instruments primarily consist of our power and gas OTC forwards and options where pricing inputs are unobservable as well as our complex and structured transactions. Complex or structured transactions are tailored to our customers' needs and can introduce the need for internally-developed model inputs which might not be observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in level 3. Our valuation models may incorporate historical correlation information and extrapolate available broker and other information to future periods. In cases where there is no corroborating market information available to support significant model inputs, we initially use the transaction price as the best estimate of fair value. OTC options are valued using the Black-Scholes pricing model. We also have one put option that is valued using an internally developed Monte Carlo simulation model. At each balance sheet date, we perform an analysis of all instruments subject to SFAS No. 157 and include in level 3 all of those whose fair value is based on significant unobservable inputs.

Under our risk management policy, most of our level 3 derivatives primarily act as hedges to our asset portfolio. Accordingly, the majority of the unrealized gains and losses are recorded in accumulated other comprehensive income (loss). As of March 31, 2008, our level 3 derivative assets and liabilities represent approximately 9% and 15% of our total assets and total liabilities, respectively. The actual amounts that will ultimately be settled will likely vary based on changes in gas prices and power prices as well as changes in interest rates. Such variances could be material. We validate our price inputs used in our fair value models quarterly through comparisons and validations of our commodity and interest rate pricing curves to prices from external sources such as the Intercontinental Exchange, British Bankers Association and other public sources. The majority of our derivative instruments have terms of five years or less. See further discussion of pre-tax gains (losses) currently held in AOCI in Note 9 of the Notes to Consolidated Condensed Financial Statements. The fair value of our derivatives include the credit standing of the counterparties involved and the impact of credit enhancements, if any. We have also recorded liquidity reserves, as discussed in Note 8 of the Notes to Consolidated Condensed Financial Statements in the determination of fair value based on our expectation of how market participants would determine fair value. Such valuation adjustments are generally based on market evidence, if available, or management's best estimate.

Margin Deposits — Our margin deposits are cash and cash equivalents and are generally classified within level 1 of the fair value hierarchy as the amounts are valued using quoted market prices.

Mark-to-market activities, a component within operating revenues (for electricity contracts), fuel and purchased energy expense (for gas contracts), and interest expense for interest rate swaps as shown on our Consolidated Condensed Statements of Operations include realized settlements of and unrealized mark-to-market gains and losses on power and gas derivative instruments not designated as cash flow hedges, including those held for trading purposes and for undesignated interest rate swaps. See Note 9 of the Notes to Consolidated Condensed Financial Statements for a discussion of our total mark-to-market activity for the three months ended March 31, 2008 and 2007.

The change in fair value of our outstanding commodity and interest rate swap derivative instruments from January 1, 2008, through March 31, 2008, is summarized in the table below (in millions):

	Interest Rate Swaps	Commodity Instruments	Total
Fair value of contracts outstanding at January 1, 2008	$ (169)	$ (194)	$ (363)
(Gains) losses recognized or otherwise settled during the period[1]	2	(44)	(42)
Fair value attributable to new contracts	(21)	193	172
Changes in fair value attributable to price movements	(164)	(390)	(554)
Change in fair value attributable to adoption of SFAS No. 157	4	(72)	(68)
Fair value of contracts outstanding at March 31, 2008[2]	$ (348)	$ (507)	$ (855)

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(1) Commodity gains (losses) recognized consist of (i) recognized gains from commodity cash flow hedges of $4 million (which represents a portion of the realized value of cash flow hedge activity of $(8) million as disclosed in Note 9 of the Notes to Consolidated Condensed Financial Statements), (ii) losses related to deferred items of $(9) million, and (iii) gains related to undesignated derivatives of $49 million (represents a portion of operating revenues as reported on our Consolidated Condensed Statements of Operations).

(2) Net commodity and interest rate swap derivative liabilities reported in Notes 8 and 9 of the Notes to Consolidated Condensed Financial Statements.

Our increased accumulated loss in AOCI was primarily driven by an increase in power prices on commodity hedges and a decrease in interest rates on interest rate swap derivatives.

Of the total mark-to-market loss of $151 million from commodity derivative instruments for the three months ended March 31, 2008, which is included in both operating revenues and fuel and purchased energy expense, there was a realized gain of $36 million, and an unrealized loss of $187 million. The realized gain included a non-cash gain of approximately $9 million from amortization of various items.

The fair value of outstanding derivative commodity instruments at March 31, 2008, based on price source and the period during which the instruments will mature, are summarized in the table below (in millions):

Fair Value Source	2008	2009-2010	2011-2012	After 2012	Total
Prices actively quoted	$ 243	$ 23	$ —	$ —	$ 266
Prices provided by other external sources	(480)	(278)	(16)	—	(774)
Prices based on models and other valuation methods	—	1	—	—	1
Total fair value	$ (237)	$ (254)	$ (16)	$ —	$ (507)

The counterparty credit quality associated with the fair value of outstanding derivative commodity instruments at March 31, 2008, and the period during which the instruments will mature are summarized in the table below (in millions):

Credit Quality (Based on Standard & Poor's Ratings as of March 31, 2008)	2008	2009-2010	2011-2012	After 2012	Total
Investment grade	$ (203)	$ (232)	$ (18)	$ —	$ (453)
Non-investment grade	(30)	(29)	(2)	—	(61)
No external ratings	(4)	7	4	—	7
Total fair value	$ (237)	$ (254)	$ (16)	$ —	$ (507)

The fair value of our interest rate swaps are validated based upon external quotes. See further discussion on our interest rate swaps in the "—*Interest Rate Risk*" section below.

The primary factors affecting the fair value of our derivatives at any point in time are the volume of open derivative positions (MMBtu and MWh), changing commodity market prices, principally for electricity and natural gas and changes in interest rates. In that prices for electricity and natural gas are among the most volatile of all commodity prices, there may be material changes in the fair value of our derivatives over time, driven both by price volatility and the changes in volume of open derivative transactions. The change since the last balance sheet date in the total value of the derivatives (both assets and liabilities) is reflected either in OCI, net of tax, or on our Consolidated Condensed Statements of Operations as a component (gain or loss) of current earnings. As of March 31, 2008, and December 31, 2007, a component of the balance in AOCI represented the unrealized net loss associated with commodity cash flow hedging transactions. As noted above, there is a substantial amount of volatility inherent in accounting for the fair value of these derivatives, and our results during the three months ended March 31, 2008 and 2007 have reflected this. See Notes 8 and 9 of the Notes to Consolidated Condensed Financial Statements for additional information on derivative activity.

The fair value of outstanding derivative commodity instruments and the fair value that would be expected after a 10% adverse price change are shown in the table below (in millions):

	Fair Value	Fair Value After 10% Adverse Price Change
At March 31, 2008:		
Electricity	$ (913)	$ (1,333)
Natural gas	406	203
Total	$ (507)	$ (1,130)

Derivative commodity instruments included in the table are those included in Notes 8 and 9 of the Notes to Consolidated Condensed Financial Statements. The fair value of derivative commodity instruments included in the table is based on present value adjusted quoted market prices of comparable contracts. The fair value of electricity derivative commodity instruments after a 10% adverse price change includes the effect of increased power prices versus our derivative forward commitments. Conversely, the fair value of the natural gas derivatives after a 10% adverse price change reflects a general decline in gas prices versus our derivative forward commitments.

Price changes were calculated by assuming an across-the-board 10% adverse price change regardless of term or historical relationship between the contract price of an instrument and the underlying commodity price. In the event of an actual 10% change in prices, the fair value of our derivative portfolio would typically change by more than 10% for earlier forward months and less than 10% for later forward months because of the higher volatilities in the near term and the effects of discounting expected future cash flows.

Interest Rate Risk — We are exposed to interest rate risk related to our variable rate debt. Interest rate risk represents the potential loss in earnings arising from adverse changes in market interest rates. Our variable rate financings are indexed to base rates, generally LIBOR. Significant LIBOR increases could have an adverse impact on our future interest expense.

Our fixed-rate debt instruments do not expose us to the risk of loss in earnings due to changes in market interest rates. In general, such a change in fair value would impact earnings and cash flows only if we were to reacquire all or a portion of the fixed rate debt in the open market prior to their maturity.

Currently, we use interest rate swaps to adjust the mix between fixed and floating rate debt as a hedge of our interest rate risk. We do not use interest rate derivative instruments for trading purposes. To the extent eligible, our interest rate swaps have been designed as cash flow hedges, and changes in fair value are recorded in OCI to the extent they are effective.

The following table summarizes the contract terms as well as the fair values of our significant financial instruments exposed to interest rate risk as of March 31, 2008. All outstanding balances and fair market values are shown gross of applicable premium or discount, if any (in millions):

	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value March 31, 2008
Debt by Maturity Date:								
Fixed Rate	$ 118	$ 224	$ 255	$ 127	$ 86	$ 759	$ 1,569	$ 1,545
Average Interest Rate	6.8%	7.0%	7.8%	9.0%	11.3%	9.2%		
Variable Rate	$ 61	$ 445	$ 335	$ 1,721	$ 72	$ 5,908	$ 8,542	$ 7,942
Average Interest Rate	5.9%	8.1%	8.1%	8.6%	5.5%	7.3%		
Interest Rate Derivative Instruments (Notional Value):								
Variable to Fixed Swaps(1)	$ 7,594	$ 7,494	$ 6,278	$ 4,378	$ 2,928	$ 67	n/a	$ (348)
Average Pay Rate	4.1%	3.9%	4.0%	2.5%	3.3%	0.6%		
Average Receive Rate	2.6%	2.4%	2.7%	3.0%	3.2%	3.7%		

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(1) Includes interest rate swaps where forecasted issuance of variable rate debt is deemed probable.

Recent Accounting Pronouncements

See Note 1 of the Notes to Consolidated Condensed Financial Statements for a discussion of recent accounting pronouncements.

Item 4. *Controls and Procedures*

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective. Management believes that the financial statements included in this Report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Changes in Internal Control Over Financial Reporting

During the first quarter of 2008, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Calpine have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

See Note 12 of the Notes to Consolidated Condensed Financial Statements for a description of our legal proceedings.

Item 5. ***Other Information***

Robert P. May Employment Agreement. On March 25, 2008, we entered into the Second Amended and Restated Employment Agreement with Robert P. May, our Chief Executive Officer. The Second Amended and Restated Employment Agreement, provides among other things, as follows:

Term	From March 25, 2008, through December 31, 2008.
Base Salary	$1,500,000.
Target Annual Bonus	For the fiscal year ending December 31, 2008, Mr. May shall be eligible to receive an annual cash performance bonus, with a target level for such bonus no lower than 100% of base salary.
Success Fee	Mr. May shall be entitled to the Success Fee as defined in his previous employment agreement, as discussed in our 2007 Form 10-K.
Relocation	Mr. May shall not be reimbursed for temporary housing, living and commuting expenses.
Equity Grants	*Options* — Mr. May shall be granted an option under the 2008 Equity Incentive Plan to purchase 325,500 shares of our common stock. The options shall have a term of 10 years and shall vest and become exercisable on December 31, 2008. The options will fully vest immediately if Mr. May's employment is terminated by us without cause or by Mr. May with good reason. If Mr. May's employment is terminated by us for cause or Mr. May terminates his employment without good reason, the options shall become null and void. We granted such options to Mr. May on March 25, 2008. *Restricted Stock* — Mr. May shall retain 73,000 of the 547,600 restricted shares that he was granted on February 6, 2008. The retained restricted shares shall remain subject to the agreement governing the restricted shares granted on February 6, 2008, except that the terms of that agreement shall be amended to provide that the retained restricted shares will fully vest immediately upon the termination of Mr. May's employment by us without cause or by Mr. May with good reason. If Mr. May's employment is terminated by us with cause or Mr. May terminates his employment without good reason, the retained restricted shares shall be forfeited by Mr. May to the Company. The remaining 474,600 shares of restricted stock granted to Mr. May on February 6, 2008, shall be forfeited by Mr. May to the Company. Mr. May shall not be entitled to any compensation on account of any forfeited shares of restricted stock. On March 25, 2008, we entered into such amended and restated restricted stock grant agreement with Mr. May and Mr. May forfeited the 474,600 shares. *Emergence Options* — The options to purchase 348,700 shares of common stock granted to Mr. May on January 31, 2008, shall be canceled and rendered null and void and Mr. May shall not be entitled to any compensation on account thereof.

Termination Benefits	*General* — Mr. May shall not be eligible to receive any severance benefits if his employment is terminated by us for cause or by Mr. May without good reason. *Termination by Us Other Than for Cause or by Mr. May for Good Reason* — If Mr. May's employment is terminated by us other than for cause or if Mr. May terminates his employment for good reason, we shall, at our cost, provide Mr. May with group health benefits for one year if Mr. May elects, and is eligible, to receive "COBRA" coverage. In addition, Mr. May shall be entitled to a severance benefit in the amount of the sum of his (x) annual base salary and (y) target annual bonus as of the date his employment terminates. A termination by us without cause shall include termination of Mr. May's employment after the parties' failure to enter into a new employment agreement prior to December 31, 2008, that results in termination of Mr. May's employment on December 31, 2008. *Death or Disability* — In the event of the termination of Mr. May's employment due to his death or disability, Mr. May shall be entitled to receive a pro rata portion of his target annual bonus for the portion of the calendar year before the date his employment terminates.
Tax Gross Up	If, under certain circumstances, it is determined by our independent accountants or the Internal Revenue Service that any payment or benefit to Mr. May under the Second Amended and Restated Employment Agreement or otherwise (including the payments described under "Success Fee" and "Termination Benefits" above) is an "excess parachute payment" as defined in the Internal Revenue Code and is subject to excise tax, we are obligated to "gross up" such payments in an amount or amounts necessary to place Mr. May in the same after-tax position in which he would have been if such excise tax (including any interest or penalties) had not been imposed.

This description of the Second Amended and Restated Employment Agreement is qualified in its entirety by reference to the full text of such agreement, a copy of which is filed herewith as Exhibit 10.2.1 and is incorporated by reference herein.

Charles B. Clark, Jr. Separation and Consulting Agreements. We entered into a Letter Agreement re Employment Separation, dated April 7, 2008 (executed April 11, 2008), with Charles B. Clark, Jr., our Chief Accounting Officer. The Letter Agreement provides that Mr. Clark's employment will terminate effective May 30, 2008. Under the Letter Agreement, in exchange for providing us a waiver and release of claims, Mr. Clark shall be entitled to the following severance benefits: (i) a lump sum payment of $455,000 within 60 days following his termination date, which amount equals the sum of (a) Mr. Clark's highest annual salary in the three years preceding the termination date (equal to $325,000) plus (b) his highest target bonus for the year of termination (equal to $130,000), plus (ii) for a period of twelve months following the termination date, Mr. Clark and his dependents shall receive continued health care benefits at the same cost sharing as a similarly situated active employee, which shall be provided concurrently with any health care benefit required under COBRA. In accordance with law, Mr. Clark was provided a period of seven days from the time of execution of the Letter Agreement to exercise a right to revoke. Mr. Clark did not exercise his revocation right, and the Letter Agreement became irrevocable on April 18, 2008.

In addition, we have entered into a Consulting Agreement with Mr. Clark, which is effective beginning May 30, 2008. The Consulting Agreement provides among other things, as follows:

Term	An 18-month period beginning May 30, 2008. For the first nine months of the term, Mr. Clark will be available, upon our request, to work a normal, full workweek in our Houston office or any other location reasonably chosen by us. During the second nine months of the term, Mr. Clark is expected to be available as needed, but is not required to work full time unless he is available to do so.
Services	Mr. Clark will provide consulting services as requested by us to assist us with any issues relating to the transition of a new controller and chief financial officer, general accounting and securities laws, financial closings and related SEC filings, and any inquiries from any governmental, regulatory of similar agency or entity.
Termination	We may terminate the Consulting Agreement on two weeks' notice if Mr. Clark fails to make himself available or fails to perform the services as described under "Term" and "Services" above.
Compensation	$33,333.00 per month.
Expenses	We shall reimburse Mr. Clark for actual, reasonable business expenses incurred in connection with his performance of the services under the Consulting Agreement, including travel expenses.

This description of the Letter Agreement and the Consulting Agreement is qualified in its entirety by reference to the full text of such agreements, copies of which are filed herewith as Exhibits 10.3.1 and 10.3.2, respectively, and are incorporated by reference herein.

Equity Awards under Management Equity Incentive Plan. On March 5, 2008, we made restricted stock awards and granted options under the MEIP to certain of our named executive officers, as follows:

Name	Number of shares underlying option	Number of shares of restricted stock
Charles B. Clark, Jr.(1)	25,200	5,700
Gregory L. Doody	59,800	13,400
Michael Rogers	80,600	18,100

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(1) Mr. Clark's termination of employment will occur on May 30, 2008, and these options will be subject to the forfeiture provisions under the Calpine Equity Incentive Plans.

Each option allows the grantee to purchase the applicable number of shares at a price of $18.38, the closing price of our common stock on the NYSE on the grant date. The vesting date of each option and restricted stock award is January 31, 2008. Each option becomes exercisable, and the shares of restricted stock become non-forfeitable, in three equal installments over three years from the vesting date.

In addition, we made an award of 2,720 shares of restricted stock units pursuant to the MEIP to William J. Patterson, the Chairman of our Board of Directors in lieu of cash compensation as Chairman of our Board of Directors. Mr. Patterson has elected to defer receipt of the shares of restricted stock until December 13, 2013. The award vests and becomes non-forfeitable on the first anniversary of the grant date.

Each award is subject to the terms of the MEIP and the applicable individual grant agreements, copies of the forms of which are filed herewith and incorporated by reference as Exhibits 10.4.1 through 10.4.5, inclusive.

Item 6. ***Exhibits***

The following exhibits are filed herewith unless otherwise indicated:

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 1, 2008).
3.2	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 1, 2008).
4.1	Registration Rights Agreement, dated January 31, 2008, among the Company and each Participating Shareholder named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 6, 2008).
4.2	Series A Warrant Agreement, dated February 15, 2008, among the Company, Computershare Inc. and Computershare Trust Company, N.A., as warrant agent, including form of warrants (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 22, 2008).
10.1.1	Credit Agreement, dated as of January 31, 2008, among the Company, as borrower, Goldman Sachs Credit Partners L.P., Credit Suisse, Deutsche Bank Securities Inc. and Morgan Stanley Senior Funding, Inc., as co-documentation agents and as co-syndication agents, General Electric Capital Corporation, as sub-agent for the revolving lenders, Goldman Sachs Credit Partners L.P., as administrative agent and as collateral agent and each of the financial institutions from time to time party thereto (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 1, 2008).
10.1.2	Bridge Loan Agreement, dated as of January 31, 2008, among Calpine Corporation, Goldman Sachs Credit Partners L.P., Credit Suisse, Deutsche Bank Securities Inc. and Morgan Stanley Senior Funding, Inc., as co-documentation agents and as co-syndication agents, Goldman Sachs Credit Partners L.P., as administrative agent and as collateral agent and each of the financial institutions from time to time party thereto (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 1, 2008).
10.1.3	Guaranty and Collateral Agreement, dated as of January 31, 2008, made by the Company and certain of the Company's subsidiaries party thereto in favor of Goldman Sachs Credit Partners, L.P., as collateral agent (incorporated by reference to Exhibit 10.1.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on February 29, 2008).
10.2.1	Second Amended and Restated Employment Agreement, dated March 25, 2008, between the Company and Robert P. May.*†
10.2.2	Amended and Restated Chief Executive Officer Emergence Restricted Stock Agreement (Pursuant to the 2008 Equity Incentive Plan) between the Company and Robert P. May.*†
10.2.3	Chief Executive Officer Non-Qualified Stock Option Agreement (Pursuant to the 2008 Equity Incentive Plan), dated March 25, 2008, between the Company and Robert P. May.*†
10.3.1	Letter Agreement re Employment Separation, dated April 7, 2008 (executed April 11, 2008), between the Company and Charles B. Clark, Jr.*†
10.3.2	Consulting Agreement, effective May 30, 2008, between the Company and Charles B. Clark, Jr.*†
10.4.1	Calpine Corporation 2008 Equity Incentive Plan (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8 (No. 333-149074) filed with the SEC on February 6, 2008).†
10.4.2	Calpine Corporation 2008 Director Incentive Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 (No. 333-149074) filed with the SEC on February 6, 2008).†

Exhibit Number	Description
10.4.3	Form of Non-Qualified Stock Option Agreement (Pursuant to the 2008 Management Equity Incentive Plan).*†
10.4.4	Form of Restricted Stock Agreement (Pursuant to the 2008 Management Equity Incentive Plan).*†
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10.4.6	Restricted Stock Unit Agreement (Pursuant to the 2008 Management Equity Incentive Plan) between the Company and William J. Patterson.*†
10.4.7	Restricted Stock Units Election Form between the Company and William J. Patterson.*†
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

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* Filed herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

CALPINE CORPORATION

By: /s/ LISA DONAHUE
Lisa Donahue
Senior Vice President and
Chief Financial Officer

Date: May 12, 2008

By: /s/ CHARLES B. CLARK, JR.
Charles B. Clark, Jr.
Senior Vice President and
Chief Accounting Officer

Date: May 12, 2008

The following exhibits are filed herewith unless otherwise indicated:

EXHIBIT INDEX

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* Filed herewith.

† Management contract or compensatory plan or arrangement.

EXHIBIT 10.2.1

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Second Amended and Restated Employment Agreement (the "Agreement") is entered into effective as of March 25, 2008, between CALPINE CORPORATION, a Delaware corporation (the "Company"), and ROBERT P. MAY ("Executive") to provide the terms and conditions for Executive's employment with the Company and its affiliates from time to time (together, the "Group").

The Board of Directors of the Company (the "Board") named Executive as Chief Executive Officer of the Company and a member of the Board on December 12, 2005 (the "Start Date") pursuant to an Employment Agreement dated as of December 12, 2005 (the "2005 Agreement"). The Company and Executive entered into an Amended and Restated Employment Agreement dated as of October 10, 2007 (the "2007 Agreement").

The Company and Executive have agreed that Executive will continue to be employed by the Company and will serve as the Company's Chief Executive Officer, upon the terms and conditions set forth below.

Accordingly, and in consideration of the mutual obligations set forth in this Agreement, which Executive and the Company agree are sufficient, Executive and the Company agree as follows:

1 Term of Employment.

Executive's term of employment ("Term of Employment") begins as of the date hereof and ends on December 31, 2008, subject to the termination provisions of paragraph 4 below.

2 Position and Responsibilities.

During the Term of Employment, Executive shall have the position and responsibilities described below. Executive shall be employed as the Company's Chief Executive Officer, with the general executive powers and authority that accompany that position. Executive shall report directly to the Board and shall have the duties and responsibilities that are typically performed by the chief executive officer of a public company, as well as any other duties consistent with his position that are assigned to Executive by the Board. Unless and until the Board elects a President of the Company, Executive shall also have the powers, duties and responsibilities that the Company's Bylaws confer on the President of the Company. Executive agrees to comply with such lawful policies of the Company as may be adopted from time to time. Although Executive may be reasonably required to travel from time to time for business reasons, his principal place of employment shall be the Company's corporate offices wherever located.

(a) Executive shall devote all of his full business time and his best efforts, skill, and attention to the Company's business and affairs and to promoting the Company's best interests.

(b) Executive shall serve as a non-chairman member of the Board for as long as Executive continues to be nominated and elected; however, Executive shall offer his resignation from the Board upon the termination of Executive's employment with the Company.

(c) Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving on the boards of directors of other corporations and/or charitable organizations (subject to the approval of the Board, such approval not to be unreasonably withheld), (ii) engaging in charitable activities and community affairs, and (iii) managing his personal investments and affairs, provided that any such activities listed in (i) and (ii) above do not interfere in more than a de minimis manner with the proper performance of his duties and responsibilities hereunder and comply with the limitations set forth in paragraph 5.a.

3 Compensation.

For all of his services during the Term of Employment, Executive shall receive the following compensation:

(a) **Base Salary**. Executive's annual base salary shall be $1,500,000 (as may be increased from time to time, the "Base Salary"). The Board will review the Base Salary at least annually and may increase it at any time for any reason, in its sole discretion; however, it shall have no obligation to do so.

(b) **Bonus**. In addition to his Base Salary, Executive shall be eligible to receive an annual cash performance bonus (the "Bonus") for each fiscal year, including 2008, ending during the Term of Employment if, and to the extent that, corporate performance objectives established by the Board (or a committee thereof) are achieved, as determined by the Board or a committee thereof in its sole discretion. Payment of the Bonus shall be made at the same time that other senior-level executives receive their bonuses, and no later than March 15th of the calendar year after the calendar year in which the Bonus is earned. The target level for Executive's Bonus shall be established by the Board (or a committee thereof) in its sole discretion, provided that the minimum target level for any year shall be 100% of the Base Salary (the "Target Annual Bonus").

(c) **Benefits**. Executive shall be eligible to participate in all Company benefit plans and programs as are generally available for its senior executives, and his benefits shall be based on the terms of the applicable plan as established by the Company from time to time. Nothing in this Agreement shall restrict the Company's ability to change or terminate any or all of its employee benefit plans and programs from time to time; nor shall anything in this Agreement prevent any such change from affecting Executive.

(d) **Success Fee.** Executive shall be entitled to receive a one-time payment in an amount equal to the amount set forth on Exhibit A attached hereto (the "Success Fee"), which shall be due and payable on the date the plan of reorganization confirmed by the Bankruptcy Court becomes effective (the "Plan Effective Date").

(e) **Intentionally blank.**

(f) **Relocation**. Executive shall be responsible for all temporary housing, living and commuting expenses incurred by Executive, in each case while an employee of the Company. Executive shall not be reimbursed by the Company for any such expenses.

(g) **Equity Grant**.

(i) *Stock Options*. Executive shall be granted 325,500 options (the "Options") to purchase shares of the Company's common stock under the 2008 Equity Incentive Plan (the "Equity Incentive Plan") promptly following execution of the Agreement. The Options shall be subject to the terms of the Executive's Stock Option Agreement, attached as Exhibit B.

(ii) *Restricted Stock*. Effective February 6, 2008, Executive was granted 547,600 restricted shares (the "Restricted Stock") of the Company's common stock under the Equity Incentive Plan. Promptly following the execution of the Agreement, the terms applicable to 73,000 shares of such Restricted Stock shall be amended and shall be subject to the terms of the Restricted Stock Plan and Executive's Restricted Stock Agreement, attached hereto as Exhibit C. The remaining 474,600 shares of Restricted Stock shall be immediately canceled and rendered null and void and Executive shall not be entitled to any compensation on account thereof.

(iii) *Emergence Stock Options*. Effective January 31, 2008, Executive was granted 348,700 options (the "Emergence Options") to purchase shares of the Company's common stock under the Equity Incentive Plan. Upon the execution of the Agreement, the Emergence Options shall be immediately canceled and rendered null and void and Executive shall not be entitled to any compensation on account thereof.

4 **Termination**.

(a) **Termination of Employment**.

(i) **Termination by the Company for Cause**. The Board may terminate Executive's employment for Cause at any time after (x) providing Executive with 5 business days' advance written notice explaining the circumstances that justify the termination (a "Termination Notice"); and (y) except in the case of termination for an event covered by (2) below, providing Executive with the opportunity to appear before the Board prior to any vote to terminate Executive's employment for Cause, which opportunity may occur during the 5-business-day notice period. "Cause" means any of the following: (1) Executive's breach of any material term of this Agreement that is not corrected within 10 days after delivery of a Termination Notice to Executive with respect to such breach; (2) Executive's commission of, or formal prosecutorial charge or indictment alleging commission of, a felony or any crime of similar status, any crime involving fraud, or any crime involving moral turpitude (other than motor vehicle related) (it being agreed that in the case of a crime involving moral turpitude, only to the extent such crime materially and adversely affects the business, standing or reputation of the Company or any other member of the Group); (3) Executive's breach of fiduciary duty to the Company or any other member of the Group that has any material and adverse impact on the Company that is not corrected within 10 days after delivery of a Termination Notice to Executive with respect to such breach; (4) Executive's misappropriation of funds or material property of the Company or any other member of the Group; (5) Executive's refusal to follow the lawful directives of the Board without a materially valid business justification that is not corrected within 10 days after delivery of a Termination Notice to Executive with respect to such refusal; (6) Executive's fraud related to the Company that is not corrected within 10 days after delivery of a Termination Notice to Executive with respect to such fraud; (7) Executive's material dishonesty, disloyalty, gross negligence or willful misconduct, where such dishonesty, disloyalty, gross negligence or willful misconduct is reasonably likely to result, in substantial and material damage to the Company or any other member of the Group and that is not corrected within 10 days after delivery of a Termination Notice to Executive with respect to such event; (8) Executive's willful and material violation of any of the Company's Code of Conduct or employment policies that is not corrected within 10 days after delivery of a Termination Notice to Executive with respect to such violation; or (9) Executive's material violation of any federal, state or local laws that could result in a direct or indirect financial loss to the Company or any other member of the Group or damage the reputation of the Company or any other member of the Group.

For this definition, no act or omission by the Executive will be "willful" unless it is made by him in bad faith or without a reasonable belief that his act or omission was in the best interests of the Company or the Group. Any act, or failure to act, based upon the advice of counsel to the Company or any member of the Group shall be presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company and the Group.

(ii) **Termination by the Company without Cause**. The Company may terminate Executive's employment under this Agreement without Cause immediately upon written notice to Executive. For purposes hereof, a Termination by the Company without Cause shall also include a termination of Executive's employment after the parties' failure to enter into a new employment agreement prior to December 31, 2008 that results in Executive's termination of employment with the Company on December 31, 2008.

(iii) **Death or Disability**. Executive's employment by the Company will immediately terminate upon Executive's death and at the option of either Executive or the Company, exercisable upon written notice to the other party, may terminate upon the Executive's Disability. For purposes of this Agreement, "Disability" will occur if (A) Executive becomes eligible for benefits under a long-term disability policy provided by the Company, if any, or (B) Executive has become unable, due to physical or mental illness or incapacity, to substantially perform the essential duties of his employment with reasonable accommodation for a period of 90 days or an aggregate of 180 days during any consecutive 12 month period, as determined by an independent physician approved by the Company and Executive.

(iv) **Termination by Executive for Good Reason**. Executive may terminate his employment for Good Reason within 90 days of the occurrence of an event constituting Good Reason. "Good Reason" shall mean the occurrence, during the Term of Employment, of any of the following actions or failures to act, but in each case only if it is not consented to by Executive in writing: (A) a material adverse change in Executive's duties, reporting responsibilities, titles or elected or appointed offices (including the failure to be elected to the Company's Board) as in effect immediately prior to the effective date of such change (including but not limited to the appointment of any person to an executive position at the Company that is co-equal or senior to that of Executive); (B) any reduction or failure to pay when due the Executive's Base Salary or the Success Fee; (C) any reduction by the Company in Executive's Target Annual Bonus opportunity; (D) the Company's breach of any material term of this Agreement that is not corrected within 10 days after delivery of a notice to the Company with respect to such breach or (E) the failure of the Company to obtain the assumption in writing of this Agreement by any successor to or an acquirer of all or substantially all of the assets of the Company on or prior to a merger, consolidation, sale or similar transaction; provided, however, that Executive first notifies the Company in writing of an occurrence constituting Good Reason and the Company fails to cure such occurrence within 30 days of such notice. For purposes of this definition, none of the actions described in clauses (A) through (E) above shall constitute "Good Reason" with respect to Executive if it was an isolated and inadvertent action not taken in bad faith by the Company and if it is remedied by the Company within 10 days after receipt of written notice thereof given by Executive.

(v) **Termination by Executive without Good Reason**. Executive may terminate his employment under this Agreement without Good Reason immediately upon written notice to the Company.

(b) **Consequences of Termination of Employment**.

(i) **Termination by the Company without Cause or by Executive for Good Reason**. Executive shall receive the benefits described in this paragraph 4.b if the Executive's employment is terminated without Cause (under paragraph 4.a.ii) at any time during the Term of

Employment or if Executive terminates his employment at any time during the Term of Employment for Good Reason (under paragraph 4.a.iv). For a period of one year following the date of termination of Executive's employment from the Company, the Company shall at its sole cost and expense (but disregarding any individual tax liability of Executive), and at the election of COBRA by Executive, provide Executive (and his spouse and eligible dependents) with group health benefits substantially similar to those benefits that Executive (and his spouse and eligible dependents) were receiving immediately before his termination (which may at the Company's election be pursuant to reimbursement of the applicable COBRA premium). Such coverage shall be provided to Executive as COBRA benefits and shall terminate prior to the end of the one-year period if Executive, his spouse or eligible dependents are no longer eligible for COBRA coverage. To the extent possible, the benefits under this section 4.b.i. shall be made in a manner that is tax efficient for the Executive so long as there are no adverse tax consequences to the Company. If Executive receives the benefits set forth in this paragraph 4.b.i, Executive shall not be eligible for severance benefits from any other plan, program or policy of the Company then in effect.

1 *Amount and Payment Schedule*. Executive's severance benefit (in addition to the other payments specifically contemplated in this Agreement) shall be an annual amount equal to the sum of his (x) annual Base Salary and (y) Target Annual Bonus as of the date his employment terminates, paid for one year. Subject to the timing rule described in paragraph 4.b.i.2, below, the severance benefit shall be paid ratably on the same payment schedule that applied to Executive's salary at the time of his termination.

2 *Timing*. To the extent necessary to comply with the restriction in Section 409A(a)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code") concerning payments to specified employees, the first severance payment to Executive shall be made on the first installment date (determined under paragraph 4.b.i.1, above) that is at least six months after Executive's termination date. The first payment shall include any installments that would have been paid previously under paragraph 4.b.i.1 were it not for this special timing rule, plus interest on the delayed installments at an annual rate (compounded monthly) equal to the federal short-term rate (as in effect under Section 1274(d) of the Code on Executive's termination date).

(ii) **Death or Disability**. In the event of termination of Executive's employment due to death or Disability (under paragraph 4.a.iii), Executive shall be entitled to receive (in addition to any other payments specifically contemplated in this Agreement) a pro rata portion of his Target Annual Bonus for the portion of the calendar year before the date of termination of employment, as promptly as practicable and in any event payable on or before March 15th of the calendar year after the calendar year in which such termination of employment occurs; but Executive shall not be eligible to receive any other severance benefit under this paragraph 4. Executive's eligibility (if any) to receive a severance or retirement benefit under any other severance or retirement plan or program maintained by the Company shall be determined by the terms of that plan or program as in effect on his termination date.

(iii) **Termination for Cause or Voluntary Termination**. If the Company terminates Executive's employment for Cause (under paragraph 4.a.i), or if Executive terminates his employment without Good Reason (under paragraph 4.a.v), (x) Executive shall not be eligible to receive any severance benefit under this paragraph 4.b and (y) all equity grants to Executive, including but not limited to the Options and Restricted Stock defined in paragraph 3(g), shall become null and void and Executive shall not be entitled to any compensation on account thereof. Executive's eligibility (if any) to receive a severance or retirement benefit under any other severance or retirement plan or program maintained by the Company shall be determined by the terms of that plan or program as in effect on his termination date. The foregoing shall not limit the remedies available to the Group, at law or in equity, for any loss or other injury caused directly or indirectly by Executive.

(iv) **Earned but Unpaid Bonus**. In addition to any other amounts owed to Executive under this paragraph 4.b, if the Company terminates the Executive's employment for any reason other than Cause or if Executive terminates employment on or after December 31, 2008, Executive shall be entitled to receive any Bonus earned by Executive for 2008 as calculated in accordance with paragraph 3.b but not yet paid as of the termination date.

(v) **Release**. The Company will not be required to make the payments stated in this paragraph 4 unless the Executive executes and delivers to the Company an agreement releasing from all liability (other than Executive's rights under this Agreement and any indemnification arrangement of the Company with respect to Executive) the Group and any of their respective past or present directors, officers, employees, shareholders, controlling persons or agents of the Group. No payment will be made until the period for revocation of the release has ended and unless Executive has not revoked the release. This agreement will be substantially in the form attached hereto as Exhibit D.

5 **Restrictive Covenants**.

(a) **Non-Competition**. During the time Executive is employed by the Company and for 12 months thereafter, Executive shall not directly or indirectly manage, operate, participate in, be employed by, perform consulting services for, or otherwise be connected with NRG Energy, Inc., Mirant Corporation, Reliant Energy, Dynegy Inc., Edison Mission Energy/Edison International, Constellation Energy Group, Inc. (FPL Group, Inc.) or Pacific Gas & Electric Company (each a "Competitive Enterprise"); nor shall Executive receive compensation from any other company or business during the time Executive is employed with the Company unless the arrangement giving rise to such compensation has been (i) disclosed to and approved by the Board in advance or (ii) is otherwise permitted by the terms of this Agreement. Executive may invest in any Competitive Enterprise, provided that Executive and his immediate family members (as defined in Section 1361(c)(B) of the Code) do not own collectively more than three percent of the voting securities of any such entity at any time.

(b) **Use and Disclosure of Proprietary Information**.

(i) **Definition of Proprietary Information**. "Proprietary Information" means confidential or proprietary information, knowledge or data concerning (1) the Group's businesses, strategies, operations, financial affairs, organizational matters, personnel matters, budgets, business plans, marketing plans, studies, policies, procedures, products, ideas, processes, software systems, trade secrets and technical know-how, (2) any other matter relating to the Group, (3) any matter relating to clients of the Group or other third parties having relationships with the Group and (4) any confidential information from which the Group derives business advantage or economic value. Proprietary Information includes (A) the names, addresses, phone numbers and buying habits and preferences and other information concerning clients and prospective clients of the Group, and (B) information and materials concerning the personal affairs of employees of the Group. In addition, Proprietary Information may include information furnished to Executive orally or in writing (whatever the form or storage medium) or gathered by inspection, in each case before or after the date of this Agreement. Proprietary Information does not include information (X) that was or becomes generally available to Executive on a non-confidential basis, if the source of this information was not reasonably known to Executive to be bound by a duty of confidentiality, (Y) that was or becomes generally available to the public, other than as a result of a disclosure by Executive, directly or indirectly, or (Z) that Executive can establish was independently developed by Executive without reference to Proprietary Information.

(ii) **Acknowledgements**. Executive acknowledges that he will obtain or create Proprietary Information in the course of Executive's involvement in the Group's activities and may already have Proprietary Information. Executive agrees that the Proprietary Information is the exclusive property of the Group. In addition, nothing in this Agreement will operate to weaken or waive any rights the Group may have under statutory or common law, or any other agreement, to the prohibition of unfair competition or the protection of trade secrets, confidential business information and other confidential information.

(iii) **During Employment**. Executive will use and disclose Proprietary Information only for the Group's benefit and in accordance with any restrictions placed on its use or disclosure by the Group.

(iv) **Post-Employment**. After the termination of Executive's employment, Executive will not use or disclose any Proprietary Information for any purpose. For the avoidance of doubt, but without limitation of the foregoing, after termination of Executive's employment, Executive will not directly or indirectly use Proprietary Information from which the Group derives business advantage or economic benefit to solicit, impair or interfere with, or attempt to solicit, impair or interfere with, any person or entity, who, at the time of the termination of Executive's employment, is then a customer, vendor or business relationship of the Group (or who Executive knew was a potential customer, vendor or business relationship of the Company within the six months prior to the termination of his Employment).

(c) **Non-Solicitation of Employees**. During the Term of Employment and for an 18 month period after termination of Executive's employment, Executive will not directly or indirectly solicit or attempt to solicit anyone who, at the time of the termination of Executive's employment, is then an employee of the Group (or who was an employee of the Group within the six months prior to the termination of his Employment) to resign from the Group or to apply for or accept employment with any company or other enterprise.

(d) **Non-Disparagement**. During and after Executive's employment with the Company, the parties mutually covenant and agree that neither will directly or indirectly disparage the other, or make or solicit any comments, statements, or the like to any clients, competitors, suppliers, employees or former employees of the Company, the press, other media, or others that may be considered derogatory or detrimental to the good name or business reputation of the other party. Nothing herein shall be deemed to constrain either party's cooperation in any Board authorized investigation or governmental action. In the event of Executive's termination or the non-renewal of this Agreement, Executive and Company shall agree on any press release relating to such termination or non-renewal and the Company and Executive shall not publicly discuss or comment on Executive's termination or non-renewal in any manner other than as mutually agreed in the press release.

6 **Excise Tax**. If, (I) in the written opinion of the Company's independent accountants, (x) any payment or benefit to Executive under this Agreement or otherwise contingent upon a change of control (including without limitation, the Success Fee and any payments under paragraph 4.b above) is an "excess parachute payment" as defined in Section 280G(b) of the Code, and (y) such excess parachute payment is subject to the excise tax imposed by Section 4999 of the Code (or any similar tax under state or local law) or (II) the Internal Revenue Service determines that any payment or benefit to Executive under this Agreement or otherwise is an excess parachute payment that is subject to the excise tax imposed by Section 4999 of the Code, the Company shall pay to Executive such amount or amounts necessary to place Executive in the same after-tax position in which Executive would have been if such excise tax (together with any interest and penalties) had not been imposed (the "Gross-Up"). The Gross-Up shall be in an amount determined by the Company's independent accountants and shall be paid on or prior to the date the applicable withholding taxes are due. For purposes of determining the amount of the Gross-Up, the Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-Up is to be made. Notwithstanding anything to the contrary, the Gross-Up obligation of the Company under this Section shall survive any termination of this Agreement or Executive's termination of employment.

7 **Employment Taxes**. All payments and other compensation under this Agreement shall be subject to withholding of the applicable income and employment taxes.

8 **Nonduplication of Benefits**. No term or other provision of this Agreement may be interpreted to require the Company to duplicate any payment or other compensation that Executive is already entitled to receive under a compensation or benefit plan, program, or other arrangement maintained by the Company.

9 **Indemnification**. To the fullest extent permitted by applicable law, the Company shall provide indemnification for Executive under its Articles of Incorporation and Bylaws. Executive shall be covered by the Company's standard indemnification agreement and by any director's and officer's liability insurance policy maintained by the Company.

10 **Successors**. Any successor to the Company or to all or substantially all of the Company's business and/or assets (whether a direct or indirect successor, and whether by purchase, lease, merger, consolidation, liquidation, or otherwise) shall assume the obligations under this Agreement. In case of any succession, the term "Company" shall refer to the successor. The terms of this Agreement and all of Executive's rights hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees.

11 **No Third-Party Beneficiaries**. Except as provided in paragraph 10 above, nothing in this Agreement may confer upon any person or entity not a party to this Agreement any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

12 **No Duty to Mitigate**. Executive shall not be required to seek new employment or otherwise to mitigate the payments contemplated by this Agreement. The payments contemplated by this Agreement shall not be reduced by earnings that Executive may receive from any other source; provided, however, that COBRA payments may cease in accordance with the provisions of this Agreement.

13 **Notice**. Notices and other communications between the parties to this Agreement shall be delivered in writing and shall be deemed to have been given when personally delivered or on the third business day after mailing by U.S. registered or certified mail, return receipt requested and postage prepaid.

(a) Notices and other communications to Executive shall be addressed to Executive, at the most recent home address that he provided in writing to the Company.

(b) Notices and other communications to the Company shall be addressed to the Company's corporate headquarters, to the attention of the Company's Secretary.

14 **Waiver and Amendments**. No provision of this Agreement may be modified, waived, or discharged, unless the modification, waiver, or discharge is agreed to in writing signed by Executive and by an authorized representative of the Company (other than Executive). Unless specifically characterized as a continuing waiver, no waiver of a condition or provision at anyone time may be considered a waiver of the same provision or condition (or any different provision or condition) at any other time.

15 **Costs**. In the event that Executive is a prevailing party in any dispute or disagreement with the Company relating to this Agreement and/or the Company's obligations under this Agreement, the Company will reimburse any expenses, including reasonable attorney's fees (and such fees incurred at Executive's attorney's normal hourly rates will be presumed reasonable), incurred by Executive as a result of, or in connection with, any such dispute or disagreement. Nothing herein shall adversely impair or limit any rights Executive has under the Company's Articles of Incorporation, Bylaws and directors' and officers' liability insurance policies. Notwithstanding anything to the contrary, the obligation of the Company under this Section shall survive any termination of this Agreement or Executive's termination of employment.

16 **Ability to Enter this Agreement**. Executive represents and warrants that neither the execution and delivery of this Agreement nor the performance of Executive's services hereunder will conflict with, or result in a breach of any employment or other agreement to which Executive is a party or by which Executive might be bound or affected. Executive further represents and warrants that Executive has full right, power, and authority to enter into and carry out the provisions of this Agreement.

17 **Remedy at Law Inadequate**. Executive acknowledges that a remedy at law for any breach or attempted breach of the covenants described in paragraph 5 of this Agreement will be inadequate and agrees that the Group shall be entitled to specific performance and injunctive and other equitable relief in the case of any such breach or attempted breach.

18 **American Jobs Creation Act of 2004**. This Agreement shall be construed, administered and interpreted in accordance with a good-faith interpretation of Section 409A of the Code and Section 885 of the American Jobs Creation Act of 2004. If the Company or Executive determines that any provision of this Agreement is or might be inconsistent with such provisions (including any administrative guidance issued thereunder), the parties shall make their best efforts in good faith to agree to such amendments to this Agreement as may be necessary or appropriate to comply with such provisions.

19 **Choice of Law**. This Agreement (including its validity, interpretation, construction, and performance) shall be governed by the laws of the State of New York, without regard to any concerning conflicts or choice of law that might otherwise refer construction or interpretation to the substantive law of another jurisdiction.

20 **Section Headings**. All headings in this Agreement are inserted for convenience only. Headings do not constitute a part of the Agreement and may not affect the meaning or interpretation of any term or other provision of this Agreement.

21 **Severability and Reformation**. Each substantive provision of this Agreement is a separate agreement, independently supported by good and adequate consideration, and is severable from the other provisions of the Agreement. If a court of competent jurisdiction determines that any term or provision of this Agreement is unenforceable, then the other terms and provisions of this Agreement shall remain in full force and effect, and the unenforceable terms or provisions shall be equitably modified to the extent necessary to achieve the underlying purpose in an enforceable way.

22 **Whole Agreement**. This Agreement reflects the entire understanding and agreement between the Company and Executive regarding Executive's employment. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings, and agreements, including the 2005 Agreement and 2007 Agreement, whether oral or written, relating to Executive's employment with the Company. The respective rights and obligations of the parties to this Agreement shall survive the termination of Executive's employment to the extent necessary to give such rights and obligations their intended effect.

23 **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute a single instrument.

* * *

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement on March 25, 2008.

CALPINE CORPORATION:

By: /s/ William J. Patterson
William J. Patterson
Chairman of the Board of Directors

/s/ Robert P. May
Robert P. May, in his individual capacity

EXHIBIT 10.2.2

CALPINE CORPORATION

<u>AMENDED AND RESTATED</u>
CHIEF EXECUTIVE OFFICER
EMERGENCE
RESTRICTED STOCK AGREEMENT
(Pursuant to the 2008 Equity Incentive Plan)

<u>RECITALS</u>

WHEREAS, on February 6, 2008 (the "Grant Date"), Calpine Corporation, a Delaware Corporation (the "Company") granted (the "Grant") to Robert P. May (the "Employee") 547,600 shares (the "Shares") of common stock, $0.001 par value of the Company ("Common Stock") which are subject to certain restrictions on transferability ("Restrictions") as set forth in the Chief Executive Officer Emergence Restricted Stock Agreement ("Restricted Stock Agreement") issued under the Corporation's 2008 Equity Incentive Plan ("Plan"); and

WHEREAS, the Restricted Stock Agreement provides that the Restrictions on the Shares will lapse so long as the Employee remains continuously employed by the Company for eighteen months from the Grant Date for 50% of the Shares and thirty-six months from the Grant Date for the remaining 50% of the Shares.

WHEREAS, it is the desire of the Company and the Employee to amend and restate the Restricted Stock Agreement to provide that (i) Employee agrees to relinquish his right to 474,600 of the number of Shares so that the Grant hereafter is 73,000 shares of Common Stock ("Amended Shares"), (ii) the Amended Shares shall no longer be subject to the requirement that Grantee be continuously employed for eighteen and/or thirty-six months, and (iii) the Grant will terminate upon the occurrence of certain events described hereunder.

NOW, THEREFORE, for and in consideration of these premises it is agreed as follows:

1. <u>Release</u>. Employee on Employee's own behalf and on behalf of Employee's related persons, KNOWINGLY AND VOLUNTARILY RELEASES, ACQUITS AND FOREVER DISCHARGES the Company from any and all claims, obligations or liabilities related to Employee's right to 474,600 of the number of the Shares granted under the Restricted Stock Agreement, and Employee does hereby surrender and release to the Company 474,600 of the number of Shares granted to Employee under the Restricted Stock Agreement. The 474,600 of the number of Shares are hereby cancelled and rendered null and void.

2. <u>Amended Grant/Award of Common Stock</u>. The Company and Employee agree that from this day forth the number of shares of common stock subject to the Grant under the Restricted Stock Agreement is for no more than 73,000 shares of Common Stock, the Amended Shares (hereinafter referred to as the "Shares"), which shall be subject to the restrictions on transferability set forth in Section 3(d) (hereinafter referred to as the "Restrictions") and to the other provisions of the Restricted Stock Agreement (hereinafter referred to as "Agreement").

3. Restricted Period.

(a) For a period commencing on the Grant Date and ending at 5:00 p.m. Central Time on December 31, 2008 (the "Restricted Period"), the Shares shall be subject to the Restrictions and any other restrictions as set forth herein. The Shares which are subject to the Restrictions shall hereinafter be referred to as "Restricted Shares." The Shares which are no longer subject to the Restrictions as set forth above and in paragraphs (e) and (f) below shall hereinafter be referred to as "Transferable Shares."

(b) The Company shall effect the issuance of the Shares out of authorized but unissued shares of Common Stock or out of treasury shares of Common Stock and shall also effect the issuance of a certificate or certificates for the Shares. Each certificate issued for Restricted Shares to the Employee shall be registered in Employee's name and shall be either deposited with the Secretary of the Company or its designee in an escrow account or held by the Secretary of the Company, at the election of the Company, together with stock powers or other instruments of transfer appropriately endorsed in blank by Employee (Employee hereby agreeing to execute such stock powers or other instruments of transfer as requested by the Company). Such certificate or certificates shall remain in such escrow account or with the Secretary of the Company until the corresponding Restricted Shares become Transferable Shares as set forth in paragraphs (e) and (f) below. Certificates representing the Restricted Shares shall bear a legend in substantially the following form:

"THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE CALPINE CORPORATION 2008 EQUITY INCENTIVE PLAN AND AN AWARD AGREEMENT. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE AT THE OFFICES OF CALPINE CORPORATION, 717 TEXAS AVENUE, SUITE 1000, HOUSTON, TEXAS 77002.

The Company may place appropriate stop transfer instructions with respect to the Restricted Shares with the transfer agent for the Common Stock. Upon Restricted Shares becoming Transferable Shares, the Company shall effect, in exchange for the legended certificates, the issuance and delivery of a certificate or certificates for such Shares to the Employee free of the legend set forth above.

(c) The Employee shall, during the Restricted Period, have all of the other rights of a stockholder with respect to the Shares including, but not limited to, the right to receive dividends, if any, as may be declared on such Restricted Shares from time to time, and the right to vote (in person or by proxy) such Restricted Shares at any meeting of stockholders of the Company. Any shares of Common Stock received as a dividend on or in connection with a stock split of the Shares shall be subject to the same restrictions as the Shares underlying such shares of Common Stock received on account of such stock dividend or split.

(d) The Restricted Shares and the right to vote the Restricted Shares and to receive dividends thereon, may not be sold, assigned, transferred, exchanged, pledged, hypothecated, or otherwise encumbered and no such sale, assignment, transfer, exchange, pledge, hypothecation, or encumbrance, whether made or created by voluntary act of Employee or any agent of Employee or by operation of law, shall be recognized by, or be binding upon, or shall in any manner affect the rights of, the Company or any agent or any custodian holding certificates for the Restricted Shares during the Restricted Period, unless the Restrictions have then expired pursuant to the provisions paragraphs (e) and (f) below. This provision shall not prohibit Employee from granting revocable proxies in customary form to vote the Shares.

(e) If the status of employment (hereinafter referred to as “employment”) of Employee with the Company or its Affiliates (as defined in the Plan) shall terminate, prior to the expiration of the Restricted Period where (i) the Company or its Affiliates terminates the Employee's employment with the Company or its Affiliates for "Cause" (as defined in the Plan) or (ii) the Employee terminates his employment with the Company or its Affiliates other than for "Good Reason" (as defined in Exhibit "A" attached hereto), then, in those events, any Restricted Shares outstanding shall thereupon be forfeited by Employee to the Company, without payment of any consideration or further consideration by the Company, and neither the Employee nor any successors, heirs, assigns or legal representatives of Employee shall thereafter have any further rights or interest in the Restricted Shares or certificates therefor, and Employee’s name shall thereupon be deleted from the list of the Company’s stockholders with respect to the Restricted Shares.

(f) In the event the Employee’s employment with the Company is terminated by reason of (i) the death of the Employee, (ii) the Company or its Affiliates terminates the Employee's employment without "Cause," or (iii) the Employee terminates his employment with the Company or its Affiliates for "Good Reason" at any time during the Restricted Period, all restrictions imposed on the Restricted Shares in accordance with the terms of the Plan and this Agreement shall lapse and the Restricted Shares shall thereby be Transferable Shares.

(g) If the employment of Employee with the Company shall terminate prior to the expiration of the Restricted Period, and there exists a dispute between Employee and the Company as to the satisfaction of the conditions to the release of the Shares from the Restrictions hereunder or the terms and conditions of the Grant, the Shares shall remain subject to the Restrictions until the resolution of such dispute, regardless of any intervening expiration of the Restricted Period, except that any dividends that may be payable to the holders of record of Common Stock as of a date during the period from termination of Employee’s employment to the resolution of such dispute shall:

(1) to the extent to which such dividends would have been payable to Employee on the Shares, be held by the Company as part of its general funds (unless such action would detrimentally affect Employee under Section 409A of the Code), and shall be paid to or for the account of Employee only upon, and in the event of, a resolution of such dispute in a manner favorable to Employee, and

(2) be canceled upon, and in the event of, a resolution of such dispute in a manner unfavorable to Employee.

4. Taxes.

(a) To the extent that the receipt of the Restricted Shares, Transferable Shares, or the lapse of any Restrictions results in income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money or, if the Company so determines, shares of unrestricted

Common Stock as the Company may require to meet its obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Common Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reasons of such resulting compensation income.

(b) Employee understands that Employee may elect to be taxed at the Grant Date rather than at the time the Restrictions lapse with respect to the Shares by filing an election under Section 83(b) of the Code with the Internal Revenue Service and by providing a copy of the election to the Company. EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS BEEN INFORMED OF THE AVAILABILITY OF MAKING AN ELECTION IN ACCORDANCE WITH SECTION 83(b) OF THE CODE; THAT SUCH ELECTION MUST BE FILED WITH THE INTERNAL REVENUE SERVICE (AND A COPY OF THE ELECTION GIVEN TO THE COMPANY) WITHIN 30 DAYS OF THE GRANT OF AWARDED SHARES TO EMPLOYEE; AND THAT EMPLOYEE IS SOLELY RESPONSIBLE FOR MAKING SUCH ELECTION. Employee agrees to notify the Company promptly of any tax election made by Employee with respect to the Shares.

5. Adjustments/Changes in Capitalization. This award is subject to the adjustment provisions set forth in the Plan.

6. Compliance with Securities Laws. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any restricted or unrestricted common stock or other securities pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

(a) Restricted Securities. If the shares of Common Stock issued pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), then the Employee hereby confirms that he or she has been informed that the shares of Common Stock issued pursuant to this Agreement are restricted securities under the 1933 Act and may not be resold or transferred unless such shares are first registered under the federal securities laws or unless an exemption from such registration is available. Accordingly, the Employee hereby acknowledges that he or she is prepared to hold such shares of Common Stock for an indefinite period and that the Employee is aware that Rule 144 promulgated by the SEC is not presently available to exempt the resale of the shares of Common Stock issued pursuant to this Agreement from the registration requirements of the 1933 Act. The Employee is aware of the adoption of Rule 144 by the SEC, promulgated under the 1933 Act, which permits limited public resales of securities acquired in a nonpublic offering, subject to the satisfaction of certain conditions. The Employee acknowledges and understands that the Company may not be satisfying the current public information requirement of Rule 144 at the time the Employee wishes to sell the shares of Common Stock issued pursuant to this Agreement or other conditions under Rule 144 which are required of the Company. If so, the Employee understands that Employee will be precluded from selling the securities under Rule 144 even if the one-year holding period (or any modification thereof under the Rule) of said Rule has been satisfied. Prior to the Employee's acquisition of the shares of Common Stock issued pursuant to this Agreement, the Employee acquired sufficient information about the Company to reach an informed knowledgeable decision to acquire such shares of Common Stock. The Employee has such knowledge and experience in financial and business matters as to make the Employee capable of utilizing said information to evaluate the risks of the prospective investment and to make an informed investment decision. The Employee is able to bear the economic risk of his or her investment in the shares of Common Stock issued pursuant to this Agreement. The Employee agrees not to make, without the prior written consent of the Company, any public offering or sale of the Shares although permitted to do so pursuant to Rule 144(k) promulgated under the 1933 Act, until all applicable conditions and requirements of the Rule (or registration of the shares of common stock issued pursuant to this Agreement under the 1933 Act) and this Agreement have been satisfied.

(b) Restrictive Legends. In order to reflect the restrictions on disposition of the shares of Common Stock issued pursuant to this Agreement, the stock certificates for the shares of Common Stock issued pursuant to this Agreement may be endorsed with a restrictive legend, in substantially the following form:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") AND ARE "RESTRICTED SECURITIES" AS DEFINED IN RULE 144 PROMULGATED UNDER THE ACT. THEY MAY NOT BE SOLD OR OFFERED FOR SALE OR OTHERWISE DISTRIBUTED EXCEPT (1) IN CONJUNCTION WITH AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE ACT, OR EVIDENCE SATISFACTORY TO THE COMPANY OF AN EXEMPTION THEREFROM, AND (2) IN COMPLIANCE WITH THE DISPOSITION PROVISIONS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT IMPOSES CERTAIN RESTRICTIONS IN CONNECTION WITH THE DISPOSITION OF THE SHARES. THE SECRETARY OF THE COMPANY WILL, UPON WRITTEN REQUEST, FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE.

7. Employment Relationship. Employee shall be considered to be in the employment of the Company as long as he remains as an employee of the Company or its Affiliates. Any questions as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee (as defined in the Plan), with the advice of the employing corporation (if an Affiliate of the Company), and the Committee's determination shall be final.

8. Binding Effect. The terms and conditions hereof shall, in accordance with their terms, be binding upon, and inure to the benefit of, all successors of Employee, including, without limitation, Employee's estate and the executors, administrators, or trustees thereof, heirs and legatees, and any receiver, trustee in bankruptcy, or representative of creditors of Employee. This Agreement shall be binding upon and inure to the benefit of any successors to the Company.

9. Notice. All notices required to be given under this Agreement or the Plan shall be in writing and delivered in person or by registered or certified mail, postage prepaid, to the other party at the address set out below each party's signature to this Agreement or at such other address as each party may designate in writing from time to time to the other party. Each party

to this Agreement agrees to inform the other party immediately upon a change of address. All notices shall be deemed delivered when received.

10. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled by binding arbitration in Houston, Texas by one arbitrator appointed in the manner set forth by the American Arbitration Association. Any arbitration proceeding pursuant to this paragraph shall be conducted in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. Judgment may be entered on the arbitrators' award in any court having jurisdiction.

11. Entire Agreement and Amendments. This Agreement contains the entire agreement of the parties relating to the matters contained herein and supersedes all prior agreements and understandings, oral or written, between the parties with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

12. Separability. If any provision of the Agreement is rendered or declared illegal or unenforceable by reason of any existing or subsequently enacted legislation or by the decision of any arbitrator or by decree of a court of last resort, the parties shall promptly meet and negotiate substitute provisions for those rendered or declared illegal or unenforceable to preserve the original intent of this Agreement to the extent legally possible, but all other provisions of this Agreement shall remain in full force and effect.

13. Interpretation of the Plan and the Grant. In the event there is any inconsistency or discrepancy between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall prevail.

14. Governing Law. The execution, validity, interpretation, and performance of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware except to the extent pre-empted by federal law.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by one of its officers thereunto duly authorized, and Employee has executed this Agreement, all as of the day and year first above written.

CALPINE CORPORATION

By: /s/ Gregory L. Doody
Gregory L. Doody
Executive Vice President,
General Counsel and Secretary

Calpine Corporation
717 Texas Avenue, Suite 1000
Houston, Texas 77002

EMPLOYEE

/s/ Robert P. May
Name: Robert P. May

Address:

Exhibit A

"Good Reason" shall mean, when used with reference to any Employee, any of the following actions or failures to act, but in each case only if it occurs while such Employee is employed by the Company and then only if it is not consented to by such Employee in writing:

(1) assignment of a position that is of a lesser rank than held by the Employee prior to the assignment and that results in such Employee ceasing to be an executive officer of a company with securities registered under the Securities Exchange Act of 1934;

(2) a material reduction in such Employee's base salary or target bonus opportunity (including an adverse change in performance criteria or a decrease in ultimate target bonus opportunity) in effect the day prior to the Effective Date of the Plan; or

(3) any change of more than fifty (50) miles in the location of the principal place of employment of such Employee immediately prior to the effective date of such change.

For purposes of this definition, none of the actions described in clauses (i) and (ii) above shall constitute "Good Reason" with respect to any Employee if it was an isolated and inadvertent action not taken in bad faith by the Company and if it is remedied by the Company within thirty (30) days after receipt of written notice thereof given by such Employee (or, if the matter is not capable of remedy within thirty (30) days, then within a reasonable period of time following such thirty (30) day period, provided that the Company has commenced such remedy within said thirty (30) day period); provided that "Good Reason" shall cease to exist for any action described in clauses (i) through (iii) above on the sixtieth (60th) day following the later of the occurrence of such action or the Employee's knowledge thereof, unless such Employee has given the Company written notice thereof prior to such date.

EXHIBIT 10.2.3

CALPINE CORPORATION

CHIEF EXECUTIVE OFFICER
NON-QUALIFIED STOCK OPTION AGREEMENT
(Pursuant to the 2008 Equity Incentive Plan)

This **OPTION** is granted on March 25, 2008 (the "Grant Date"), by Calpine Corporation, a Delaware corporation (the "Corporation"), to Robert P. May (the "Grantee") pursuant to this Non-Qualified Stock Option Agreement ("Stock Option Agreement").

1. **RELEASE**. For and in consideration of the Option granted under this Stock Option Agreement, Grantee on Grantee's own behalf and on behalf of Grantee's related persons, KNOWINGLY AND VOLUNTARILY RELEASES, ACQUITS AND FOREVER DISCHARGES the Corporation from any and all claims, obligations or liabilities related to Grantee's right to purchase 348,700 shares of Corporation's Common Stock as set forth in the Chief Executive Officer Emergence Non-Qualified Stock Option Agreement wherein the stated "Grant Date" was January 31, 2008 ("Former Option"), and Grantee does hereby surrender and release to the Corporation the option to purchase 348,700 shares of Common Stock and any and all other rights under the Former Option.

2. **GRANT OF OPTION.** The Corporation hereby grants to the Grantee the irrevocable Option to purchase, on the terms and subject to the conditions set forth herein and in the Plan (as defined below), up to 325,500 fully paid and nonassessable shares ("Total Shares") of the Corporation's Common Stock, par value $.001 per share, at the option price of $17.53 per share, being not less than 100% of the fair market value of such Common Stock on the Grant Date.

The Option is granted pursuant to the Corporation's 2008 Equity Incentive Plan (the "Plan"), a copy of which is attached hereto. The Option is subject in its entirety to all the applicable provisions of the Plan as in effect on the Grant Date, which are hereby incorporated herein by reference. The Option is not intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code. Except as otherwise provided herein, or unless the context clearly indicates otherwise, capitalized terms not otherwise defined herein shall have the same definitions as provided in the Plan.

3. **PERIOD OF OPTION.** The period of the Option shall commence on the Grant Date and expire on the tenth (10^{th}) anniversary of the Grant Date ("Option Period"). Notwithstanding the provisions of Section 4 below, the Option shall become exercisable as set forth in (a) and (b) below:

(a) If the Corporation terminates the Grantee's employment or service with the Corporation before 5:00 p.m. Central Time on December 31, 2008 without "Cause" (as defined in the Plan) or if the Grantee terminates his employment or service with the Corporation before 5:00 p.m. Central Time on December 31, 2008 for "Good Reason" (as defined in Exhibit "A" attached hereto), then the entire Option shall be immediately exercisable thereafter until the end of the Option Period; and

(b) If the Grantee's employment or service with the Corporation terminates by reason of the Grantee's death prior to 5:00 p.m. Central Time on December 31, 2008, then the entire Option shall be immediately exercisable thereafter until December 31, 2009, whereupon any unexercised portion of the Option shall terminate.

The provisions of Section 13(a) of the Plan are not incorporated herein and shall not apply to the Option.

Except as provided in Sections 3(a) and (b) above, the Option (or any lesser amount thereof) may be exercised after 5:00 p.m. Central Time on December 31, 2008 as set forth in Section 4 below, from time to time during the remaining Option Period with regard to the number of Total Shares.

4. **EXERCISE OF OPTION.** Except as provided in Sections 3(a) and 3(b) above, the Option is exercisable ("vested") after 5:00 p.m. Central Time on December 31, 2008, provided the Grantee has been continuously employed by the Corporation for the period beginning on the Grant Date and ending at 5:00 p.m. Central Time on December 31, 2008. Continuous employment includes any paid leaves of absence, but does not include any unpaid leaves of absence. Except as provided in Sections 3(a) and (b) above, if the Grantee is not continuously employed from the Grant Date until 5 p.m. Central Time on December 31, 2008, then, upon the Grantee's termination of employment or service with the Corporation, the entire Option shall immediately terminate.

5. **SECURITIES ACT REQUIREMENTS.** In addition to the requirements set forth herein and in the Plan, (i) the Option shall not be exercisable in whole or in part, and the Corporation shall not be obligated to issue any shares of Common Stock subject to any such Option, if such exercise and sale or issuance would, in the opinion of counsel for the Corporation, violate the Securities Act of 1933 (the "1933 Act") or other Federal or state statutes having similar requirements, as they may be in effect at that time; and (ii) each Option shall be subject to the further requirement that, at any time that the Committee shall determine, in its discretion, that the listing, registration or qualification of the shares of Common Stock subject to such Option under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the issuance of shares of Common Stock, such Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

6. **METHOD OF EXERCISE OF OPTION.** Subject to the provisions of the Plan and Sections 3 and 4 hereof, the exercise price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash or by certified or bank check at the time the Option is exercised or (ii) in the discretion of the Committee, upon such terms as the Committee shall approve, the exercise price may be paid: (A) by delivery to the Corporation of other Common Stock, duly endorsed for transfer to the Corporation, with a Fair Market Value on the date of delivery equal to the exercise price (or portion thereof) due for the number of shares being acquired, or by means of attestation whereby the Grantee identifies for delivery specific shares of Common Stock that have a Fair Market Value on the date of attestation equal to the exercise price (or portion thereof) and receives a

number of shares of Common Stock equal to the difference between the number of shares thereby purchased and the number of identified attestation shares of Common Stock (a “Stock for Stock Exchange”); (B) a “cashless” exercise program established with a broker; (C) by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value equal to the aggregate exercise price at the time of exercise, or (D) in any other form of legal consideration that may be acceptable to the Committee. The purchase price of Common Stock acquired pursuant to an Option that is paid by delivery (or attestation) to the Corporation of other Common Stock acquired, directly or indirectly from the Corporation, shall be paid only by shares of the Common Stock of the Corporation that have been held for more than six months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). Notwithstanding the foregoing, during any period for which the Common Stock is publicly traded (i.e., the Common Stock is listed on any established stock exchange or a national market system) an exercise by Grantee that involves or may involve a direct or indirect extension of credit or arrangement of an extension of credit by the Corporation, directly or indirectly, in violation of Section 402(a) of the Sarbanes-Oxley Act (codified as Section 13(k) of the Exchange Act) shall be prohibited with respect to this award.

7. **TRANSFERABILITY.** The Option is not transferable otherwise than by will or pursuant to the laws of descent and distribution, and is exercisable during the Grantee's lifetime only by the Grantee.

8. **BINDING AGREEMENT.** This Stock Option Agreement shall be binding upon and shall inure to the benefit of any successor or assign of the Corporation, and, to the extent herein provided, shall be binding upon and inure to the benefit of the Grantee's beneficiary or legal representatives, as they case may be.

9. **ENTIRE AGREEMENT.** This Stock Option Agreement and the Plan set forth the entire agreement of the parties with respect to the Option granted hereby and may not be changed orally but only by an instrument in writing signed by the party against whom enforcement of any change, modification or extension is sought.

10. **ELECTRONIC DELIVERY AND SIGNATURES.** The Corporation may, in its sole discretion, decide to deliver any documents related to the Option or to participation in the Plan or to future options that may be granted under the Plan by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation. If the Corporation establishes procedures of an electronic signature system for delivery and acceptance of Plan documents (including any Award Agreement like this Option), the Grantee hereby consents to such procedures and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

11. **WITHHOLDING OF TAX.** To the extent that the exercise of the Option or the disposition of shares of Corporation's Common Stock acquired by exercise of the Option results in compensation income to the Grantee for federal or state income tax purposes, the Grantee shall pay to the Corporation at the time of such exercise or disposition such amount of money or,

if the Corporation so determines, shares of Common Stock, as the Corporation may require to meet its obligation under applicable tax laws or regulations and, if the Grantee fails to do so, the Corporation is authorized to withhold from any cash remuneration then or thereafter payable to the Grantee, any tax required to be withheld by reason of such resulting compensation income or the Corporation may otherwise refuse to issue or transfer any shares otherwise required to be issued or transferred pursuant to the terms hereof.

12. **ADJUSTMENTS/CHANGES IN CAPITALIZATION.** This award is subject to the adjustment provisions set forth in the Plan.

Subject to Section 10 above, if the foregoing is in accordance with your understanding and approved by you, please so confirm by signing and returning the duplicate of this Stock Option Agreement enclosed for that purpose.

CALPINE CORPORATION

By: /s/ Gregory L. Doody
Gregory L. Doody
Executive Vice President,
General Counsel and Secretary

The foregoing is in accordance with my understanding and is hereby confirmed and agreed to as of the Grant Date.

/s/ Robert P. May
Robert P. May

Exhibit A

"Good Reason" shall mean, when used with reference to any Employee, any of the following actions or failures to act, but in each case only if it occurs while such Employee is employed by the Company and then only if it is not consented to by such Employee in writing:

(1) assignment of a position that is of a lesser rank than held by the Employee prior to the assignment and that results in such Employee ceasing to be an executive officer of a company with securities registered under the Securities Exchange Act of 1934;

(2) a material reduction in such Employee's base salary or target bonus opportunity (including an adverse change in performance criteria or a decrease in ultimate target bonus opportunity) in effect the day prior to the Effective Date of the Plan; or

(3) any change of more than fifty (50) miles in the location of the principal place of employment of such Employee immediately prior to the effective date of such change.

For purposes of this definition, none of the actions described in clauses (i) and (ii) above shall constitute "Good Reason" with respect to any Employee if it was an isolated and inadvertent action not taken in bad faith by the Company and if it is remedied by the Company within thirty (30) days after receipt of written notice thereof given by such Employee (or, if the matter is not capable of remedy within thirty (30) days, then within a reasonable period of time following such thirty (30) day period, provided that the Company has commenced such remedy within said thirty (30) day period); provided that "Good Reason" shall cease to exist for any action described in clauses (i) through (iii) above on the sixtieth (60th) day following the later of the occurrence of such action or the Employee's knowledge thereof, unless such Employee has given the Company written notice thereof prior to such date.

EXHIBIT 10.3.1

April 7, 2008

Chuck Clark
3616 Richmond Ave.
Apt 1615
Houston, TX 77046

Re. Employment Separation

Dear Chuck:

Your employment with Calpine will end effective May 30, 2008. This letter agreement (the "Agreement") confirms the terms of your separation from employment with Calpine Corporation, a Delaware corporation or one or more of its subsidiaries (collectively, "Calpine") and offers you the following benefits in exchange for a release of all claims.

1. Separation Date. Your employment with Calpine will be terminated effective May 30, 2008 (the "Separation Date").

2. Additional Payment and Benefits. In exchange for the waiver and release described in Paragraphs 7 and 8 below, Calpine agrees to provide you with an additional payment and benefits as described in the Calpine Corporation Change in Control and Severance Benefits Plan ("the Plan") and the Severance Benefit Summary Sheet provided to you with this letter. By signing this Agreement, you also warrant that you understand and have read the terms of the Plan.

3. Participation in 401(k) and Life and Disability Insurance Plans. As you will no longer be a Calpine employee after the Separation Date, you will not participate in Calpine's life and disability insurance plans after the Separation Date. Distribution options under Calpine's 401(k) plan will be pursuant to the plan rules, and you will be provided with notice of such options by separate letter.

4. Return of Company Property. You warrant that, by the Separation Date, you will return to your manager or human resources representative all Calpine property or data of any type, including computer and e-mail passwords, that are in your possession or control, without retaining any copies, notes or extracts thereof. However, if you and Calpine enter into a Consulting Agreement effective immediately after your separation from employment by Calpine, you may retain the Calpine laptop computer and home fax machine/printer in your possession, as well as your Calpine email address, during the term of any such Consulting Agreement.

5. References. You should direct all requests for employment references to John Moore in Calpine's Human Resources Department, or his successor. Human Resources will respond to all such inquiries by stating that, as a matter of company policy, Calpine declines to provide any information regarding former employees other than the former employee's dates of employment and job title, and with written authorization from the employee, the former employee's salary.

6. Confidential Information; Use of Confidential Information to Compete. By signing below, you acknowledge that as a result of your employment with Calpine you have had access to Confidential Information of Calpine (for the purposes of this Agreement, Confidential Information includes but is not limited to trade secrets, inventions, marketing plans, product plans, business strategies, financial information, forecasts, personnel information, customer lists, customer information, and any other information which gives Calpine an opportunity to obtain advantage over competitors who do not know or use it) and that you will hold all such Confidential Information in strictest confidence and will not disclose to any person or entity or make use, directly or indirectly, of such Confidential Information, except to Calpine for its exclusive benefit during the term of any consulting agreement between you and Calpine. You confirm that you will deliver to your manager or human resources representative, within ten (10) days of the Separation Date, all diskettes, documents and data of any nature pertaining to any such Confidential Information and that you have not taken or retained any such diskettes, documents or data or any reproductions. Nor shall you directly or indirectly use Confidential Information of Calpine to compete with Calpine, or disclose Confidential Information to a competitor of Calpine or to any other person or entity.

7. Release of Claims. You acknowledge that you have no claims against Calpine based on your employment with Calpine or the separation of that employment, except for claims that are specifically excluded from this release by Paragraph 8, below. By signing below, you release Calpine and forever discharge Calpine from all claims, demands, causes of action, damages and liabilities, known or unknown, that you have ever had, now have or may claim to have had relating to or arising from your employment with or separation from Calpine, except for claims that are specifically excluded from this release by Paragraph 8, below.

You expressly waive the benefits of Section 1542 of the Civil Code of the State of California (and under other state and federal provisions of similar effect) which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

8. Waiver of Claims Including Employment-Related Claims. You understand that the release you are providing releases and waives any and all claims you may have against Calpine and its owners, agents, officers, shareholders, employees, directors, attorneys, subscribers, subsidiaries, affiliates, insurers, successors and assigns, whether known or not known, including, without limitation, claims under any employment laws, including, but not limited to, claims of unlawful discharge, breach of contract, breach of the covenant of good faith and fair dealing, retaliation, harassment, fraud, violation of public policy, defamation, physical injury, emotional distress, claims for compensation

or benefits arising out of your employment or your separation of employment, claims under Title VII of the 1964 Civil Rights Act, as amended, the California Fair Employment and Housing Act, and any other laws and/or regulations relating to employment or employment discrimination, including, without limitation, claims based on age or under the Age Discrimination in Employment Act or Older Workers Benefit Protection Act, provided, that this waiver and release does not extend to: claims for breach of this agreement; claims for legally required indemnification; claims for unemployment compensation benefits, workers' compensation benefits, or state and/or long term disability benefits; charges filed with the Equal Employment Opportunity Commission that do not seek monetary or other personal relief for you; claims asserted in Calpine's Chapter 11 bankruptcy proceeding for unpaid vacation pay, unpaid deferred compensation, or indemnity, contribution or reimbursement or claims for acts occurring after the Separation Date. Nothing in this Agreement is intended to interfere with your right to make or participate in a complaint or claim with a federal or state administrative agency including, for example, the National Labor Relations Board, the Department of Labor, the Equal Employment Opportunity Commission or the Department of Fair Employment and Housing. However, by signing this release, you hereby waive the right to recover any monetary or other relief in such a proceeding. This release is not intended to release any claims that are unlawful to release.

9. Covenant Not to Prosecute. You agree never, individually or with any person or in any way, to commence, prosecute or cause or permit to be commenced or prosecuted against Calpine, any legal action or other proceeding based upon any claim, demand, cause of action, damage or liability which is released by this Agreement, except as required by law. If such action has been filed on your behalf, you agree to immediately cause the dismissal of such action with prejudice and without any further right of appeal.

10. Review of Severance Agreement and Timing of Payment. You acknowledge your understanding that you may take up to twenty-one (21) days to consider this Agreement and, by signing below, affirm that you were advised to consult with an attorney before signing this Agreement. You further acknowledge that you understand you may revoke this Agreement within seven (7) days of signing it, by e-mailing a written revocation signed by you to John Moore, jmoore@calpine.com, so that your e-mail is received by Mr. Moore by the end of that seven (7) day period. You further agree that the severance pay to be provided to you, identified in paragraph 2 above, in exchange for your agreement will be paid consistent with the terms of the Plan and only after the seven (7) day revocation period and after Calpine receives this original signed Agreement, and that this Agreement will not become effective or enforceable until the revocation period has expired. This Agreement will be irrevocable after seven (7) days have passed from the date you sign the Agreement.

11. Legal and Equitable Remedies. Both you and Calpine have the right to enforce this Agreement and its provisions by injunction, specific performance or other relief without prejudice to any other rights or remedies you may have at law or in equity for breach of this Agreement. You understand and have read the terms of the Plan and

understand that under the terms of the Plan, with respect to claims relating in any way to benefits provided under the Plan, you may be required to follow the Dispute Resolution procedures identified in the Plan.

12. Attorneys' Fees. Except as provided in the Dispute Resolution procedures identified in the Plan, if any legal action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs, and expenses from the other party, in addition to any other relief to which such prevailing party may be entitled.

13. Assignment, Successors and Assigns. Calpine and you understand that this Agreement will benefit and be binding upon you and your heirs, successors, permitted assigns, and agents. This Agreement will not benefit any other person or entity except as specifically described in this Agreement.

14. Confidentiality. You agree to keep the contents, terms and conditions of this Agreement confidential. You may disclose this information to your spouse, immediate family, accountants, or attorneys, provided that they first agree not to disclose any information concerning the contents, terms and conditions of this Agreement to anyone. You also may disclose the contents, terms and conditions of this Agreement to the IRS or other taxing authorities or as required by subpoena or court order. Any breach of this confidentiality provision, or of any other obligation by you set forth in this Agreement, will be deemed a material breach of this Agreement.

15. Non-Solicitation and Non-Disparagement. For a two (2) year period after the date of this letter, you agree not to directly or indirectly solicit any employee of Calpine to perform services for another business entity, and not to make any disparaging or derogatory statements about Calpine or its directors, officers, agents or employees.

16. Cooperation. Consistent with the terms of any consulting agreement between you and Calpine, you agree to the following: to cooperate with Calpine in the orderly transfer of your responsibilities to other person(s); to make yourself reasonably available to Calpine following the Separation Date; to advise Calpine upon request about matters and disputes with third parties as to which you have knowledge; to cooperate fully with Calpine in connection with the ongoing SEC inquiry regarding our financial statements and internal controls over financial reporting, as well as those of CalGen; to cooperate fully with Calpine in connection with pending or threatened or possible litigation, arbitration, and similar proceedings; and to provide testimony in any such proceedings, as your testimony may be relevant and/or discoverable. Calpine agrees to reimburse you for reasonable out-of-pocket travel expenses incurred at the instruction of Calpine in connection with the activities described in this paragraph.

17. No Admission of Liability. This Agreement is not and may not be contended by you to be an admission or evidence of any wrongdoing or liability on Calpine's part.

This Agreement will be afforded the maximum protection allowable under California Evidence Code Section 1152 and/or other state or Federal provisions of similar effect.

18. Entire Agreement. This Agreement constitutes the entire agreement between you and Calpine with respect to the subject matter of this Agreement. It supersedes all prior negotiations and agreements, whether written or oral, relating to this subject matter except those provisions of prior written agreements that expressly extend beyond the term of your employment. You acknowledge that neither Calpine nor its agents have made any promise or representation either express or implied, written or oral, which is not contained in this Agreement for the purpose of inducing you to sign this Agreement, and you acknowledge that you have signed this Agreement relying only on the promises and representations stated herein.

19. Modification. This Agreement may not be altered, amended, or otherwise changed except by another written agreement that specifically refers to this Agreement, signed by you and by Calpine or its authorized representative.

20. Governing Law. This Agreement is governed by and will be interpreted according to the laws of the State of California. If any term of this Agreement is deemed invalid or unenforceable, the remainder of this Agreement will remain in full force and effect.

21. Your Understanding. By signing below, you acknowledge that you have read this Agreement and fully understand and agree to it.

PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, EXCEPT AS SPECIFIED IN THIS AGREEMENT.

CALPINE CORPORATION

Dated: April 11, 2008

By: /s/ John Moore
John Moore
SVP of Human Resources

I have read the above Agreement, have had an opportunity to obtain legal advice, and by signing below voluntarily accept and agree to its terms including the release of all claims, known and unknown, except as specified in this Agreement.

EMPLOYEE

Dated: April 11, 2008

By: /s/ Chuck Clark
Chuck Clark

EXHIBIT 10.3.2

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement") is entered into as of May 30, 2008, by and between Calpine Corporation ("Calpine") and Charles Clark ("Consultant"), with reference to the following:

WHEREAS, Consultant has substantial knowledge regarding Calpine's accounting and financial operations arising from Consultant's former employment by Calpine, and has substantial accounting and financial expertise;

WHEREAS, Calpine and Consultant have agreed that Consultant will provide consulting services to Calpine pursuant to the terms and conditions of this Agreement; and

WHEREAS, in connection with the consulting services contemplated under this Agreement, Consultant acknowledges that he will have access to Calpine's Confidential Information (as defined below).

NOW, THEREFORE, in consideration of the covenants and agreements set forth herein, and subject to the approval of the Compensation Committee of Calpine's Board of Directors, the parties agree as follows:

1. Term. Calpine hereby engages Consultant and Consultant accepts such engagement for a term commencing on the date set forth above and continuing for a maximum period of eighteen (18) months (the "Term") unless sooner terminated by Calpine as provided in this Agreement. Any termination of this Agreement is effective on two weeks notice as set forth in Section 9 hereof. This Agreement may be extended by written agreement of both parties.

2. Services to Be Rendered.

2.1. Consultant shall provide consulting services to Calpine as requested by Calpine, to assist Calpine with any issues relating to the transition of a new Calpine Controller, the transition of a new Calpine Chief Financial Officer, general accounting and securities law issues, financial closings and related Securities and Exchange Commission ("SEC") filings, and any ongoing or new inquiries from any governmental, regulatory or similar agency or entity (collectively, the "Services"). Consultant shall at all times faithfully, industriously and to the best of his ability, experience, and talent, perform to the satisfaction of Calpine all of the requested Services. Consultant acknowledges and agrees that he shall at all times control the manner and means by which the Services are provided. Calpine shall make space available in its offices for the Consultant's reasonable use in connection with the Services provided under this Agreement.

2.2. During the first nine (9) months of the Term, Consultant shall be available, as requested by Calpine, to work a normal, full workweek in Houston, Texas or at any other location reasonably chosen by Calpine. During the final nine (9) months of the Term, Consultant is expected to fully cooperate with Calpine and be available as needed periodically, but is not required to work full-time for Calpine unless he is available to do so. Consultant's primary work location is expected to be Calpine's Houston, Texas offices located at 717 Texas Street, but

Consultant shall work at other locations as reasonably required by Calpine. If in California, for weeks that Calpine requires Consultant to work full-time at Calpine's Houston, Texas offices, Consultant shall fly to Houston and arrive at Calpine's Houston offices as early as possible on Monday morning Texas time, work the balance of that workday, work a full workday Tuesday through Thursday, work Friday morning and depart for the airport early Friday afternoon Texas time. If in Houston, Consultant shall work a normal full workweek.

3. Termination. If Consultant fails to make himself available or perform the Services as set forth in Section 2 above, Calpine may terminate this Agreement with two weeks' written notice to Consultant and Consultant shall have no right to receive any consulting fees thereafter.

4. Compensation. Calpine shall pay to Consultant a consulting fee of Thirty Three Thousand Three Hundred and Thirty Three Dollars ($33,333.00) per calendar month of the Term (the "Fee"), with the first monthly payment made as soon as administratively possible after the first of the month following the termination of Consultant's employment by Calpine, and with monthly payments thereafter to be made at or around the first of each subsequent month.

5. Reimbursement of Expenses. Calpine shall reimburse Consultant for his actual, reasonable business expenses incurred in connection with his performance of the Services, after Consultant submits appropriate documentation of such expenses. These expenses may include reasonable travel between Houston and California, and reasonable expenses for lodging and meals in Houston, consistent with the Calpine travel expense policy.

6. Relationship of the Parties; Withholding and Other Deductions. Consultant acknowledges and agrees that the relationship between Calpine and Consultant intended to be created by this Agreement is that of client and independent contractor, and nothing herein contained shall be construed as creating a relationship of employer and employee or principal and agent between them. Consultant shall neither act nor make any representation that he is authorized to act as an employee, agent or officer of Calpine. Consultant acknowledges and agrees that he is responsible for paying all taxes related to the compensation payable to him hereunder and that Calpine will not withhold any monies for payments which Consultant is required to make pursuant to any applicable law, governmental regulation, rule or order. Consultant agrees to indemnify and hold harmless Calpine from and against any and all claims, judgments, losses, damages (including special and consequential damages), costs and expenses, including actual attorneys' fees and costs, imposed upon or incurred by Calpine resulting or arising out of any failure by Consultant to pay any such taxes when due.

7. Confidential Information.

7.1. Consultant acknowledges and agrees that this Agreement creates a relationship of confidence and trust on the part of Consultant for the benefit of Calpine, and that during the term of this Agreement, Consultant will have access to, and may create or acquire, certain Confidential Information (as hereinafter defined) of Calpine. During the term of this Agreement and at all times thereafter, Consultant shall preserve as confidential all Confidential Information that he may create, acquire or have access to during the term of this Agreement or during his previous employment by Calpine. Without Calpine's prior written consent, which may be given or withheld in Calpine's sole and absolute discretion, Consultant shall not disclose any Confidential Information (i) to any third party nor give any third party access thereto, nor (ii) use any Confidential Information except to perform the Services hereunder, nor (iii) disclose the terms and conditions of this Agreement; provided, however, that the foregoing will not apply to the extent Consultant is required to disclose any Confidential Information by applicable law or legal process as long as Consultant promptly notifies Calpine of such pending disclosure and consults with Calpine prior to such disclosure as to the advisability of seeking a protective order or other means of preserving the confidentiality of the Confidential Information. In the event Consultant is required by applicable law or legal process to disclose any Confidential Information, Consultant agrees to use reasonable efforts to obtain assurances that the information so disclosed will continue to be accorded confidential treatment. This Section 7 shall survive the expiration of this Agreement.

7.2. As used in this Section 7:

7.2.1. "Confidential Information" shall mean (i) information or material that gives or could give Calpine some competitive advantage or the disclosure of which could be detrimental to Calpine's interests, (ii) information or material which is owned by Calpine or in which Calpine has an interest, and all other information or material conceived, originated, discovered or developed, in whole or in part, alone or with others, by Consultant while performing the Services, (iii) all information (in writing or otherwise) concerning Calpine (including, without limitation, information concerning Calpine's business, assets, liabilities, operations, affairs, financial condition, projections, contracts, customers, accounts, marketing and/or promotional strategies, products, plans or prospects) which is not generally known by the public, and (iv) all analyses, compilations, studies, reports, records or other documents or materials which contain, or are prepared on the basis of, any information or material which Calpine furnishes to Consultant or prepared by or for Consultant based on information or material which Calpine furnishes to Consultant. Notwithstanding the above, "Confidential Information" does not include any information or material that (a) is or becomes public knowledge otherwise than by Consultant's act or omission; or (b) is or becomes available to Consultant without obligation of confidence from a source (other than Calpine) having the legal right to disclose such information; or (c) is already in Consultant's possession in documented form without an obligation of confidence and was not received by Consultant as a result of a prior relationship with Calpine.

7.2.2. "Company" shall also include any and all subsidiaries and affiliates Calpine.

7.3. Indemnity. Consultant agrees to indemnify and hold harmless Calpine and its affiliates and their respective officers, directors, shareholders, partners, members, managers, employees, agents, successors and assigns from and against any and all claims, judgments, losses, damages (including special and consequential damages), costs and expenses, including actual attorneys' fees and costs, imposed upon or incurred by any of them resulting or arising out of any breach or threatened breach of any provision of this Section 7.

7.4. Representations and Warranties of Consultant. Consultant represents and warrants to Calpine that he is not under any contractual or other restriction or obligation that is inconsistent with the execution of this Agreement, the performance of Consultant's duties hereunder, or the rights of Calpine hereunder. Consultant agrees to indemnify and hold harmless Calpine and its affiliates and their respective officers, directors, shareholders, partners, members, managers, trustees, employees, agents, successor and assigns from and against any and all claims, judgments, losses, damages (including special and consequential damages), costs and expenses, including actual attorneys' fees and costs, imposed upon or incurred by any of them resulting or arising out of any breach of this Section 7.4.

8. Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflicts of law principles. Any suit brought in connection with this Agreement shall be brought in the state or federal courts sitting in San Jose, California.

9. Notices. All notices under this Agreement shall be made by email, as follows:

If to the Company:

John Moore or his successor
john.moore@calpine.com

and

Greg Doody or his successor
gregory.doody@calpine.com

If to Consultant:

Charles Clark
bluedevil2@aol.com
chuck.clark@calpine.com

10. Entire Agreement; Modification. This Agreement sets forth the final and entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and representations, whether oral or written, with respect thereto. This Agreement may only be modified by a written instrument duly executed by the parties.

11. Third Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

12. Waiver. The failure of either party hereto at any time to enforce performance by the other party of any provision of this Agreement shall in no way affect such party's rights thereafter to enforce the same, nor shall the waiver by either party of any breach of any provision hereof be deemed to be a waiver by such party of any other breach of the same or any other provision hereof.

13. Assignment. Consultant may not assign this Agreement or any of his rights or obligations hereunder to a third party without the prior written consent of Calpine.

14. Further Assurances. The parties agree to execute and deliver such additional documents or instruments as may be necessary or appropriate to carry out the terms of this Agreement, including, without limitation, the terms of Section 7.3 hereof.

15. Severability. All sections, clauses and covenants contained in this Agreement are severable, and in the event any of them shall be held to be invalid by any court, this Agreement shall be interpreted as if such invalid sections, clauses or covenants were not contained herein.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date hereinabove set forth.

CALPINE CORPORATION

By: /s/ John Moore
John Moore
SVP Human Resources

CONSULTANT:

/s/ Charles Clark
Charles Clark

EXHIBIT 10.4.3

CALPINE CORPORATION

ANNUAL EXECUTIVE
NON-QUALIFIED STOCK OPTION AGREEMENT
(Pursuant to the 2008 Equity Incentive Plan)

OPTION granted _______________ on March 5, 2008 (the "Grant Date"), by Calpine Corporation, a Delaware corporation (the "Corporation"), to [______] (the "Grantee") pursuant to this Non-Qualified Stock Option Agreement ("Stock Option Agreement").

1. **GRANT OF OPTION.** The Corporation hereby grants to the Grantee the irrevocable Option to purchase, on the terms and subject to the conditions set forth herein and in the Plan (as defined below), up to [ ] fully paid and nonassessable shares ("Total Shares") of the Corporation's Common Stock, par value $.001 per share, at the option price of $____ per share, being not less than 100% of the fair market value of such Common Stock on the Grant Date.

The Option is granted pursuant to the Corporation's 2008 Equity Incentive Plan (the "Plan"), a copy of which is attached hereto. The Option is subject in its entirety to all the applicable provisions of the Plan as in effect on the Grant Date, which are hereby incorporated herein by reference. The Option is not intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code. Except as otherwise provided herein, or unless the context clearly indicates otherwise, capitalized terms not otherwise defined herein shall have the same definitions as provided in the Plan.

2. **PERIOD OF OPTION.** The period of the Option shall commence on the Grant Date and expire on the tenth (10^{th}) anniversary of the Grant Date ("Option Period"). Notwithstanding the foregoing, upon a termination of employment or service with the Corporation, the Option shall expire in accordance with Section 13 of the Plan.

The Option (or any lesser amount thereof) may be exercised from time to time during the Option Period as to the number of Total Shares allowable under Section 3 below and the Plan.

3. **EXERCISE OF OPTION.** The Option is cumulatively exercisable ("vested") in installments in accordance with the following schedule, provided the Grantee has been continuously employed by the Corporation beginning on the Grant Date and ending on the anniversary dates of January 31, 2008 (the "Vesting Start Date") set forth below:

Anniversary Date of the Vesting Start Date	**Cumulative Percentage of Total Shares Subject Option Purchasable**
First	33-1/3%
Second	66-2/3%
Third	100%

Continuous employment includes any paid leaves of absence, but does not include any unpaid leaves of absence.

Notwithstanding any other provision herein to the contrary, upon the occurrence of a Change in Control (as defined in the Plan), the Option shall become immediately vested in full.

4. **SECURITIES ACT REQUIREMENTS.** In addition to the requirements set forth herein and in the Plan, (i) the Option shall not be exercisable in whole or in part, and the Corporation shall not be obligated to issue any shares of Common Stock subject to any such Option, if such exercise and sale or issuance would, in the opinion of counsel for the Corporation, violate the Securities Act of 1933 (the "1933 Act") or other Federal or state statutes having similar requirements, as they may be in effect at that time; and (ii) each Option shall be subject to the further requirement that, at any time that the Committee shall determine, in its discretion, that the listing, registration or qualification of the shares of Common Stock subject to such Option under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the issuance of shares of Common Stock, such Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

5. **METHOD OF EXERCISE OF OPTION.** Subject to the provisions of the Plan and Section 4 hereof, the exercise price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash or by certified or bank check at the time the Option is exercised or (ii) in the discretion of the Committee, upon such terms as the Committee shall approve, the exercise price may be paid: (A) by delivery to the Corporation of other Common Stock, duly endorsed for transfer to the Corporation, with a Fair Market Value on the date of delivery equal to the exercise price (or portion thereof) due for the number of shares being acquired, or by means of attestation whereby the Grantee identifies for delivery specific shares of Common Stock that have a Fair Market Value on the date of attestation equal to the exercise price (or portion thereof) and receives a number of shares of Common Stock equal to the difference between the number of shares thereby purchased and the number of identified attestation shares of Common Stock (a “Stock for Stock Exchange”); (B) a “cashless” exercise program established with a broker; (C) by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value equal to the aggregate exercise price at the time of exercise, or (D) in any other form of legal consideration that may be acceptable to the Committee. The purchase price of Common Stock acquired pursuant to an Option that is paid by delivery (or attestation) to the Corporation of other Common Stock acquired, directly or indirectly from the Corporation, shall be paid only by shares of the Common Stock of the Corporation that have been held for more than six months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). Notwithstanding the foregoing, during any period for which the Common Stock is publicly traded (i.e., the Common Stock is listed on any established stock exchange or a national market system) an exercise by Grantee that involves or may involve a direct or indirect extension of credit or arrangement of an extension of credit by the Corporation, directly or indirectly, in violation of Section 402(a) of the Sarbanes-Oxley Act (codified as Section 13(k) of the Exchange Act) shall be prohibited with respect to this award.

6. **TRANSFERABILITY.** The Option is not transferable otherwise than by will or pursuant to the laws of descent and distribution, and is exercisable during the Grantee's lifetime only by the Grantee.

7. **BINDING AGREEMENT.** This Stock Option Agreement shall be binding upon and shall inure to the benefit of any successor or assign of the Corporation, and, to the extent herein provided, shall be binding upon and inure to the benefit of the Grantee's beneficiary or legal representatives, as they case may be.

8. **ENTIRE AGREEMENT.** This Stock Option Agreement and the Plan set forth the entire agreement of the parties with respect to the Option granted hereby and may not be changed orally but only by an instrument in writing signed by the party against whom enforcement of any change, modification or extension is sought.

9. **ELECTRONIC DELIVERY AND SIGNATURES.** The Corporation may, in its sole discretion, decide to deliver any documents related to the Option or to participation in the Plan or to future options that may be granted under the Plan by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation. If the Corporation establishes procedures of an electronic signature system for delivery and acceptance of Plan documents (including any Award Agreement like this Option), the Grantee hereby consents to such procedures and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

10. **WITHHOLDING OF TAX.** To the extent that the exercise of the Option or the disposition of shares of Corporation's Common Stock acquired by exercise of the Option results in compensation income to the Grantee for federal or state income tax purposes, the Grantee shall pay to the Corporation at the time of such exercise or disposition such amount of money or, if the Corporation so determines, shares of Common Stock, as the Corporation may require to meet its obligation under applicable tax laws or regulations and, if the Grantee fails to do so, the Corporation is authorized to withhold from any cash remuneration then or thereafter payable to the Grantee, any tax required to be withheld by reason of such resulting compensation income or the Corporation may otherwise refuse to issue or transfer any shares otherwise required to be issued or transferred pursuant to the terms hereof.

11. **ADJUSTMENTS/CHANGES IN CAPITALIZATION.** This award is subject to the adjustment provisions set forth in the Plan.

Subject to Section 9 above, if the foregoing is in accordance with your understanding and approved by you, please so confirm by signing and returning the duplicate of this Stock Option Agreement enclosed for that purpose.

CALPINE CORPORATION

By: ______________________________________

The foregoing is in accordance with my understanding and is hereby confirmed and agreed to as of the Grant Date.

____
Grantee

CALPINE CORPORATION

ANNUAL EXECUTIVE
RESTRICTED STOCK AGREEMENT
(Pursuant to the 2008 Equity Incentive Plan)

This Restricted Stock Agreement ("Agreement"), entered into on the 5th day of March, 2008 (the "Grant Date"), which is the date on which the Grant described below was approved by the Compensation Committee (the "Committee") of the Board of Directors of Calpine Corporation between Calpine Corporation, a Delaware corporation (the "Company"), and ____________________, (the "Employee"). Except as otherwise provided herein, or unless the context clearly indicates otherwise, capitalized terms not otherwise defined herein shall have the same definitions as provided in the Plan.

WHEREAS, to carry out the purposes of the Calpine Corporation 2008 Equity Incentive Plan (the "Plan"), shares of restricted Common Stock (as defined below) are hereby granted to the Employee in accordance with this Agreement; and

WHEREAS, the Company and Employee agree as follows:

1. Award of Common Stock. Company hereby grants (the "Grant") to Employee ________ shares (the "Shares") of common stock, $.001 par value, of the Company ("Common Stock"), which shall be subject to the restrictions on transferability set forth in Section 2(d) herein (the "Restrictions") and to the other provisions of this Agreement.

2. Restricted Period.

(a) For a period of three (3) years commencing on January 31, 2008 (the "Restricted Period"), the Shares shall be subject to the Restrictions and any other restrictions as set forth herein. Except as otherwise provided herein, the Restrictions shall lapse and expire as to the Shares in accordance with the following schedule provided the Employee has been continuously employed by the Company from the Grant Date through the lapse date:

Lapse Date	Cumulative Percentage of Total Number of Shares as to Which Forfeiture Restrictions Lapse
First Anniversary of January 31, 2008	33-13%
Second Anniversary of January 31, 2008	66-2/3%
Third Anniversary of January 31, 2008	100%

Continuous employment includes paid leaves of absence, but does not include unpaid leaves of absence.

The Shares which are subject to the Restrictions shall hereinafter be referred to as "Restricted Shares." The Shares which are no longer subject to the Restrictions as set forth above and in paragraphs (f) and (g) below shall hereinafter be referred to as "Transferable Shares."

(b) The Company shall effect the issuance of the Shares out of authorized but unissued shares of Common Stock or out of treasury shares of Common Stock and shall also effect the issuance of a certificate or certificates for the Shares. Each certificate issued for Restricted Shares to the Employee shall be registered in Employee's name and shall be either deposited with the Secretary of the Company or its designee in an escrow account or held by the Secretary of the Company, at the election of the Company, together with stock powers or other instruments of transfer appropriately endorsed in blank by Employee (Employee hereby agreeing to execute such stock powers or other instruments of transfer as requested by the Company). Such certificate or certificates shall remain in such escrow account or with the Secretary of the Company until the corresponding Restricted Shares become Transferable Shares as set forth in paragraph (a) above or paragraphs (f) and (g) below. Certificates representing the Restricted Shares shall bear a legend in substantially the following form:

"THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE CALPINE CORPORATION 2008 EQUITY INCENTIVE PLAN AND AN AWARD AGREEMENT. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE AT THE OFFICES OF CALPINE CORPORATION, 717 TEXAS AVENUE, SUITE 1000, HOUSTON, TEXAS 77002.

The Company may place appropriate stop transfer instructions with respect to the Restricted Shares with the transfer agent for the Common Stock. Upon Restricted Shares becoming Transferable Shares, the Company shall effect, in exchange for the legended certificates, the issuance and delivery of a certificate or certificates for such Shares to the Employee free of the legend set forth above.

(c) The Employee shall, during the Restricted Period, have all of the other rights of a stockholder with respect to the Shares including, but not limited to, the right to receive dividends, if any, as may be declared on such Restricted Shares from time to time, and the right to vote (in person or by proxy) such Restricted Shares at any meeting of stockholders of the Company. Any shares of Common Stock received as a dividend on or in connection with a stock split of the Shares shall be subject to the same restrictions as the Shares underlying such shares of Common Stock received on account of such stock dividend or split.

(d) The Restricted Shares and the right to vote the Restricted Shares and to receive dividends thereon, may not be sold, assigned, transferred, exchanged, pledged, hypothecated, or otherwise encumbered and no such sale, assignment, transfer, exchange, pledge, hypothecation, or encumbrance, whether made or created by voluntary act of Employee or any agent of Employee or by operation of law, shall be recognized by, or be binding upon, or shall in any manner affect the rights of, the Company or any agent or any custodian holding certificates for the Restricted Shares during the Restricted Period, unless the Restrictions have then expired pursuant to the provisions of paragraph (a) above or paragraphs (f) and (g) below.

This provision shall not prohibit Employee from granting revocable proxies in customary form to vote the Shares.

(e) If the status of employment (hereinafter referred to as "employment") of Employee with the Company or its Affiliates (as defined in the Plan) shall terminate, prior to the expiration of the Restricted Period for any reason, then, in that event, any Restricted Shares outstanding shall thereupon be forfeited by Employee to the Company, without payment of any consideration or further consideration by the Company, and neither the Employee nor any successors, heirs, assigns or legal representatives of Employee shall thereafter have any further rights or interest in the Restricted Shares or certificates therefor, and Employee's name shall thereupon be deleted from the list of the Company's stockholders with respect to the Restricted Shares.

(f) In the event the Employee's employment with the Company is terminated by reason of the death of the Employee at any time during the Restricted Period, all restrictions imposed on the Restricted Shares in accordance with the terms of the Plan and this Agreement shall lapse and the Restricted Shares shall thereby be Transferable Shares.

(g) Upon the occurrence of a Change in Control (as defined in the Plan), any Restrictions on the Restricted Shares set forth in this Agreement shall be deemed to have expired, and the Restricted Shares shall thereby be Transferable Shares.

(h) If the employment of Employee with the Company shall terminate prior to the expiration of the Restricted Period, and there exists a dispute between Employee and the Company as to the satisfaction of the conditions to the release of the Shares from the Restrictions hereunder or the terms and conditions of the Grant, the Shares shall remain subject to the Restrictions until the resolution of such dispute, regardless of any intervening expiration of the Restricted Period, except that any dividends that may be payable to the holders of record of Common Stock as of a date during the period from termination of Employee's employment to the resolution of such dispute shall:

(1) to the extent to which such dividends would have been payable to Employee on the Shares, be held by the Company as part of its general funds (unless such action would detrimentally affect Employee under Section 409A of the Code) and shall be paid to or for the account of Employee only upon, and in the event of, a resolution of such dispute in a manner favorable to Employee, and

(2) be canceled upon, and in the event of, a resolution of such dispute in a manner unfavorable to Employee.

3. Taxes.

(a) To the extent that the receipt of the Restricted Shares, Transferable Shares, or the lapse of any Restrictions results in income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money or, if the Company so determines, shares of unrestricted Common Stock as the Company may require to meet its obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Common Stock remuneration then or thereafter payable to Employee any tax required to be withheld by reasons of such resulting compensation income.

(b) Employee understands that Employee may elect to be taxed at the Grant Date rather than at the time the Restrictions lapse with respect to the Shares by filing an election under Section 83(b) of the Code with the Internal Revenue Service and by providing a copy of the election to the Company. EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS BEEN INFORMED OF THE AVAILABILITY OF MAKING AN ELECTION IN ACCORDANCE WITH SECTION 83(b) OF THE CODE; THAT SUCH ELECTION MUST BE FILED WITH THE INTERNAL REVENUE SERVICE (AND A COPY OF THE ELECTION GIVEN TO THE COMPANY) WITHIN 30 DAYS OF THE GRANT OF AWARDED SHARES TO EMPLOYEE; AND THAT EMPLOYEE IS SOLELY RESPONSIBLE FOR MAKING SUCH ELECTION. Employee agrees to notify the Company promptly of any tax election made by Employee with respect to the Shares.

4. Adjustments/Changes in Capitalization. This award is subject to the adjustment provisions set forth in the Plan.

5. Compliance with Securities Laws. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any restricted or unrestricted common stock or other securities pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

(a) Restricted Securities. If the shares of Common Stock issued pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), then the Employee hereby confirms that he or she has been informed that the shares of Common Stock issued pursuant to this Agreement are restricted securities under the 1933 Act and may not be resold or transferred unless such shares are first registered under the federal securities laws or unless an exemption from such registration is available. Accordingly, the Employee hereby acknowledges that he or she is prepared to hold such shares of Common Stock for an indefinite period and that the Employee is aware that Rule 144 promulgated by the SEC is not presently available to exempt the resale of the shares of Common Stock issued pursuant to this Agreement from the registration requirements of the 1933 Act. The Employee is aware of the adoption of Rule 144 by the SEC, promulgated under the 1933 Act, which permits limited public resales of securities acquired in a nonpublic offering, subject to the satisfaction of certain conditions. The Employee acknowledges and understands that the Company may not be satisfying the current public information requirement of Rule 144 at the time the Employee wishes to sell the shares of Common Stock issued pursuant to this Agreement or other conditions under Rule 144 which are required of the Company. If so, the Employee understands that Employee will be precluded from selling the securities under Rule 144 even if the one-year holding period (or any modification thereof under the Rule) of said Rule has been satisfied. Prior to the Employee's acquisition of the shares of Common Stock issued pursuant to this Agreement, the Employee acquired sufficient information about the Company to reach an informed knowledgeable decision to acquire such shares of Common Stock. The Employee has such knowledge and experience in financial and business matters as to make the Employee capable of utilizing said information to evaluate the risks of the prospective investment and to make an informed investment decision. The Employee is able to bear the economic risk of his or her investment in the shares of Common Stock issued pursuant to this Agreement. The Employee agrees not to make, without the prior written consent of the Company, any public offering or sale of the Shares although permitted to do so pursuant to Rule 144(k) promulgated under the 1933 Act, until all applicable conditions and requirements of the Rule (or registration of the shares of common stock issued pursuant to this Agreement under the 1933 Act) and this Agreement have been satisfied.

(b) Restrictive Legends. In order to reflect the restrictions on disposition of the shares of Common Stock issued pursuant to this Agreement, the stock certificates for the shares of Common Stock issued pursuant to this Agreement may be endorsed with a restrictive legend, in substantially the following form:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") AND ARE "RESTRICTED SECURITIES" AS DEFINED IN RULE 144 PROMULGATED UNDER THE ACT. THEY MAY NOT BE SOLD OR OFFERED FOR SALE OR OTHERWISE DISTRIBUTED EXCEPT (1) IN CONJUNCTION WITH AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE ACT, OR EVIDENCE SATISFACTORY TO THE COMPANY OF AN EXEMPTION THEREFROM, AND (2) IN COMPLIANCE WITH THE DISPOSITION PROVISIONS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). SUCH AGREEMENT IMPOSES CERTAIN RESTRICTIONS IN CONNECTION WITH THE DISPOSITION OF THE SHARES. THE SECRETARY OF THE COMPANY WILL, UPON WRITTEN REQUEST, FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE.

6. Employment Relationship. Employee shall be considered to be in the employment of the Company as long as he remains as an employee of the Company or its Affiliates. Any questions as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee (as defined in the Plan), with the advice of the employing corporation (if an Affiliate of the Company), and the Committee’s determination shall be final.

7. Binding Effect. The terms and conditions hereof shall, in accordance with their terms, be binding upon, and inure to the benefit of, all successors of Employee, including, without limitation, Employee's estate and the executors, administrators, or trustees thereof, heirs and legatees, and any receiver, trustee in bankruptcy, or representative of creditors of Employee. This Agreement shall be binding upon and inure to the benefit of any successors to the Company.

8. Notice. All notices required to be given under this Agreement or the Plan shall be in writing and delivered in person or by registered or certified mail, postage prepaid, to the other party at the address set out below each party's signature to this Agreement or at such other address as each party may designate in writing from time to time to the other party. Each party to this Agreement agrees to inform the other party immediately upon a change of address. All notices shall be deemed delivered when received.

9. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled by binding arbitration in Houston, Texas by one arbitrator appointed in the manner set forth by the American Arbitration Association. Any arbitration proceeding

pursuant to this paragraph shall be conducted in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. Judgment may be entered on the arbitrators' award in any court having jurisdiction.

10. Entire Agreement and Amendments. This Agreement contains the entire agreement of the parties relating to the matters contained herein and supersedes all prior agreements and understandings, oral or written, between the parties with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

11. Separability. If any provision of the Agreement is rendered or declared illegal or unenforceable by reason of any existing or subsequently enacted legislation or by the decision of any arbitrator or by decree of a court of last resort, the parties shall promptly meet and negotiate substitute provisions for those rendered or declared illegal or unenforceable to preserve the original intent of this Agreement to the extent legally possible, but all other provisions of this Agreement shall remain in full force and effect.

12. Interpretation of the Plan and the Grant. In the event there is any inconsistency or discrepancy between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall prevail.

13. Governing Law. The execution, validity, interpretation, and performance of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware except to the extent pre-empted by federal law.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by one of its officers thereunto duly authorized, and Employee has executed this Agreement, all as of the day and year first above written.

CALPINE CORPORATION

By: ____
Authorized Officer

Calpine Corporation
717 Texas Avenue, Suite 1000
Houston, Texas 77002

EMPLOYEE

____
Name:

Address:
____
____
____

EXHIBIT 10.4.5

CALPINE CORPORATION

DIRECTOR'S
RESTRICTED STOCK AGREEMENT
(Pursuant to the 2008 Director Incentive Plan)

This Restricted Stock Agreement ("Agreement"), entered into on the ____ day of ___________, 20___ (the "Grant Date"), which is the date on which the Award described below was approved in accordance with the Plan (as defined below), between Calpine Corporation, a Delaware corporation (the "Company"), and ____________________, (the "Director"). Except as otherwise provided herein, or unless the context clearly indicates otherwise, capitalized terms not otherwise defined herein shall have the same definitions as provided in the Plan.

WHEREAS, to carry out the purposes of the Calpine Corporation 2008 Director Incentive Plan (the "Plan"), shares of restricted Common Stock (as defined below) are hereby granted to the Director in accordance with this Agreement; and

WHEREAS, the Company and Director agree as follows:

1. Award of Common Stock. The Company hereby grants (the "Grant") to Director ________ shares (the "Shares") of common stock, $.001 par value, of the Company ("Common Stock"), which shall be subject to the restrictions on transferability set forth in Section 2(d) herein (the "Restrictions") and to the other provisions of this Agreement.

2. Restricted Period.

(a) For a period of one (1) year commencing on the Grant Date (the "Restricted Period"), the Shares shall be subject to the Restrictions and any other restrictions as set forth herein. Except as otherwise provided herein, the Restrictions shall lapse and expire as to the Shares in accordance with the following schedule provided the Director has continuously served on the Board of Directors of the Company ("Board") from the Grant Date through the lapse date:

Lapse Date	Percentage of Total Number of Shares as to Which Forfeiture Restrictions Lapse
First Anniversary of the Grant Date	100%

The Shares which are subject to the Restrictions shall hereinafter be referred to as "Restricted Shares." The Shares which are no longer subject to the Restrictions as set forth above and in paragraphs (f) and (g) below shall hereinafter be referred to as "Transferable Shares."

(b) The Company shall effect the issuance of the Shares out of authorized but unissued shares of Common Stock or out of treasury shares of Common Stock and shall also effect the issuance of a certificate or certificates for the Shares. Each certificate issued for Restricted Shares to the Director shall be registered in Director's name and shall be either deposited with the Secretary of the Company or its designee in an escrow account or held by the Secretary of the Company, at the election of the Company, together with stock powers or other instruments of transfer appropriately endorsed in blank by Director (Director hereby agreeing to execute such stock powers or other instruments of transfer as requested by the Company). Such certificate or certificates shall remain in such escrow account or with the Secretary of the Company until the corresponding Restricted Shares become Transferable Shares as set forth in paragraph (a) above or paragraphs (f) and (g) below. Certificates representing the Restricted Shares shall bear a legend in substantially the following form:

> "THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE CALPINE CORPORATION 2008 DIRECTOR INCENTIVE PLAN AND AN AWARD AGREEMENT. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE AT THE OFFICES OF CALPINE CORPORATION, 717 TEXAS AVENUE, SUITE 1000, HOUSTON, TEXAS 77002.

The Company may place appropriate stop transfer instructions with respect to the Restricted Shares with the transfer agent for the Common Stock. Upon Restricted Shares becoming Transferable Shares, the Company shall effect, in exchange for the legended certificates, the issuance and delivery of a certificate or certificates for such Shares to the Director free of the legend set forth above.

(c) The Director shall, during the Restricted Period, have all of the other rights of a stockholder with respect to the Shares including, but not limited to, the right to receive dividends, if any, as may be declared on such Restricted Shares from time to time, and the right to vote (in person or by proxy) such Restricted Shares at any meeting of stockholders of the Company. Any shares of Common Stock received as a dividend on or in connection with a stock split of the Shares shall be subject to the same restrictions as the Shares underlying such shares of Common Stock received on account of such stock dividend or split.

(d) The Restricted Shares and the right to vote the Restricted Shares and to receive dividends thereon, may not be sold, assigned, transferred, exchanged, pledged, hypothecated, or otherwise encumbered and no such sale, assignment, transfer, exchange, pledge, hypothecation, or encumbrance, whether made or created by voluntary act of Director or any agent of Director or by operation of law, shall be recognized by, or be binding upon, or shall in any manner affect the rights of, the Company or any agent or any custodian holding certificates for the Restricted Shares during the Restricted Period, unless the Restrictions have then expired pursuant to the provisions of paragraph (a) above or paragraphs (f) and (g) below. This provision shall not prohibit Director from granting revocable proxies in customary form to vote the Shares.

(e) Except as provided in paragraphs (f) and (g) below, if Director shall cease to serve on the Board prior to the expiration of the Restricted Period for any reason, then, in that event, any Restricted Shares outstanding shall thereupon be forfeited by Director to the Company, without payment of any consideration or further consideration by the Company, and neither the Director nor any successors, heirs, assigns or legal representatives of Director shall thereafter have any further rights or interest in the Restricted Shares or certificates therefor, and Director's name shall thereupon be deleted from the list of the Company's stockholders with respect to the Restricted Shares.

(f) In the event the Director's service on the Board is terminated by reason of Disability (as defined in Section 17 of the Plan) or death at any time during the Restricted Period, all restrictions imposed on the Shares in accordance with the terms of the Plan and this Agreement shall lapse and the Restricted Shares shall thereby be Transferable Shares.

(g) Upon the occurrence of a Change in Control (as defined in Section 16 of the Plan), any Restrictions on the Restricted Shares set forth in this Agreement shall be deemed to have expired, and the Restricted Shares shall thereby be Transferable Shares.

(h) If the Director's service on the Board shall terminate prior to the expiration of the Restricted Period, and there exists a dispute between Director and the Company as to the satisfaction of the conditions to the release of the Shares from the Restrictions hereunder or the terms and conditions of the Grant, the Shares shall remain subject to the Restrictions until the resolution of such dispute, regardless of any intervening expiration of the Restricted Period, except that any dividends that may be payable to the holders of record of Common Stock as of a date during the period from Director's termination of service on the Board to the resolution of such dispute shall:

(1) to the extent to which such dividends would have been payable to Director on the Shares, be held by the Company as part of its general funds (unless such action would detrimentally affect Director under Section 409A of the Code), and shall be paid to or for the account of Director only upon, and in the event of, a resolution of such dispute in a manner favorable to Director, and

(2) be canceled upon, and in the event of, a resolution of such dispute in a manner unfavorable to Director.

3. Taxes. Director understands that Director may elect to be taxed at the Grant Date rather than at the time the Restrictions lapse with respect to the Shares by filing an election under Section 83(b) of the Code with the Internal Revenue Service and by providing a copy of the election to the Company. DIRECTOR ACKNOWLEDGES THAT HE OR SHE HAS BEEN INFORMED OF THE AVAILABILITY OF MAKING AN ELECTION IN ACCORDANCE WITH SECTION 83(b) OF THE CODE; THAT SUCH ELECTION MUST BE FILED WITH THE INTERNAL REVENUE SERVICE (AND A COPY OF THE ELECTION GIVEN TO THE COMPANY) WITHIN 30 DAYS OF THE GRANT OF AWARDED SHARES TO DIRECTOR; AND THAT DIRECTOR IS SOLELY RESPONSIBLE FOR MAKING SUCH ELECTION. Director agrees to notify the Company promptly of any tax election made by Director with respect to the Shares.

4. Adjustments/Changes in Capitalization. This award is subject to the adjustment provisions set forth in the Plan.

5. Compliance with Securities Laws. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any restricted

or unrestricted common stock or other securities pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

(a) Restricted Securities. If the shares of Common Stock issued pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), then the Director hereby confirms that he or she has been informed that the shares of Common Stock issued pursuant to this Agreement are restricted securities under the 1933 Act and may not be resold or transferred unless such shares are first registered under the federal securities laws or unless an exemption from such registration is available. Accordingly, the Director hereby acknowledges that he or she is prepared to hold such shares of Common Stock for an indefinite period and that the Director is aware that Rule 144 promulgated by the SEC is not presently available to exempt the resale of the shares of Common Stock issued pursuant to this Agreement from the registration requirements of the 1933 Act. The Director is aware of the adoption of Rule 144 by the SEC, promulgated under the 1933 Act, which permits limited public resales of securities acquired in a nonpublic offering, subject to the satisfaction of certain conditions. The Director acknowledges and understands that the Company may not be satisfying the current public information requirement of Rule 144 at the time the Director wishes to sell the shares of Common Stock issued pursuant to this Agreement or other conditions under Rule 144 which are required of the Company. If so, the Director understands that Director will be precluded from selling the securities under Rule 144 even if the one-year holding period (or any modification thereof under the Rule) of said Rule has been satisfied. Prior to the Director's acquisition of the shares of Common Stock issued pursuant to this Agreement, the Director acquired sufficient information about the Company to reach an informed knowledgeable decision to acquire such shares of Common Stock. The Director has such knowledge and experience in financial and business matters as to make the Director capable of utilizing said information to evaluate the risks of the prospective investment and to make an informed investment decision. The Director is able to bear the economic risk of his or her investment in the shares of Common Stock issued pursuant to this Agreement. The Director agrees not to make, without the prior written consent of the Company, any public offering or sale of the Shares although permitted to do so pursuant to Rule 144(k) promulgated under the 1933 Act, until all applicable conditions and requirements of the Rule (or registration of the shares of common stock issued pursuant to this Agreement under the 1933 Act) and this Agreement have been satisfied.

(b) Restrictive Legends. In order to reflect the restrictions on disposition of the shares of Common Stock issued pursuant to this Agreement, the stock certificates for the shares of Common Stock issued pursuant to this Agreement may be endorsed with a restrictive legend, in substantially the following form:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") AND ARE "RESTRICTED SECURITIES" AS DEFINED IN RULE 144 PROMULGATED UNDER THE ACT. THEY MAY NOT BE SOLD OR OFFERED FOR SALE OR OTHERWISE DISTRIBUTED EXCEPT (1) IN CONJUNCTION WITH AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE ACT, OR EVIDENCE SATISFACTORY TO THE COMPANY OF AN EXEMPTION THEREFROM, AND (2) IN COMPLIANCE WITH THE DISPOSITION PROVISIONS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO

THE SHARES). SUCH AGREEMENT IMPOSES CERTAIN RESTRICTIONS IN CONNECTION WITH THE DISPOSITION OF THE SHARES. THE SECRETARY OF THE COMPANY WILL, UPON WRITTEN REQUEST, FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE.

6. Binding Effect. The terms and conditions hereof shall, in accordance with their terms, be binding upon, and inure to the benefit of, all successors of Director, including, without limitation, Director's estate and the executors, administrators, or trustees thereof, heirs and legatees, and any receiver, trustee in bankruptcy, or representative of creditors of Director. This Agreement shall be binding upon and inure to the benefit of any successors to the Company.

7. Notice. All notices required to be given under this Agreement or the Plan shall be in writing and delivered in person or by registered or certified mail, postage prepaid, to the other party at the address set out below each party's signature to this Agreement or at such other address as each party may designate in writing from time to time to the other party. Each party to this Agreement agrees to inform the other party immediately upon a change of address. All notices shall be deemed delivered when received.

8. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled by binding arbitration in Houston, Texas by one arbitrator appointed in the manner set forth by the American Arbitration Association. Any arbitration proceeding pursuant to this paragraph shall be conducted in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

9. Entire Agreement and Amendments. This Agreement contains the entire agreement of the parties relating to the matters contained herein and supersedes all prior agreements and understandings, oral or written, between the parties with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

10. Separability. If any provision of the Agreement is rendered or declared illegal or unenforceable by reason of any existing or subsequently enacted legislation or by the decision of any arbitrator or by decree of a court of last resort, the parties shall promptly meet and negotiate substitute provisions for those rendered or declared illegal or unenforceable to preserve the original intent of this Agreement to the extent legally possible, but all other provisions of this Agreement shall remain in full force and effect.

11. Interpretation of the Plan and the Grant. In the event there is any inconsistency or discrepancy between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall prevail.

12. Governing Law. The execution, validity, interpretation, and performance of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware except to the extent pre-empted by federal law.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by one of its officers thereunto duly authorized, and Director has executed this Agreement, all as of the day and year first above written.

CALPINE CORPORATION

By: ____
Authorized Officer

Calpine Corporation
717 Texas Avenue, Suite 1000
Houston, Texas 77002

EMPLOYEE

____
Name:

Address:
____
____
____

CALPINE CORPORATION

DIRECTOR'S
RESTRICTED STOCK UNIT AGREEMENT
(Pursuant to the 2008 Equity Incentive Plan)

This Restricted Stock Units Agreement ("Agreement"), entered into on the **5th day of March 2008** (the "Grant Date"), which is the date on which the Award described below was approved in accordance with the Plan (as defined below), between Calpine Corporation, a Delaware corporation (the "Company"), and **WILLIAM J. PATTERSON**, (the "Director"). Except as otherwise provided herein, or unless the context clearly indicates otherwise, capitalized terms not otherwise defined herein shall have the same definitions as provided in the Plan.

WHEREAS, to carry out the purposes of the Calpine Corporation 2008 Equity Incentive Plan (the "Plan"), Restricted Stock Units (as defined in the Plan) are hereby granted to the Director in accordance with this Agreement; and

WHEREAS, the Company and Director agree as follows:

1. Award of Restricted Stock Units. The Company hereby grants to the Director, as of the Grant Date and subject to the terms and conditions of the Plan (including the provisions of Section 18 thereof) and subject further to the terms and conditions set forth herein, **2,720 Restricted Stock Units.**

2. Vesting in Restricted Stock Units. The Restricted Stock Units granted to the Director shall become fully vested on the first anniversary date of the Grant Date ("Vesting Date"). Notwithstanding anything herein to the contrary, the Restricted Stock Units granted hereunder shall become fully vested upon the Director's "Disability" (as defined in the Plan) or the Director's death or upon the occurrence of a "Change in Control" (as defined in the Plan). Except for the occurrence of an event set forth in the preceding sentence, if the Director's service on the Board terminates prior to the Vesting Date, the Restricted Stock Units granted hereunder shall immediately terminate.

3. Settlement of Restricted Stock Units. Each Restricted Stock Unit granted hereunder shall represent the right to receive one share of Common Stock upon the settlement of each vested Restricted Stock Unit. Except as provided in Section 4 below, shares of Common Stock corresponding to vested Restricted Stock Units (subject to adjustment pursuant to Section 17 of the Plan) shall be paid within thirty (30) days after the earliest to occur of the following events (the occurrence of the event shall hereafter be referred to as a "Settlement Date"):

(a) a specific date elected by the Director in the Restricted Stock Units Election Form;

(b) the consummation of a Change in Control transaction, provided that such Change in Control constitutes a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of a corporation" within the meaning of Section 409A(a)(2)(A)(v) of the Internal Revenue Code of 1986, as amended ("Code"); or

(c) the termination of the Director's service on the Board. If the Board (or its delegate) determines in its discretion that the Director is a “specified employee” as defined in Section 409A(a)(2)(B)(i) of the Code and the regulations and other guidance issued thereunder, then the payment of Common Stock may not be made before the date which is six months after the date the Director separates from service with the Board. Notwithstanding any other provision contained herein, the term “termination of the Director's service,” shall mean a “separation from service” within the meaning of Section 409A of the Code, to the extent any payment hereunder could be deemed “non-qualified deferred compensation” for purposes thereof.

4. Deferral of Settlement of Restricted Stock Unit. At least one year prior to the earliest Settlement Date, the Director may elect to defer payment of the shares of Common Stock corresponding to any vested Restricted Stock Units to another date ("Deferred Settlement Date") provided the Deferred Settlement Date is not earlier than the fifth anniversary of the Settlement Date. Notwithstanding anything herein to the contrary, an election made in accordance with this Section 4 shall comply with Section 409A of the Code.

5. Dividend Equivalents. Each Restricted Stock Unit (representing one share of Common Stock) may be credited with cash and stock dividends paid by the Company in respect of one share of Common Stock (“Dividend Equivalents”). Dividend Equivalents will be withheld by the Company for the Director’s account, and interest may be credited on the amount of cash Dividend Equivalents withheld at a rate and subject to such terms as determined by the Board. Dividend Equivalents credited to a Director’s account and attributable to any particular Restricted Stock Unit (and earnings thereon, if applicable) shall be distributed in cash or, at the discretion of the Board, in shares of Common Stock having a Fair Market Value equal to the amount of such Dividend Equivalents and earnings, if applicable, to the Director upon settlement of such Restricted Stock Unit and, if such Restricted Stock Unit is forfeited, the Director shall have no right to such Dividends Equivalents.

6. Restrictions on Transfer. Restricted Stock Units may not be transferred or otherwise disposed of by the Director, including by way of sale, assignment, transfer, pledge, hypothecation or otherwise, except as permitted by the Boards, or by will or the laws of descent and distribution. No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Restricted Stock Units by any holder thereof in violation of the provisions of this Agreement shall be valid, and the Company will not transfer any of such Restricted Stock Units on its books, nor will any dividends be paid thereon, unless and until there has been full compliance with such provisions to the satisfaction of the Company. The foregoing restrictions are in addition to and not in lieu of any other remedies, legal or equitable, available to enforce said provisions.

7. Approvals. No shares of Common Stock shall be issued under this Agreement unless and until all legal requirements applicable to the issuance of such shares have been complied with to the satisfaction of the Board. The Board shall have the right to condition any issuance of shares to the Director on the Director's undertaking in writing to comply with such restrictions on the subsequent disposition of such shares as the Board shall deem necessary or advisable as a result of any applicable law or regulation.

8. Compliance with Law and Regulations. This Agreement, the Award granted hereby and any obligation of the Company hereunder shall be subject to all applicable federal, state and local laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

9. Incorporation of Plan. This Agreement is made under the provisions of the Plan (which is incorporated herein by reference) and shall be interpreted in a manner consistent with it. To the extent that this Agreement is silent with respect to, or in any way inconsistent with, the terms of the Plan, the provisions of the Plan shall govern and this Agreement shall be deemed to be modified accordingly.

10. Binding Agreement; Successors. This Agreement shall bind and inure to the benefit of the Company, its successors and assigns, and the Director and the Director's personal representatives and beneficiaries.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. The Board shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon all Persons.

12. Amendment. This Agreement may be amended or modified by the Company at any time. Notwithstanding the foregoing, no amendment or modification that is adverse to the rights of the Director as provided by this Agreement shall be effective unless set forth in a writing signed by the parties hereto.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunder duly authorized and the Director has hereunto set his hand, all as of the day and year set forth below.

CALPINE CORPORATION

/s/ Gregory L. Doody
By: Gregory L. Doody
Senior Vice President, General
Counsel and Secretary

The undersigned hereby acknowledges having read this Agreement and the Plan and hereby agrees to be bound by all provisions set forth herein and in the Plan.

DIRECTOR

/s/ William J. Patterson
By: William J. Patterson

Dated as of: __20 March 2008_____

EXHIBIT 10.4.7

2008 EQUITY INCENTIVE PLAN

Restricted Stock Units Election Form
(Director)

Name: WILLLIAM J. PATTERSON

1. On March 5, 2008 ("Grant Date") you were granted 2,720 Restricted Stock Units ("Units") under the 2008 Equity Incentive Plan ("Plan") and the related Director's Restricted Stock Unit Agreement ("RSU Agreement"). You will become 100% vested in the Units on the first anniversary of the Grant Date. You will also become 100% vested upon your Disability (as defined in the Plan), your death or upon a Change in Control. If your service on the Calpine Board of Directors ("Board") terminates prior to you becoming 100% vested, your Units are forfeited. On the Distribution Date (as set forth below in Section 2) (this is the same as the Settlement Date under the RSU Agreement), you will receive one share of Calpine common stock for each vested Unit. You can choose the date on which shares of Calpine common stock will be paid to you as set forth in Section 2 below.

2. Distribution Date

You have the right to designate the date on which shares of Calpine common stock which correspond to vested Units will be paid to you, however the election must be made in a timely manner. If you desire to designate the Distribution Date you must complete the blank below and return this Restricted Stock Units Election Form to Calpine within 30 days of the Grant Date listed above. By making the election below under this Section 2, you understand that the distribution of shares of Calpine common stock which correspond to your vested Units will occur within 30 days after the earliest to occur of (i) the date you elect below ("Elected Distribution Date"), (ii) the consummation of a Change in Control as defined in the Plan and under the RSU Agreement or (iii) your termination of service on the Board as described in the RSU Agreement (collectively, the "Distribution Date").

[X] I, hereby, elect to receive the shares of Calpine common stock which correspond to my vested Units on December 31, 2013 (**please fill in date – it must be at least one year from the Grant Date**).

I understand that if I do not elect an Elected Distribution Date as set forth above, the shares of Calpine common stock which correspond to my vested Units will be paid to me within 30 days after the applicable Distribution Date other than the Elected Distribution Date.

To elect an Elected Distribution Date on any other Units granted to you under the Plan, you must elect an Elected Distribution Date by the end of the calendar year prior to the calendar year in which your next grant of Units occurs. Calpine will remind you of such election at the end of each calendar year.

3. Election to Delay Your Distribution Date

A. You can elect to delay your Distribution Date as provided under Section 2 above. An election to delay your Distribution Date **must** be made at least one year prior to the Distribution Date under Section 2 above. **The Delayed Distribution Date set forth below must be a date at least 5 years following the Distribution Date set forth in Section 2 above.**

[ ] At this time, I make no election to delay my Distribution Date as set forth in Section 2 above.

[ ] I hereby, elect to delay my Distribution Date above to the first day of the calendar month after the following date: _________________________. I understand and acknowledge that this election is irrevocable.

B. If the first box is "checked" above and no election is made, you may always make the election under the second box as long as such election is made at least one year prior to the Distribution Date. Once made, such election is then irrevocable.

/s/ William J. Patterson	3-20-08
William J. Patterson Signature	Date

You must sign and date this form in order for your form to be processed.

EXHIBIT 31.1

CERTIFICATIONS

I, Robert P. May, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calpine Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2008

/s/ Robert P. May
Robert P. May
CHIEF EXECUTIVE OFFICER
CALPINE CORPORATION

EXHIBIT 31.2

CERTIFICATIONS

I, Lisa Donahue, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Calpine Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2008

/s/ Lisa Donahue

Lisa Donahue
CHIEF FINANCIAL OFFICER
CALPINE CORPORATION

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Calpine Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned does hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge, based upon a review of the Report:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ ROBERT P. MAY	/s/ LISA DONAHUE
Robert P. May	Lisa Donahue
Chief Executive Officer	Chief Financial Officer
Calpine Corporation	Calpine Corporation

Dated: May 12, 2008

A signed original of this written statement required by Section 906 has been provided to Calpine Corporation and will be retained by Calpine Corporation and furnished to the Securities and Exchange Commission or its staff upon request.