

# **CALPINE CORPORATION**

## **COMPENSATION COMMITTEE CHARTER**

### **I. MEMBERSHIP**

There shall be a committee of the Board of Directors of Calpine Corporation (the "Corporation") to be known as the Compensation Committee. The Compensation Committee shall be comprised of at least three independent directors elected by the Board of Directors for a term of one year, and shall serve subject to the discretion of the Board of Directors. Following the Corporation's Annual Meeting, the Board of Directors shall designate a chairperson of the Compensation Committee. All members shall: (i) meet the independence requirements of the New York Stock Exchange ("NYSE"); (ii) qualify as "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended from time to time; and (iii) meet the "outside director" requirements of Section 162(m) of the Internal Revenue Code of 1986 and the rules and regulations promulgated thereunder, as amended from time to time. Members should have sufficient knowledge and familiarity in the area of compensation practices and policies to discharge their duties and responsibilities as members of the Committee.

### **II. RESPONSIBILITIES**

The Compensation Committee's responsibilities shall be as follows:

A. The Compensation Committee shall review and approve annual and long-term performance criteria, goals and objectives relevant to the compensation of the Corporation's Chief Executive Officer ("CEO") and other key executive officers.

B. The Compensation Committee shall evaluate on an annual basis (or more frequently if appropriate), in conjunction with the Nominating and Governance Committee of the Board of Directors, the performance of the CEO and other key executive officers in light of the annual and long-term performance criteria, goals and objectives approved by the Compensation Committee.

C. The Compensation Committee shall make individual compensation determinations including, but not limited to, salary, annual and long-term incentive awards of cash and stock, stock option grants, other equity grants, and the totals thereof, with respect to the CEO and all other key executives. All such determinations shall be reported to the Board and, in the case of the CEO, such determination shall be presented to the Board for its ratification. The determination of the CEO's compensation shall take into consideration relative stockholder return, corporate performance, the Corporation's strategic progress, economic and business conditions, the awards given to the Corporation's CEO in past years and competitor/competitive pay and performance levels. The Compensation Committee is authorized, but not required, to approve incentive awards in a form required for conformity with Section 162(m) of the Internal Revenue Code.

D. The Compensation Committee shall be responsible for the annual Compensation Committee Report that is required under SEC rules to be included in the Corporation's proxy statement for the Corporation's annual meeting of stockholders.

E. The Compensation Committee shall periodically review the Corporation's incentive-compensation plans and equity-based plans for the Corporation's employees, and shall make recommendations to the Board of Directors as it deems appropriate with respect to such plans.

F. The Compensation Committee shall have full and sole authority to retain and terminate compensation consultants to assist in the evaluation of CEO, Director and senior executive compensation. The evaluation of Director compensation shall be done in coordination with the Nominating and Governance Committee of the Board of Directors. The Compensation Committee may retain such consultants to perform periodic studies and surveys concerning the levels of executive compensation payable in the Corporation's industry and to make recommendations concerning competitive pay programs, and to perform other services relevant to the evaluation and determination of executive compensation. The Compensation Committee shall have the sole authority to approve such compensation consultant's fees and other retention terms.

G. The Compensation Committee shall have oversight responsibility for the review of all of the Corporation's employee benefit plans, including any Internal Revenue Code Section 401(k) savings plan, any Internal Revenue Code Section 125 cafeteria benefit plan, any profit-sharing program, whether payable on a current or deferred basis, and all pension and other deferred compensation plans. Regular administration shall be performed by management of the Corporation.

H. The Compensation Committee shall approve all perquisites, other incentive awards, special cash payments (including relocation expenses) or loans made or paid to the Corporation's executive officers.

I. The Compensation Committee shall provide reports to the Board of Directors from time to time regarding the matters reviewed or approved by the Compensation Committee. The Compensation Committee shall annually review its own performance, and shall provide a report of such review to the Board of Directors. The performance of the Compensation Committee shall be reviewed and evaluated on an annual basis (or more frequently as appropriate) by the Board of Directors.

### **III. MEETINGS**

The Compensation Committee shall generally meet with the CEO, the Vice Chairman and the Senior Vice President, Human Resources, as appropriate, on an annual basis to discuss the incentive compensation programs to be in effect for such fiscal year and the performance targets triggering payout under those programs. Following the end of each fiscal year, the

Compensation Committee shall meet to review performance under those programs and determine aggregate bonus amounts thereunder. At that time, the Compensation Committee shall also review executive compensation levels, subject to Board of Directors approval, as appropriate. The Compensation Committee shall convene periodically as necessary to act upon any other matters within its jurisdiction under this charter.

#### **IV. MINUTES**

Minutes shall be kept of each meeting of the Compensation Committee and will be provided to each member of the Board of Directors.