2007 third quarter report

september 30, 2007

Algonquin Power
Income Fund

Report to Unitholders

Algonquin Power Income Fund is pleased to report that overall results for the Fund were in line with expectations for the third quarter of 2007.

During the quarter the Fund distributed $0.23 per trust unit, consistent with the third quarter of 2006, and reported cash available for distribution of $0.24 per trust unit. The Fund continues to focus on growing cash available for distribution through the Fund's portfolio of renewable power generation, co-generation and infrastructure assets.

On September 11, 2007, the Fund announced the appointment of David Bronicheski to the position of Chief Financial Officer, beginning on September 17, 2007. Mr Bronicheski's experience in acquisitions, the capital markets, debt financing, and management is the foundation of a strategic skill set that will positively contribute to Algonquin Power's current and future strategies.

Following the end of the third quarter, the Fund announced the achievement of commercial operation pursuant to the Turnkey Construction Contract at St. Leon Wind Energy, marking the transfer of ownership from the contractor to Algonquin Power. Commercial Operation pursuant to the power purchase agreement with Manitoba Hydro was attained in 2006 and St. Leon has been successfully generating renewable electricity since that time, enjoying a substantial and proven wind resource. The declaration of Commercial Operation pursuant to the TCC was pending the resolution of certain outstanding construction related issues under the TCC. The achievement of commercial operation is a milestone achievement at the Fund's largest renewable energy project to date. The Fund continues to look forward to continuing success at St. Leon.

Also following the end of the quarter, Algonquin Power announced that a definitive agreement had been signed between Algonquin Power Fund (America) Inc., an affiliate of the Fund and Fortistar LLC regarding the sale of six landfill gas powered generating stations and other related landfill gas assets owned by the Fund. The assets, representing a total of 18 MW of installed generating capacity, were no longer considered strategic to the ongoing operations of the Fund. The transaction is expected to close in November, 2007 and is expected to be an accretive disposition for the Fund. The sale will enable the Fund to narrow the focus of its management efforts on other, larger renewable energy generation and sustainable infrastructure projects.

Performance Summary for the third quarter of 2007:

- Revenue of $46.5 million in Q3 2007 as compared to $49.4 million in Q3 2006.
- Net earnings of $12.2 million or $0.17 per trust unit in Q3 2007 as compared to net earnings of $5.0 million or $0.07 per trust unit in Q3 2006.
- Cash available for distribution of $18.4 million ($0.24 per trust unit) in Q3 2007 as compared to $17.6 million ($0.23 per trust unit) in Q3 2006. Distributions for the third quarter of both 2007 and 2006 were $0.23 per trust unit.

Performance Summary for the first nine months of 2007:

- Revenue of $142.4 million for the first nine months of 2007 as compared to $141.9 million in the first nine months of 2006.
- Net earnings of $16.1 million or $0.22 per trust unit for the first nine months of 2007 as compared to $26.1 on or $0.36 per trust unit for the first nine months of 2006.
- Cash available for distribution of $52.4 million ($0.69 per trust unit) in the first nine months of 2007 as compared to $50.0 million ($0.70 per trust unit) for the same period in 2006. Distributions for both the first nine months of 2007 and 2006 were $0.69 per trust unit.

Third Quarter Highlights

Hydroelectric

During the third quarter of 2007, the Fund's hydroelectric facilities generated electricity equal to 84.7% of long term averages compared to 91% during the same period in 2006, due to below average hydrology in all regions the Fund operates hydroelectric generating facilities. The division experienced a decrease in revenue primarily as a result of decreased energy production when compared to the same period in 2006, offset by a 20% increase in average energy rates. The division reported lower revenue from U.S. operations as a result of the stronger Canadian dollar.

Operating profit including other income for the hydroelectric division was $5.2 million during the third quarter of 2007, as compared to $4.8 million in the third quarter of 2006. The increase in operating profit was primarily due to a decrease in operating expenses that were directly related to energy production.

Overall, the Hydroelectric Division performed below Management's expectations during the quarter.

Cogeneration

The Fund's Cogeneration Division experienced decreased production as compared to the same period in 2006 due to the loss of production from the closing of the Crossroads facility. The Fund's Windsor Locks facility saw increased production and the Sanger facility maintained normal production compared to the same period in 2006.

Third quarter 2007 operating profit including interest and dividend income was $8.2 million, as compared to $7.6 million for the same period in 2006.

Overall, the Cogeneration Division exceeded Management's expectations for the third quarter of 2007.

Alternative Fuels

For the third quarter of 2007, the Fund's Alternative Fuels Division reported production consistent with the third quarter of 2006. Energy sales revenue was slightly lower however, due to lower reported energy sales from US operations as a result of the stronger Canadian dollar. This was partially offset by the inclusion of energy sales from the St. Leon facility in the latter half of September.

Operating profit including interest and dividend income for the Alternative Fuels division increased to $8.9 million for the third quarter of 2007 as compared to $8.2 million in the third quarter of 2006. The increase was primarily due to the inclusion of the St. Leon facility in the results for the division.

Overall, the Alternative Fuels Division met Management's expectations for the third quarter of 2007.

Infrastructure

During the third quarter of 2007, the Fund's Infrastructure Division reported lower revenue as compared to the same period in 2006. The decreased revenue in the third quarter is primarily due to the stronger Canadian dollar. When compared to the third quarter of 2006, the division's customer base grew by 2.5% during the first nine months of 2007 as compared to 8.2% in the same period in 2006.

Operating profit including other income for the division in the third quarter of 2007 was $5.8 million compared to $5.5 million in the same period of 2006.

Overall, the performance of the Infrastructure Division did not meet Management's expectations for the third quarter of 2007.

Outlook

In the Hydroelectric Division, the Fund anticipates performance equivalent to long term averages for the remainder of 2007. Facilities in the Quebec region will continue undergoing assessments as a result of certain legislation passed in Quebec, and certain remedial work on the facilities to ensure compliance with the legislation has been identified. Management is considering alternatives to mitigate costs and identify revenue opportunities through the work that has been identified thus far.

In the Cogeneration Division, both the Windsor Locks and Sanger facilities are expected to meet Management's expectations throughout the remainder of 2007. The re-powering project at the Sanger facility is continuing to progress on budget and is on track to be completed by the end of the fourth quarter of 2007. Once this project is commissioned, the facility will see substantial improvements in fuel efficiency and facility output.

In the Alternative Fuels Division, the performance of the St. Leon facility is expected to meet management's expectations throughout the remainder of 2007. The Fund has submitted four wind energy projects to Manitoba Hydro pursuant to a request for proposal, including an expansion of St. Leon Wind Energy that is fully supported by the community. The additional projects proposed are located in three rural municipalities in Southern Manitoba. In addition, the Fund submitted four wind energy projects to Hydro Quebec pursuant to a recent request for proposal. The Fund currently awaits response on all eight proposals totalling over 600 MW of wind energy generation. The Fund also continues to assess further wind power development opportunities in Ontario, Quebec and Saskatchewan.

The Energy-from-Waste ("EFW") facility is expected to see increased availability for the remainder of 2007 as a result of operational improvements that occurred earlier in the year. The steam sales supply line project at the EFW facility is on track to be completed by January 2008. The Fund is also considering plant expansion opportunities at the EFW facility as a result of an expected growing local demand for municipal waste disposal. An expansion would increase facility throughput, and provide an opportunity for accretion to the Fund. The Fund is embarking on a detailed engineering and environmental study to assess this potential expansion project.

The Infrastructure Division is expecting organic growth rates to remain stable during the remainder of the year. The Fund intends to enter into rate cases at five facilities during the first half of 2008. Rates cases determine the chargeable rates a facility receives on recently undertaken capital improvements, and are determined by the regulatory authorities that govern the areas where the facilities are located. The division will also be initiating new capital projects that are expected to increase the water distribution capacity and waste-water treatment capacity in order to meet the demands of existing customers as well as expected growth in the areas served.

Overall, the Fund is expected to meet Management's expectations during the fourth quarter of 2007, assuming average long term hydrological conditions, average wind projections, operational improvements, continued organic growth, and no unforeseen events. Management continues to identify and implement initiatives aimed at the continual improvement in the performance of the business and seeks opportunities to optimize the overall performance of its portfolio.

Algonquin Power continues to be an innovative, respected and socially responsible participant in renewable energy, power and sustainable infrastructure. Algonquin Power was founded on renewable energy generation technologies and is committed to growing within the existing portfolio through potential projects such as the expansion of the Fund's wind and energy from waste facilities, and is also focusing on new renewable growth initiatives throughout Canada and the United States.

As always, your commitment to the Fund represents an environmentally sound investment choice, with a history and track record of long-term sustainable distributions to investors, supported by sound operational and management practices. I encourage you to obtain further details about the performance of the Fund in the Management's Discussion & Analysis. Thank you for your continued support and commitment to Algonquin Power.

(signed) Ken Moore
Ken Moore
Chairman

Management's Discussion and Analysis

(All figures are in thousands of Canadian dollars, except per trust unit and convertible debenture values or where otherwise noted)

Algonquin Power Income Fund (the "Fund") has prepared the following discussion and analysis to provide information to assist its Unitholders' understanding of the financial results for the three and nine months ended September 30, 2007. This discussion and analysis should be read in conjunction with the Fund's unaudited consolidated financial statements for the three and nine months ended September 30, 2007 as well as the audited consolidated financial statements, the notes thereto and the related Management's Discussion and Analysis ("MD&A") contained in the 2006 Annual Report. This material is available on SEDAR at www.sedar.com and on the Fund's website at www.AlgonquinPower.com. Additional information about the Fund, including the Annual Information Form for the year ended December 31, 2006 can be found on SEDAR at www.sedar.com.

This MD&A is based on information available to Management as of November 1, 2007.

Forward-Looking Disclaimer

Certain statements contained in the information herein are forward-looking and reflect the views of the Fund and Algonquin Power Management Inc. (the "Manager") with respect to future events. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Forward-looking statements are not guarantees of the Fund's future performance or results and are subject to various factors, including, but not limited to, assumptions such as those relating to: the performance of the Fund's assets, commodity market prices, interest rates, and environmental and other regulatory requirements. Although the Fund and its Manager believe that the assumptions inherent in these forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only as of the dates hereof. The Fund and its Manager are not obligated nor do either of them intend to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Key Financial Information

(C$000)	Three Months ended September 30		Nine Months ended September 30	
	2007	**2006**	**2007**	**2006**
Revenue *	**$ 46,501**	$ 49,420	**$ 142,428**	$ 141,958
Net earnings from Continuing Operations	**12,474**	5,403	**16,001**	26,942
Net earnings	**12,209**	5,001	**16,112**	26,159
Total Assets	**1,024,072**	1,024,175	**1,024,072**	1,024,175
Long Term Debt	**255,428**	268,384	**255,428**	268,384
Distribution to unitholders**	**17,471**	17,443	**52,442**	49,474
Cash available for distribution +	**18,471**	17,566	**52,425**	50,014
Cash available from Operating Activities ++	**13,867**	14,971	**41,037**	51,379
Per trust unit				
Net earnings and net earnings from continuing operations	**0.17**	0.07	**0.22**	0.36
Distribution to unitholders	**0.23**	0.23	**0.69**	0.69
Cash available for distribution +	**0.24**	0.23	**0.69**	0.70
Cash available from operating activities ++	**0.18**	0.20	**0.54**	0.72

* Prior period comparative amounts have been adjusted due to the classification of certain landfill-gas facilities as Discontinued Operations. This has been set out in more detail in Note 11 of the quarterly financial statements.

** Includes distributions to non-controlling interest.

+ Non-GAAP measurement, see 'Cash Available for Distribution' in this MD&A.

++ Not adjusted for changes in non-cash working capital balances.

For the quarter ended September 30, 2007, the Fund reported total revenue of $46.5 million as compared to $49.4 million during the same period in 2006. During the third quarter of 2007, decreases in revenue were primarily due to lower production in the Cogeneration Division combined with lower reported revenue resulting from a stronger Canadian dollar. For the quarter ended September 30, 2007, realized gains on financial instruments of $2.9 million were recorded as a 'Gain on financial instruments' in the statement of earnings as compared to the same period in 2006, where gains of $2.5 million were recorded in revenue.

For the nine months ended September 30, 2007, the Fund reported revenue of $142.4 million compared to $142.0 million during the same period in 2006. Revenue for the nine months ended September 30, 2007 increased as the result of the acquisition of the St. Leon Wind Energy facility ("St. Leon") in June of 2006, partially offset by lower revenue from the Cogeneration division and lower reported revenue resulting from a stronger Canadian dollar. For the nine months ended September 30, 2007, realized gains on financial instruments of $5.9 million were recorded as a 'Gain on financial instruments' in the statement of earnings as compared to the same period in 2006, where gains of $6.0 million were recorded in revenue.

For the quarter ended September 30, 2007, the Fund used an average U.S. exchange rate of approximately $1.04 as compared to $1.12 in the same period in 2006. For the nine months ended September 30, 2007, the average U.S. exchange rate was approximately $1.10, as compared to $1.13 in the same period in 2006. As such, any quarterly or nine month variance to revenue or expenses, in local currency, at any of the Fund's U.S. entities may be distorted by a change in the average exchange rate, upon conversion to the Fund's reporting currency. Although the stronger Canadian dollar has an impact on both revenue and expenses generated by its U.S. subsidiaries, the Fund has foreign exchange forward contracts in place, which partially mitigate the impact on cash available for distribution.

For the quarter ended September 30, 2007, net earnings from continuing operations totalled $12.5 million as compared to net earnings from continuing operations of $5.4 million during the same period in 2006. Net earnings for the third quarter of 2007 increased from the same period in 2006 due to lower expected future income tax expenses and increased unrealized gains on financial instruments. A more detailed analysis of these factors is presented within the divisional analysis.

Net earnings from continuing operations for the nine months ended September 30, 2007 totalled $16.0 million, as compared to net earnings from continuing operations of $26.9 million during the same period in 2006. Net earnings for the nine months ended September 30, 2007 decreased from the same period in 2006 due to increased future income tax expense resulting from a one time non-cash charge of $27.9 million relating to the substantive enactment of Bill C-52 and increased interest expense. These factors were partially offset by earnings from the St. Leon facility; the termination fee associated with the expiry of the offer to purchase the outstanding units of Clean Power Income Fund ("CPIF") and increased unrealized gains on financial instruments. In addition, the comparable period in 2006 included a positive impact from the temporary shutdown of the Sanger facility and the sale of natural gas.

Net earnings from continuing operations per trust unit totalled $0.17 for the quarter ended September 30, 2007 as compared to net earnings from continuing operations of $0.07 during the same period in 2006 due to the explanations discussed above. For the nine months ended September 30, 2007, net earnings from continuing operations per trust unit were $0.22 as compared to $0.36 during the same period in 2006.

The Fund generated $0.24 per trust unit of cash available for distribution for the quarter ended

September 30, 2007, as compared to $0.23 per trust unit during the same period in 2006. During the quarter ended September 30, 2007, the Fund maintained distributions at $0.23 per trust unit, consistent with the same period in 2006. For the nine months ended September 30, 2007, the Fund generated $0.69 per trust unit of cash available for distribution compared to $0.70 during the same period in 2006. The Fund distributed $0.69 per trust unit, consistent with the same period in 2006.

Non GAAP Measures

The terms 'Cash flow from operating activities', 'Cash available for distribution' and 'Cash available for distribution after maintenance capital and growth capital expenditures' (the "Cash Flow Measures") are used throughout this MD&A. Management uses the Cash Flow Measures to monitor the amount of cash generated by the Fund as compared to the amount of cash distributed by the Fund. The Cash Flow Measures are not a recognized measure under accounting principles generally accepted in Canada ("GAAP"). The Fund's method of calculating the Cash Flow Measures may differ from methods used by other companies and accordingly may not be comparable to similar measures presented by other companies. However, management believes that the presentation of the Cash Flow Measures will enhance an investor's understanding of the Fund's operating performance. The Cash Flow Measures may be used as additional measures of performance and as a supplement to the consolidated statement of cash flows.

A calculation and analysis of the Cash Flow Measures can be found in this MD&A. The Cash Flow Measures are discussed in this MD&A as the Fund makes monthly cash distributions and management believes it is therefore a useful financial measure as an indication of the Fund's ability to make such distributions and is used by management and the Trustees for this purpose. The Cash Flow Measures are also used by management in the calculation of return on investment which it uses to monitor the performance of the Fund's operating divisions. One of the factors that may be considered relevant by existing and prospective investors is the 'cash available for distribution' by the Fund relative to distributable cash generated and the price of the trust units. Management believes that 'cash available for distribution' is a useful supplemental measure that may assist existing and prospective investors in assessing an investment in the Fund.

Outlook

Management anticipates that the Fund will continue to generate cash available for distribution for 2007 in line with distributions to unitholders. Management also expects continued growth in the water distribution and waste-water business, average long term hydrologic conditions, average wind at the St. Leon facility, continued operational improvements at the Algonquin Power Energy-from-Waste facility ("EFW"), and the continued stable performance of the Cogeneration Division. This coupled with no unforeseen events should enable the Fund to continue cash distributions in 2007 at sustained levels.

Management continues to identify and implement initiatives aimed at the continual improvement in the performance of the business and seeks opportunities to optimize the overall performance of its portfolio. In addition, the Fund is committed to ensuring that newly acquired facilities are integrated into the Fund's operations.

The Fund is considering opportunities at the Energy-from-Waste facility ("EFW") as a result of an expected growing local demand for Municipal waste disposal. The Fund is considering a plant expansion to increase Facility throughput, and provide an opportunity for accretion to the Fund. The Fund has embarked on a feasibility study to assess expected capital and operating costs of an expanded facility.

The Fund has submitted non-binding proposals to construct wind generation projects with capacity of over 350 MW in Manitoba, 240 MW in Quebec and is in the process of assessing further wind power development opportunities in Ontario, Quebec and Saskatchewan. The likelihood of the Fund proceeding with these projects is unknown at this time as the projects are in the early stages of development.

Management is committed to the growth and development of the Fund's people through various training programs, challenging assignments and learning opportunities. In addition, the Fund ensures continuous environmental, health and safety training for its operations and maintenance staff. Such training helps ensure that the Fund's facilities are in compliance in all material respects with local and federal environmental regulations.

Management will continue to invest in information technology to reduce administrative costs and will continue the implementation of purchasing initiatives throughout the Fund and integrated billing and customer protocols within the Infrastructure Division.

Overall, Algonquin Power Income Fund continues to focus on priorities that enable the Fund to be an innovative, respected and socially responsible participant in the renewable energy, power and utility business sectors, enhancing unitholder value through stable, sustainable cash distributions generated by sound operational and management practices.

Hydroelectric Division

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Performance (MW-hrs sold)				
Quebec Region	**60,406**	61,073	**205,510**	217,146
Ontario Region	**16,761**	23,195	**91,339**	91,141
New England Region	**4,607**	13,101	**49,268**	61,889
New York Region	**6,905**	14,959	**55,126**	63,466
Western Region	**24,215**	21,018	**59,492**	50,508
Total	**112,894**	133,346	**460,734**	484,150
Revenue				
Energy sales	**$ 7,968**	$ 8,765	**$ 32,339**	$ 33,406
Expenses				
Operating expenses	**$ (2,927)**	$ (4,109)	**$ (11,215)**	$ (12,138)
Other income	**150**	154	**907**	1,021
Division operating profit				
(including other income)	**$ 5,191**	$ 4,810	**$ 22,031**	$ 22,289

For the quarter ended September 30, 2007, revenue in the Hydroelectric Division totalled $8.0 million as compared to $8.8 million during the same period in 2006. During the third quarter of 2007, the Hydroelectric Division generated electricity equal to 84.7% of long term averages as compared to 91.0% during the same period in 2006. All regions experienced below long term average hydrology in the third quarter of 2007. This compares to the same period in 2006 when the New England and New York regions experienced above long term average hydrology and the Quebec, Ontario and Western regions experienced below long term average hydrology. The decrease in revenue as compared to the third quarter of 2006 was primarily the result of decreased energy production in the U.S. regions, partially offset by a 20% increase in average energy rates.

The division reported lower revenue from U.S. operations as a result of the stronger Canadian dollar.

For the nine months ended September 30, 2007, revenue from the Hydroelectric Division totalled \$32.3 million compared to \$33.4 million during the same period in 2006. During the nine months ended September 30, 2007, the Hydroelectric Division generated electricity equal to 94.4% of long term averages as compared to 98.0% during the same period of 2006. The decrease in revenue as compared to the first three quarters of 2006 was primarily the result of decreased energy production offset by increased average energy rates.

For the quarter ended September 30, 2007, operating expenses totalled \$2.9 million as compared to \$4.1 million during the same period in 2006. The decrease in operating expenses was primarily due to a decrease of \$0.4 million in repairs and maintenance projects initiated in the quarter and a decrease in variable operating costs directly related to energy production as compared to the same period in 2006.

For the nine months ended September 30, 2007, operating expenses totalled \$11.2 million as compared to \$12.1 million in the prior year. The decrease in operating expenses was primarily due to a decrease of \$0.7 million in repairs and maintenance projects initiated in the nine months and a decrease in variable operating costs directly related to energy production as compared to the same period in 2006.

For the quarter ended September 30, 2007, operating profit totalled \$5.2 million as compared to \$4.8 million in the same period in 2006. For the nine months ended September 30, 2007, operating profit totalled \$22.0 million as compared to \$22.3 million during the same period in 2006. For the quarter and nine months ended September 30, 2007, operating profit was below Management's expectations.

Outlook

The Fund's 2007 forecast production is based on the assumption of long term average hydrological conditions. The Hydroelectric Division is expected to perform at long term average hydrological conditions in the remainder of 2007.

As a result of certain legislation passed in Quebec (Bill C93), the Fund is required to undertake technical assessments of eleven of the twelve hydroelectric facility dams owned or leased within the Province of Quebec. The Fund anticipates incurring approximately \$0.6 million over the remainder of 2007 and during the first half of 2008 to complete the required assessments. Upon completion of these assessments, the Fund will be required to submit plans for undertaking any remedial measures that may be required to comply with the legislation. As a result of eight assessments underway and three completed, Management has initially identified remedial measures estimated to cost approximately \$8.9 million. Management is exploring several alternatives to mitigate the costs of modifications including cost sharing with other stakeholders and revenue enhancements which can be achieved through the modifications.

The Fund continues to seek accretive hydroelectric acquisitions throughout 2007, with emphasis placed on the acquisition of facilities that provide diversification of regional hydrologic and market conditions, while leveraging existing expertise within the organization. The Fund is continuing to examine the rationalization of smaller hydroelectric generating facilities that no longer fit the Fund's preferred asset profile.

Cogeneration Division

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Performance (MW-hrs sold)	**124,856**	129,706	**374,677**	345,565
Revenue				
Energy sales	**$ 16,351**	$ 18,512	**$ 48,023**	$ 50,355
Other revenue	**1,560**	806	**2,909**	8,186
Total Revenue	**$ 17,911**	$ 19,318	**$ 50,932**	$ 58,541
Expenses				
Operating expenses	**$ (12,051)**	$ (12,451)	**$ (36,711)**	$ (39,723)
Interest and dividend income	**811**	732	**2,398**	2,650
Gain on financial instruments	**1,543**	-	**3,148**	-
Division operating profit (including interest and dividend income)	**$ 8,214**	$ 7,599	**$ 19,767**	$ 21,468

For the quarter ended September 30, 2007, revenue from the Cogeneration Division totalled $17.9 million as compared to $19.3 million during the same period in 2006. For the quarter ended September 30, 2007, the division's production decreased as compared to the same period in 2006, due to the loss of 8,000 MW-hrs of production from the closing of the Crossroads facility in December 2006. The decreased production was partially offset by increased production at the Windsor Locks facility. Normal production at the Sanger facility was maintained year over year.

For the quarter ended September 30, 2007, revenue from energy sales totalled $16.4 million as compared to $18.5 million during the same period in 2006. During the quarter, the stronger Canadian dollar resulted in lower reported revenue from U.S. operations of $0.9 million while the closure of the Crossroads facility in December of 2006 resulted in a $1.2 million reduction in revenue, as compared to the same period in 2006. These factors were partially offset by increased revenue at the Windsor Locks facility due to increased production and increased energy rates resulting from higher fuel costs, which are passed on to the customer in the energy price, as compared to the same period in 2006. In the comparable quarter in 2006, realized gain on financial instruments of $1.3 million was recorded as revenue.

For the quarter ended September 30, 2007, other revenue totalled $1.6 million as compared to $0.8 million during the same period in 2006. Other revenue increased due to a 13% increase in average pricing and the sale of excess product as compared to the same period in 2006.

For the nine months ended September 30, 2007, revenue from the Cogeneration Division totalled $50.9 million compared to $58.5 million during the same period in the prior year. For the nine months ended September 30, 2007, the division's production increased as compared to the same period in 2006, due to increased production at the Windsor Locks and Sanger facility more than offsetting the loss of approximately 32,000 Mw-hrs of production from the Crossroads facility, which was closed in December 2006. In the comparable period in 2006, Sanger had no production in the first four months of the period as the facility was voluntarily shutdown in favour of selling natural gas.

For the nine months ended September 30, 2007, revenue from energy sales totalled $48.0 million as compared to $50.4 million during the same period in 2006. During the nine months ended

September 30, 2007, the stronger Canadian dollar resulted in lower reported revenue from U.S. operations of $1.3 million while the closure of the Crossroads facility in December of 2006 resulted in a $5.1 million reduction in revenue, as compared to the same period in 2006. These factors were partially offset by revenue increases of $5.0 million at the Sanger facility due to increased production and revenue increases of $1.7 million at the Windsor Locks facility due to increased production and increased energy rates, resulting from increased fuel costs, which are passed on to the customer in the energy price, as compared to the same period in 2006. In the comparable nine month period in 2006, realized gain on financial instruments of $2.9 million was recorded as revenue.

For the nine months ended September 30, 2007, other revenue totalled $2.9 million as compared to $8.2 million during the same period in 2006. Other revenue in the comparable period in 2006 primarily consisted of the sale of natural gas at the Sanger facility which did not occur in 2007.

Dividend income from the Division's portfolio investments during the third quarter and nine months ended September 30, 2007 was consistent when compared to the same periods of 2006.

For the quarter ended September 30, 2007, operating expenses totalled $12.1 million as compared to $12.5 million during the same period in 2006. Operating expenses decreased primarily due to the closure of the Crossroads facility which incurred costs totalling $1.1 million and lower reported operating expenses of $0.3 million due to the stronger Canadian dollar, offset by increased costs of $1.1 million for natural gas at Windsor Locks due to increased volume and prices for natural gas used by the division to generate energy, as compared to the same period in 2006.

For the nine months ended September 30, 2007, operating expenses totalled $36.7 million from $39.7 million primarily due to the reasons indicated in the discussion of third quarter results, above, as compared to the same period in 2006.

Gain on financial instruments consists of realized gains on the foreign exchange forward contracts settled in the third quarter of 2007 and nine months ended September 30, 2007. These amounts were recorded in revenue in the comparable periods in 2006.

For the quarter ended September 30, 2007, operating profit totalled $8.2 million as compared to $7.6 million during the same period in 2006. Operating profit for the nine months ended September 30, 2007 totalled $19.8 million compared to $21.5 million during the same period in 2006. Operating profit in the Cogeneration Division exceeded Management's expectations for the third quarter and nine months ended September 30, 2007.

Outlook

The Windsor Locks and Sanger facilities are expected to meet Management's expectations throughout the remainder of 2007. The re-powering project at the Sanger facility is continuing to progress on budget and is on track to be completed by the end of the fourth quarter of 2007.

Alternative Fuels Division

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Performance (MW-hrs sold) *	**96,232**	94,846	**326,519**	153,062
Performance (tonnes of waste processed)	**37,731**	37,643	**100,530**	114,959
Revenue				
Energy sales *	**$ 2,186**	2,620	**$ 5,263**	6,856
Waste disposal sales	**3,727**	3,511	**9,686**	10,647
Other revenue	**5,524**	5,642	**18,500**	5,642
Total revenue	**$ 11,437**	$ 11,773	**$ 33,449**	$ 23,145
Expenses				
Operating expenses *	**$ (4,457)**	$ (4,589)	**$ (14,941)**	$ (13,749)
Interest and other income	**1,563**	990	**2,747**	4,928
Gain on financial instruments	**310**	-	**572**	-
Division operating profit (including interest and dividend income)	**$ 8,853**	$ 8,174	**$ 21,827**	$ 14,324

* Prior period comparative amounts have been adjusted due to the classification of certain landfill-gas facilities as Discontinued Operations. This has been set out in more detail in Note 11 of the quarterly financial statements.

On October 23, 2007, the Fund announced that a definitive agreement has been signed between Algonquin Power Fund (America) Inc., an affiliate of the Fund and Fortistar LLC regarding the sale of six LFG facilities and other related landfill gas assets owned by the Fund for US$11.69 million, subject to certain adjustments. The LFG facilities represent approximately 18 MW of installed generating capacity with five facilities in California (15 MW), and one facility in New Hampshire (3 MW). These facilities were no longer considered strategic to the ongoing operations of the Fund and the operating results from these facilities have been excluded from the Alternative Fuels Division and have been classified as discontinued operations in the quarterly financial statements. The transaction is expected to close in the fourth quarter of 2007.

For the quarter ended September 30, 2007, revenue in the Alternative Fuels Division totalled $11.4 million as compared to $11.8 million during the same period in 2006. During the quarter ended September 30, 2007, the division's energy production performance remained consistent with the same period in 2006. Production and throughput at the EFW facility in the quarter ended September 30, 2007 was consistent with the comparable period in 2006. Reported energy sales revenue from U.S. operations was lower due to the stronger Canadian dollar, partially offset by the inclusion of energy sales at the St. Leon facility subsequent to September 18, 2007. In the comparable quarter in 2006, realized gain on financial instruments of $0.2 million was recorded as revenue.

Other revenue primarily consists of liquidated damages earned by the St. Leon facility. On September 18, 2007 the Commercial Operation Date ("COD") under a turnkey construction contract with Vestas-Canadian Wind Technology, Inc. ("Vestas") was achieved. The COD marks the date when a project is "substantially complete" and ownership is formally transferred from the contractor to the owner of the project. This also marks the commencement of the warranty period with Vestas, when liquidated damages cease and energy sales commence to be earned by the facility. The impact of this agreement is discussed in more detail in the 'Outlook' section below. Due to delays in the completion of certain aspects of the St. Leon project under the turnkey construction contract ("TCC"), the primary contractor, Vestas was required to pay liquidated damages to the Fund. During the period of time when liquidated damages are received from Vestas, electricity sales received from Manitoba Hydro, after deducting certain costs, are payable to Vestas to the time of commercial operation, as defined in the TCC. The Fund has not remitted any proceeds from energy sales from Manitoba Hydro to Vestas during the 2007 current or 2006 prior fiscal year.

For the nine months ended September 30, 2007, revenue totalled $33.4 million compared to $23.1 million during the same period in 2006. During the nine months ended September 30, 2007, the division's energy production performance increased primarily as a result of the inclusion of 261,000 Mw-Hrs of production from the St. Leon facility as compared to 68,000 in the comparable period in 2006. The increase in production was offset by lower production at the division's remaining two LFG facilities, as compared to the same period in 2006. Production and throughput at the EFW facility in the nine months ended September 30, 2007 was significantly reduced from the comparable period in 2006 due to the major outage and unplanned repairs which occurred in the second quarter of 2007. The lower throughput at the EFW facility resulted in lower waste disposal revenue as compared to the same period in 2006. Reported energy sales revenue from U.S. operations was lower due to the stronger Canadian dollar, partially offset by the inclusion of energy sales at the St. Leon facility subsequent to September 18, 2007. In the comparable nine month period in 2006, realized gain on financial instruments of $0.5 million was recorded as revenue.

For the quarter ended September 30, 2007, operating expenses totalled $4.5 million as compared to $4.6 million during the same period in 2006. Operating expenses for the quarter decreased due to a non-recurring reduction in operating expenses at the St. Leon facility related to the achievement of commercial operations under the TCC, partially offset by increased operating expenses at the EFW and remaining LFG facilities as compared to the same period in 2006.

For the nine months ended September 30, 2007, operating expenses totalled $14.9 million compared to $13.7 million during the same period in 2006. Operating expenses for the quarter increased as a result of the inclusion of operating expenses totalling $1.6 million from the St. Leon facility and increased costs at the LFG and EFW facilities, partially offset by a non-recurring reduction in operating expenses at the St. Leon facility as compared to the same period in 2006.

During the quarter ended September 30, 2007, the Fund earned increased interest and other income on its investments within the Alternative Fuels Division as compared to the same periods in 2006, primarily as a result of the recognition in the quarter of interest income earned on unpaid liquidated damages up to COD.

During the nine months ended September 30, 2007, the Fund earned decreased interest and other income on its investments within the Alternative Fuels Division as compared to the same periods in 2006, primarily as a result of the acquisition of AirSource Power Fund I LP ("AirSource") and consequently consolidating AirSource into the Fund. As a result, the Fund recognized no income from the note in the nine months ended September 30, 2007 as compared to $2.9 million in the same period in 2006.

Gain on financial instruments consists of realized gains on the foreign exchange forward contracts settled in the third quarter of 2007 and nine months ended September 30, 2007. These amounts were recorded in revenue in the comparable periods in 2006.

For the quarter ended September 30, 2007, operating profit totalled $8.9 million as compared to $8.2 million during the same period in 2006. Operating profit for the nine months ended September 30, 2007 totalled $21.8 million as compared to $14.3 million during the same period in 2006. Operating profit met Management's expectations for the quarter and nine months ended September 30, 2007.

Outlook

In the remainder of 2007 the Alternative Fuels Division will continue to focus on operational improvements and equipment availability at the EFW facility. Operational improvements completed in the first half of the year are expected to continue to provide increased availability for the remainder of 2007. The steam sales supply line project is on budget and expected to be completed by the first quarter of 2008.

The performance of the St. Leon facility is expected to meet Management's expectations throughout the remainder of 2007. As a result of achieving COD under the TCC effective September 18, 2007 liquidated damages have ceased and energy sales to Manitoba Hydro are now earned by the facility.

The agreement with Vestas (the "Agreement") establishes COD and provides the framework and timing under which Vestas has agreed to resolve the facility's outstanding issues under the TCC. Vestas has substantially completed repairs to the turbine blades as of November 2007. Under the terms of the Agreement, Vestas is required to resolve the outstanding issues by certain dates. It is Management's belief that the Agreement resolves the potential issues that might have limited the overall production of the facility. The Fund continues to hold financial security posted by Vestas in respect of its obligations under the Agreement. It is Management's belief that such financial security is sufficient to rectify the outstanding issues in the event Vestas fails to complete the necessary work.

Infrastructure Division

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Period End Number of				
Waste-water customers	**29,671**	28,747	**29,671**	28,747
Water distribution customers	**34,595**	32,162	**34,595**	32,162
Revenue				
Waste-water distribution	**$ 9,185**	$ 9,564	**$ 25,708**	$ 26,866
Expenses				
Operating expenses	**$ (4,367)**	$ (4,068)	**$ (13,191)**	$ (11,285)
Other income	**-**	10	**33**	36
Gain on financial instrument	**1,003**	-	**2,162**	-
Division operating profit (including other income)	**$ 5,821**	$ 5,506	**$ 14,712**	$ 15,617

For the quarter ended September 30, 2007, revenue in the Infrastructure Division totalled $9.2 million as compared to $9.6 million during the same period in 2006. The division's waste-water and water distribution customer base grew marginally during the quarter ended September 30, 2007 as compared to 7.5% in the same period in 2006. The division's customer base grew by 2.5%

during the nine months ended September 30, 2007 as compared to 8.2% in the same period in 2006. The increase in water distribution customers includes approximately 1,200 customers related to assets and regulatory licenses near the town of Sierra Vista, Arizona, acquired in the first quarter of 2007. The stronger Canadian dollar resulted in a $0.6 million decrease in revenue for the third quarter and, in the comparable period in 2006, realized gain on financial instruments of $1.0 million was recorded as revenue. This was offset by increased revenue of $0.5 million at the Gold Canyon facility due to the impact of organic growth and the July 2007 rate increase combined with continued growth at existing facilities during the quarter as compared to the same period in 2006.

Revenue for the nine months ended September 30, 2007 totalled $25.7 million as compared to $26.9 million during the same period in 2006. The decrease in revenue for the nine months of 2007 was primarily due to the reasons indicated in the discussion of the third quarter results above and the recording of a realized gain on financial instruments of $2.6 million as revenue in the comparable period.

For the quarter ended September 30, 2007, operating expenses totalled $4.3 million as compared to $4.1 million during the same period in 2006. The increase in operating expenses was primarily the result of customer growth, as compared to the same period in 2006. The stronger Canadian dollar resulted in a $0.3 million decrease in operating expenses for the third quarter as compared to the same period in 2006.

For the nine months ended September 30, 2007, operating expenses totalled $13.2 million compared to $11.3 million during the same period in 2006. The increase in operating expenses was primarily the result of customer growth, as compared to the same period in 2006. The stronger Canadian dollar resulted in a $0.2 million decrease in operating expenses for the third quarter as compared to the same period in 2006.

Gain on financial instruments consists of realized gains on the foreign exchange forward contracts settled in the third quarter of 2007 and nine months ended September 30, 2007. These amounts were recorded in revenue in the comparable periods in 2006.

For the quarter ended September 30, 2007, operating profit totalled $5.8 million as compared to $5.5 million during the same period in 2006. Operating profit for the nine months ended September 30, 2007 decreased to $14.7 million from $15.6 million during the same period in 2006. Operating profit did not meet Management's expectations for the quarter or nine months ended September 30, 2007.

Outlook

The Infrastructure Division is expecting the organic growth rate experienced in 2007 to be maintained during the remainder of the year. The Infrastructure Division continues to service one of the fastest growing counties in the United States.

The Fund anticipates initiating rate cases at its Litchfield Park Services Company ("LPSCO"), Black Mountain and Bella Vista facilities during the next two quarters and a rate case at the Sunrise facilities in the second quarter of 2008. It is anticipated that regulatory review of the rates and tariffs for the above noted facilities would be completed in the second half of 2008. The Fund's likelihood of achieving an increase in the rates and tariffs charged by its facilities and the amount of same is unknown at this time as the rate case process is in the early stages. Rate cases ensure that the respective facility earns the rate of return on its capital investment as allowed by the regulatory authority under which the facility operates. The resolution of rate cases is expected to positively impact results in the division. The Fund will continue to evaluate the effective returns on each of its utility investments to determine the appropriate time to file rate cases in order to ensure it earns the regulatory approved return on investment.

Federal drinking water legislation in the United States requires all drinking water systems to meet standards respecting levels of naturally occurring arsenic in drinking water. Arsenic treatment systems scheduled for installation in 2007 on certain LPSCO well sites have been completed and further systems will be installed in the second quarter of 2008. The phased installation of the systems ensures continued full compliance with the regulatory requirements.

Capital projects are planned in the LPSCO service area during the remainder of 2007 and into 2008. In particular, these projects are expected to increase the water distribution capacity and waste-water treatment capacity within the utility's jurisdiction, in order to meet the demands of existing customers as well as expected growth.

The Fund continues to pursue accretive opportunities to expand the Infrastructure Division in areas where the Fund already operates and to acquire other utilities in high growth areas in the United States.

Discontinued Operations

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Performance (MW-hrs sold)	**17,219**	28,318	**71,554**	87,479
Revenue				
Energy sales	**$ 1,319**	1,689	**$ 4,847**	5,719
Expenses				
Operating expenses	**$ (1,676)**	$ (2,089)	**$ (5,861)**	$ (6,498)
Interest expense	**(21)**	(2)	**(53)**	(4)
Interest and other income	**113**	-	**1,178**	-
Net earnings/ (Loss) from Discontinued Operations (including interest and other income)	**$ (265)**	$ (402)	**$ 111**	$ (783)
Net assets held for sale	**$ 9,766**	$ 12,575	**$ 9,766**	$ 12,575

As previously noted, on October 23, 2007, the Fund announced that a definitive agreement has been signed between Algonquin Power Fund (America) Inc., an affiliate of the Fund and Fortistar LLC whereby Fortistar will acquire six LFG facilities and other related landfill gas assets owned by the Fund for US$11.69 million, subject to certain adjustments. These facilities were no longer considered strategic to the ongoing operations of the Fund. The LFG facilities being sold represent approximately 18 MW of installed generating capacity with five facilities in California (15 MW), and one facility in New Hampshire (3 MW). These facilities were no longer considered strategic to the ongoing operations of the Fund and the operating results from these facilities have been excluded from the Alternative Fuels Division. The transaction is expected to close in the fourth quarter of 2007 and be accretive to the Fund.

For the quarter ended September 30, 2007, revenue from Discontinued Operations totalled $1.3 million as compared to $1.7 million during the same period in 2006. For the nine months ended September 30, 2007, revenue totalled $4.8 million compared to $5.7 million during the same period in 2006. Reported energy sales revenue from U.S. operations was lower due to reduced production, the sale of the Burnsville facility in the second quarter of 2007 and the stronger Canadian dollar.

For the quarter ended September 30, 2007, operating expenses totalled $1.7 million as compared to $2.1 million during the same period in 2006. For the nine months ended September 30, 2007, operating expenses totalled $5.9 million compared to $6.5 million during the same period in 2006. Operating expenses decreased due to the sale of the Burnsville facility in the second quarter of 2007 and the stronger Canadian dollar as compared to the same period in 2006.

For the nine months ended September 30, 2007, interest and other income primarily includes a gain related to the sale of the Burnsville facility.

For the quarter ended September 30, 2007, operating loss totalled $0.2 million as compared to $0.4 million during the same period in 2006. Operating profit for the nine months ended September 30, 2007 totalled $0.2 million as compared to an operating loss of $0.8 million during the same period in 2006.

Administrative Expenses

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Administrative expenses	**$ 2,388**	$ 2,178	**$ 6,074**	$ 5,955
Management costs	**213**	217	**646**	652
Gain on foreign exchange	**(2,361)**	(66)	**(6,946)**	(2,329)
Interest expense	**6,618**	6,291	**19,664**	15,940
Interest, dividend and other income	**(14)**	(38)	**1,863**	(75)
Gain on financial instruments	**2,569**	-	**8,720**	-
Income tax expense (recovery)	**(2,434)**	921	**20,723**	(1,281)

During the quarter ended September 30, 2007, administrative expenses totalled $2.4 million as compared to $2.2 million in the same period in 2006. During the nine months ended September 30, 2007, administrative expenses totalled to $6.1 million as compared to $6.0 million in the same period in 2006. The Fund incurred expenses in an amount of $0.9 million associated with the offer for CPIF. This amount was reimbursed by CPIF during the second quarter, resulting in no impact on administrative expenses for the nine months ended September 30, 2007.

Foreign exchange gains and losses primarily represent unrealized gains or losses on U.S. dollar denominated debt and do not impact cash available for distribution. For the quarter ended September 30, 2007 the Fund reported a foreign exchange gain of $2.4 million as compared to a gain of $0.1 million during same period in 2006. For the nine months ended September 30, 2007 the Fund posted a foreign exchange gain of $6.9 million versus a gain of $2.3 million during the same period in 2006. At the end of the third quarter of 2007, the Fund had approximately $34 million in U.S. dollar denominated debt.

For the quarter ended September 30, 2007, interest expense totalled $6.6 million as compared to $6.3 million during the same period in 2006. For the nine months ended September 30, 2007, interest expense totalled $19.7 million as compared to $15.9 million during the same period in 2006. The increase in interest expense in the quarter was due to increased average levels of debt resulting from ongoing projects including the Sanger re-powering project and growth and regulatory capital projects in the Infrastructure Division and higher interest costs due to the convertible debenture issue in November 2006. The increase in interest expense in the nine months ended September 30, 2007 was primarily due to reasons indicated in the discussion of the quarterly results above as well as the project financing related to the St. Leon facility.

For the nine months ended September 30, 2007, interest, dividend and other income primarily represents a termination fee of $1.75 million received in connection with the Fund's offer to purchase the outstanding units of CPIF. The Fund allowed its offer to expire during the second quarter.

Gains or losses on financial instruments represent changes in the unrealized value of the Fund's foreign currency hedges and interest rate swap and do not impact cash available for distribution. As the Fund discontinued hedge accounting in 2006, there are no comparable figures for 2006.

An income tax recovery of $2.4 million was booked in the third quarter of 2007, as compared to an expense of $0.9 million during the same period in 2006. An income tax expense of $20.7 million was booked in the nine months ended September 30, 2007 as compared to a recovery of $1.3 million during the same period in 2006. The recovery in the third quarter was the result of decreased future income tax expense resulting from a reduction in expected future taxes due to the impact of tax losses generated by certain facilities of the Fund. The expense in the nine months ended September 30, 2007 was primarily the result of a non-recurring non-cash charge of $27.9 million relating to the substantive enactment of Bill C-52.

Cash Available for Distribution and Liquidity

The following tables are derived from and should be read in conjunction with the consolidated statement of cash flows. This supplementary disclosure is intended to clarify disclosures related to distributable cash and provides additional information related to the cash flows of the Fund including the amount of Cash available for distribution to unitholders, repayment of debt and other investing activities.

Investors are cautioned that these measures should not be construed as an alternative to the GAAP consolidated statement of cash flows. Further, the Fund's method of calculating each measure may not be comparable to calculations used by other income trusts bearing the same description.

(C$000)	**Three months ended September 30**		**Nine Months Ended September 30**	
	2007	**2006**	**2007**	**2006**
Cash flow from operating activities *	**$ 13,867**	$ 14,971	**$ 41,037**	$ 51,379
Changes in working capital	**5,781**	3,613	**14,411**	320
	19,648	18,584	**55,448**	51,699
Cash from discontinued operations	**(265)**	(402)	**111**	(783)
Receipt of principal on notes receivable	**452**	618	**1,083**	2,654
Repayment of long term liabilities	**(219)**	(199)	**(838)**	(809)
Maintenance capital expenditures **	**(890)**	(865)	**(2,742)**	(2,305)
Other	**(255)**	(169)	**(637)**	(442)
Cash available for distribution	**$ 18,471**	$ 17,566	**$ 52,425**	$ 50,014
Growth and maintenance capital expenditures	**(13,003)**	(4,456)	**(26,985)**	(17,025)
Cash available for distribution after growth and maintenance capital expenditures	**$ 5,468**	$ 13,110	**$ 25,440**	$ 32,989
Distribution to unitholders	**$ 17,471**	$ 17,443	**$ 52,442**	$ 49,474

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Per Trust Unit				
Cash flow from operating activities	**$ 0.18**	$ 0.20	**$ 0.54**	$ 0.72
Cash available for distribution	**$ 0.24**	$ 0.23	$ 0.69	$ 0.70
Cash available for distribution after growth and maintenance capital expenditures	**$ 0.07**	$ 0.17	**$ 0.33**	$ 0.46
Distributions to unitholders per trust unit	**$ 0.23**	$ 0.23	**$ 0.69**	$ 0.69
Distributions declared during the period per trust unit	**$ 0.23**	$ 0.23	**$ 0.69**	$ 0.69

* Prior period comparative amounts have been adjusted due to the classification of certain landfill-gas facilities as Discontinued Operations. This has been set out in more detail in Note 11 of the quarterly financial statements.

** This includes capital expenditures capitalized in accordance with GAAP, which are of a replacement or regulatory nature or represent a major maintenance cost intended to maintain the Fund's current operations and current level of distributable cash. The expenditures are amortized over the expected life of the respective asset and the amount amortized in the period is deducted in the calculation of cash available for distribution.

During the quarter ended September 30, 2007 the Fund generated $13.9 million in cash flow from operations as compared to $15.0 million for the same period in 2006. During the nine months ended September 30, 2007, the Fund generated $41.0 million in cash flow from operations as compared to $51.4 million for the same period in 2006. The decrease was primarily due to reduced revenue from energy sales in the three and nine months ended September 30, 2007 as compared to the same period in 2006.

During the quarter ended September 30, 2007 the Fund generated $18.5 million in cash available for distribution as compared to $17.6 million for the same period in 2006. During the nine months ended September 30, 2007, the Fund generated $52.4 million in cash available for distribution as compared to $50.0 million for the same period in 2006.

The Fund's distribution as a percentage of 'Cash available for distribution' ("Payout Ratio") was 94.5% during the third quarter of 2007 and 100.0% during the nine months ended September 30, 2007. The Fund achieved improving annual Payout Ratios of 123.4% in 2002, 106.9% in 2003, 105.8% in 2004, 98.7% in 2005 and 99.2% in 2006. The Fund has generated more funds than it distributed for the previous two consecutive years.

Should any future shortfall arise, Management expects to be able to cover the difference between cash generated and cash distributed through working capital, cash on hand or its credit facility.

On a per trust unit basis, the Fund generated $0.24 of cash available for distribution during the quarter ended September 30, 2007 as compared to $0.23 during the same period in 2006. The Fund distributed $17.5 million during the quarter ended September 30, 2007 as compared to $17.4 million during the same period in 2006. For the nine months ended September 30, 2007, on a per trust unit basis, the Fund generated $0.69 of Cash available for distribution as compared to $0.70 during the same period in 2006. The Fund distributed $52.4 million during the nine months ended September 30, 2007 as compared to $49.5 million during the same period in 2006.

Distributions paid can be different from distributions declared during a period. Monthly distributions are declared by the Fund for unitholders of record on the last business day of each month and are paid within 45 days following each month end. On a per trust unit basis, the Fund maintained distributions at $0.23 for the quarter ended September 30, 2007, consistent with 2006 and $0.69 per trust unit during the nine months ended September 30, 2007 consistent with 2006.

Excess (deficiency) Cash Flows and Net Income Over Distributions Paid

The following chart presents excess or deficiency in cash flows from operating activities and net income over distributions paid for the quarter and the nine months ended September 30, 2007 and for the years ended December 31, 2006 and 2005.

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Cash flow from operating activities	**$ 13,867**	$ 41,037	**$ 68,228**	$ 55,679
Distributions paid during the period	**$ 17,471**	$ 52,442	**$ 66,955**	$ 64,061
Excess (shortfall) of cash flows from operating activities over cash distributions paid	**$ (3,604)**	$ (11,405)	**$ 1,273**	$ (8,382)
Net income	**$ 12,474**	$ 16,001	**$ 27,955**	$ 21,788
Distributions paid during the period	**$ 17,471**	$ 52,442	**$ 66,955**	$ 64,061
Excess (shortfall) of net income over cash distributions paid	**$ (4,997)**	$ (36,441)	**$ (39,000)**	$ (42,273)

The shortfall of net income over cash distributions and of cash flows from operating activities over cash distributions have been funded though working capital management, cash on hand or additional borrowings under the Fund's revolving credit facility.

The Fund considers the amount of cash generated by the business in determining the amount of distributions to its unitholders. In general, the Fund does not take into account quarterly working capital fluctuations as these tend to be temporary in nature. The Fund does not generally consider net income in setting the level of distributions as this is a non-cash calculation and does not reflect the level of cash flow generated by the Fund. This is particularly apparent when considering the Fund's relatively high level of depreciation and amortization expense as well as significant volatility in the Funds income due to fluctuations in the market value of the Fund's hedging instruments and interest rate swaps.

Summary of Capital Expenditures by Segment

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Hydro-electric Division				
Maintenance capital expenditures	**$ 246**	$ 340	**$ 404**	$ 995
Growth capital expenditures	-	-	-	-
Acquisition of operating Entities	-	-	-	-
Total	**$ 246**	$ 340	**$ 404**	$ 995

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Co-Generation Division				
Maintenance capital expenditures	**$ 194**	$ 307	**$ 926**	$ 3,871
Growth capital expenditures	**3,355**	-	**6,525**	-
Acquisition of operating Entities	-	-	-	-
Total	**$ 3,549**	$ 307	**$ 7,451**	$ 3,871
Alternative Fuels Division				
Maintenance capital expenditures	**$ 643**	$ 954	**$ 2,000**	$ 2,300
Growth capital expenditures	**4,494**	-	**6,161**	-
Acquisition of operating Entities	**-**	260	**-**	20,630
Total	**$ 5,137**	$ 1,214	**$ 8,161**	$ 22,930
Infrastructure Division				
Maintenance capital expenditures	**$ -**	$ -	**$ -**	$ -
Acquisition of operating Entities	**159**	483	**896**	2,030
AIAC capital expenditures	**493**	493	**478**	501
Growth capital expenditures	**4,033**	2,755	**10,807**	9,702
Total	**$ 4,685**	$ 3,731	**$ 12,181**	$ 12,233
Consolidated (includes Administration)				
Maintenance capital expenditures	**$ 1,121**	$ 1,701	**$ 3,492**	$ 7,323
Acquisition of operating Entities	**159**	743	**896**	22,660
AIAC capital expenditures	**493**	493	**478**	501
Growth capital expenditures	**11,882**	2,755	**23,493**	9,702
Total	**$ 13,655**	$ 5,692	**$ 28,359**	$ 40,186

During the quarter ended September 30, 2007, the Fund incurred growth capital expenditures of $11.9 million, as compared to $2.8 million during the comparable period in 2006. During the nine months ended September 30, 2007, the Fund incurred growth capital expenditures of $23.5 million, as compared to $9.7 million during the comparable period in 2006.

Capital expenditures include $4.0 million for growth and regulatory related expenditures in the Infrastructure Division, $3.4 million related to the planned re-powering project at the Sanger facility and $4.5 million primarily related to the steam sale project during the quarter ended September 30, 2007. Capital expenditure requirements are anticipated to be approximately $17 million during the remainder of fiscal 2007, including $6.0 million related to the completion of the Sanger re-powering project, $6.0 million related to the steam sale project and $5.0 million related to ongoing growth and regulatory requirements in the Infrastructure Division.

The Fund intends to finance its capital expenditures and other commitments through working capital, its revolving credit facility and through additional trust unit and/or debenture offerings.

Liquidity and Capital Reserves

For the quarter ended September 30, 2007, the Fund had $8.2 million of cash and cash equivalents. As at September 30, 2007, the Fund had negative net working capital of $18.0 million. For purposes of this calculation, working capital excludes cash and cash equivalents, current portion of notes receivable, current portion of long term liabilities and cash distributions payable. The shortfall is primarily the result of contractual milestone payments and holdbacks stipulated under the TCC related to the completion of the St. Leon facility, which are included in accrued liabilities. The Fund has adequate credit capacity to meet these requirements.

Long term debt decreased to $255.4 million at September 30, 2007 as compared to $268.3 million at September 30, 2006. Long term liabilities primarily consist of project level debt of $154.4 million and an amount of $101.0 million drawn on the Fund's revolving credit facility as compared to project level debt of $159.8 million and an amount of $108.6 million drawn on the Fund's revolving credit facility at the end of the third quarter of 2006. Project debt is paid at the project level where adequate cash flows are available to fund project debt requirements and the debt is generally non-recourse to the Fund. Project debt repayments are deducted in the calculation of cash available for distribution.

The Fund has in place a $175 million revolving credit facility of which $155 million is to be used for acquisitions, growth capital expenditures, investments and letters of credit and $20 million is to be used for operating requirements. At the quarter ended September 30, 2007, the Fund had drawn $101.0 million on its revolving credit facility in addition to letters of credit.

During the quarter ended September 30, 2007 the Fund drew $14.0 million on its credit facility to fund capital requirements. Since the Fund utilizes the revolving credit facility for growth capital expenditures including acquisitions, the revolving credit has been reduced in the past by the issuance of units and/or debentures to the public.

For the quarter ended September 30, 2007 the Fund maintained a long term debt-to-equity ratio (including long term liabilities, other long term liabilities, and convertible debentures) of 90.8%. The exchangeable trust units issued in conjunction with the purchase of AirSource have been included in equity for purposes of this calculation. The Fund may settle the outstanding convertible debentures, at its option, in cash, or, subject to certain conditions, in Fund units. Accordingly, if the convertible debentures are excluded from debt and included in equity in this calculation as at September 30, 2007 would be reduced to 37.9%.

Contractual Obligations

Information concerning contractual obligations as of November 1, 2007 is shown below:

	Total	Due less than 1 year	Due 2 to 3 years	Due 4 to 5 years	Due after 5 years
Long term debt obligations	$ 257,043	$ 1,503	$ 106,931	$ 8,334	$ 140,275
Other obligations	27,490	9,634	4,349	783	12,724
Total obligations	$ 284,533	$ 11,137	$ 111,280	$ 9,117	$ 152,999

Long term obligations normally include regular payments related to long term debt and other obligations. These payments are included as a reduction to cash available for distribution excluding payments made on the revolving credit facility. Included in the other obligations 'due in less than one year' is the Fund's commitments, as of November 1, 2007 regarding the installation of the additional steam generation assets from the EFW facility and related to the completion of the Sanger re-powering project.

Unitholders' Equity and Convertible Debentures

As at November 1, 2007 the Fund had 73,591,891 issued and outstanding trust units with a total of 76,070,164 trust units issued and outstanding on a fully diluted basis.

Pursuant to the takeover bid of AirSource, on September 29, 2006, the Fund issued trust units and a subsidiary issued trust units which are exchangeable into trust units of the Fund at the holder's option (the "Exchangeable Units"). During the third quarter of 2007, 68,901 trust units of the Fund were issued pursuant to the conversion of Exchangeable Units and 1,502 trust units of the Fund were issued pursuant to the exercise of the conversion option on its convertible debentures. As at September 30, 2007 there were 2,504,519 trust units of the Fund remaining to be issued pursuant to the conversion of Exchangeable Units. Subsequent to September 30, 2007 a further 19,379 trust units of the Fund were issued pursuant to the conversion of Exchangeable Units.

The Fund may issue an unlimited number of trust units. Each trust unit is transferable and represents an equal, undivided beneficial interest in any distribution from the Fund and the net assets of the Fund. All units are of the same class and with equal rights and privileges and are not subject to future calls or assessments. Each unit entitles the holder to one vote at all meetings of unitholders.

In July 2004, the Fund issued 85,000 convertible unsecured debentures at a price of $1,000 for each debenture. The debentures bear interest at 6.65% per annum and are convertible into trust units of the Fund at the option of the holder at a conversion price of $10.65 per trust unit, being a ratio of approximately 93.9 trust units for each $1,000 principal. The debentures may not be redeemed by the Fund prior to July 31, 2007. As at September 30, 2007 no convertible debentures had been presented for conversion and there were 84,964 convertible debentures outstanding.

In November 2006, the Fund issued 60,000 convertible unsecured debentures at a price of $1,000 for each debenture maturing on November 30, 2016. The debentures bear interest at 6.2% per annum and are convertible into trust units of the Fund at the option of the holder at a conversion price of $11.00 per trust unit, being a ratio of approximately 90.9 trust units for each $1,000 principal. The debentures may not be redeemed by the Fund prior to November 30, 2010. As at September 30, 2007 no convertible debentures had been presented for conversion.

Dealings with Algonquin Power Group

In accordance with the management agreement, the Fund paid Algonquin Power Management Inc. ("APMI") and its related companies for services provided on a cost recovery basis. For the period ended September 30, 2007, the Fund paid APMI $646 (2006 - $652) for management services.

The Fund has leased its head office facilities since 2001 from an entity owned by the shareholders of APMI on a net basis. Base lease costs for the period ended September 30, 2007 were $222 (2006 - $222) and additional rent representing operating costs was $nil since building operating costs are paid directly by the Fund in 2007 (2006 - $89).

As part of the project to re-power the Sanger facility, the Fund has entered into an agreement with APMI to undertake certain construction management services on the project. APMI is entitled to a development supervision fee plus a contingency fee for its construction management role on the project. For the period ended September 30, 2007, APMI was paid $83 (2006 – nil).

In accordance with the construction services agreement related to the St Leon facility, GreenWing Algonquin Power Development Inc ("GWAP"), a company controlled by APMI, was paid $782 during the quarter and the nine months ended September 30, 2007 respectively for construction services ($0 and $141 for the three and nine months ended September 30, 2006). This amount is included in accounts payable and accrued liabilities as part of the total cost of the project. For the nine months ended September 30, 2007, the Fund also paid $1,104 to GWAP on a cost recovery basis related to ongoing operating expenses of the project and $367 for the quarter ended September 30, 2007 ($218 and $714 for the three and nine months ended September 30, 2006). There remains a final payment of $197 to GWAP in respect of construction services. This amount will be paid in the fourth quarter.

As at June 30, 2007, the Fund had project debt from Algonquin Power Venture Fund ("APVF") in an amount of $3.0 million related to the St. Leon facility. APVF advanced $1.6 million at a rate of 11.25% as part of the initial financing of the St. Leon facility and advanced $1.4 million at a rate of 9.25% during the first quarter of 2007. Both amounts mature on September 30, 2014 and are secured by the underlying assets of the St. Leon facility. For the nine months ended September 30, 2007, APVF was paid $225, (2006 – nil) in interest related to debt associated with the St Leon facility. Some of the directors and shareholders of the Manager are also directors, officers and shareholders of the manager of APVF.

When appropriate for use in its operations the Fund utilizes chartered aircraft, including the use of an aircraft owned by an affiliate of the Manager. The Fund entered into an agreement and remitted an advance against expense reimbursement (including engine utilization reserves) for the Fund's business use of the aircraft. Under the terms of this arrangement, the Fund will have priority access to make use of the aircraft for a specified number of hours at a cost equal solely to the third party direct operating costs incurred when flying the aircraft; such direct operating costs do not provide the affiliate with any profit or return on or of the capital committed to the aircraft.

The Fund has entered into an agreement to sell steam from the EFW facility to an industrial customer located in close proximity to the facility. To affect such sales, the Fund will incur the costs of certain additional steam generation and transmission assets. An entity owned by the Manager is entitled to 50% of the cash flow above 15% return on investment due to its management role on the project.

Risk Management

There are a number of risk factors relating to the business of the Fund. Some of these risks include the dependence upon Fund businesses, regulatory climate and permits, U.S. versus Canadian dollar exchange rates, tax related matters, commodity prices, gross capital requirements, labour relations, reliance on key customers and environmental health and safety considerations. A more comprehensive assessment of the Fund's business risks is set out in the 2006 Annual Information Form.

The Fund is entirely dependant upon the operations and assets of the Fund businesses. Accordingly, distributions to unitholders are dependent upon the profitability of each of the Fund businesses. This profitability could be impacted by equipment failure, the failure of a major customer to fulfill its contractual obligations under its power purchase agreement, reductions in average energy prices, a strike or lock-out at a facility and expenses related to claims or clean-up to adhere to environmental and safety standards. These risks are mitigated through the diversification of the Fund's operations, both operationally (Hydro, Cogeneration, Alternative Fuels and Infrastructure) and geographically (Canada and U.S.), the use of regular maintenance programs, maintaining adequate insurance and the establishment of reserves for expenses. In addition, the Fund's existing long term power purchase agreements minimize the risk of reductions in average energy pricing.

Profitability of the Fund businesses is in part dependent on regulatory climates. In the case of some hydroelectric facilities, water rights are generally owned by governments who reserve the right to control water levels which may affect revenue. The water distribution and waste-water facilities are highly regulated and are subject to rate settings by state regulators. Management continually works with these authorities to manage the affairs of the business.

The hydroelectric operations of the Fund are impacted by seasonal fluctuations. These assets are primarily "run-of-river" and as such fluctuate with the natural water flows. During the winter and summer periods, flows are generally lower while during the spring and fall periods flows are generally higher. The ability of these assets to generate income may be impacted by changes in water availability or other material hydrologic events within a watercourse. It is, however, anticipated that due to the geographic diversity of the facilities, variability of total revenues will be minimized.

The strength and consistency of the wind resource will vary from the estimate set out in the initial wind studies that were relied upon to determine the feasibility of the Facility. If weather patterns change or the historical data proves not to accurately reflect the strength and consistency of the actual wind, the assumptions underlying the financial projections as to the amount of electricity to be generated by the facility may be different and distributable cash could be impacted.

There remain certain completion risks associated with the St. Leon facility. It is Management's belief that the Agreement with Vestas substantially mitigates the risks associated with the completion of the project.

Currency fluctuations may affect the cash flows the Fund would realize from its operations, as certain of the Fund businesses sell electricity or provide water distribution and waste water treatment services in the United States and receive proceeds from such sales in U.S. dollars. Such Fund businesses also incur costs in U.S. dollars. At the Fund's current exchange rate, approximately 50% of EBITDA and 60% of distributable cash is generated in U.S. dollars. The Fund estimates that, on an unhedged basis, a \$0.01 change in the Canadian/US exchange rate impacts distributable cash by \$0.005 per trust unit on an annual basis. The Fund attempts to manage this risk through the use of forward contracts. The Fund as part of its risk management strategy has a formal hedging policy for its U.S. dollar cash flow exposure. At November 1, 2007 the Fund effectively hedged 97% of its remaining expected 2007 U.S. dollar cash flow at \$1.351, it has hedged 89% of its expected 2008 U.S. dollar cash flow at \$1.218, and it has hedged 41% of its expected 2009 U.S. dollar cash flow at \$1.19. The Fund has total forward contracts to sell U.S. dollars for fiscal 2007 to fiscal 2011 totalling U.S. \$78.4 million carrying an average rate of \$1.19. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund has a credit facility and project specific debt of approximately \$255.4 million. In the event that the Fund was required to replace these facilities with borrowings having less favourable terms or higher interest rates, the level of cash generated for distribution may be negatively impacted. The Fund attempts to manage the risk associated with floating rate interest loans through the use of interest rate swaps. The Fund has a fixed for floating interest rate swap on its St. Leon project specific debt until September 2015 in the amount of \$73.3 million in order to minimize volatility in the interest expense on this debt facility. The Fund has effectively fixed its interest expense on its senior debt facility at 5.47%.

The cash available for distribution generated from several of the Fund's facilities are subordinated to senior debt. In the event that there was a breach of covenants or obligations with regards to any of these particular loans which was not remedied, the loan could go into default which could result in the lender realizing on its security and the Fund losing its investment in such facility. The Fund actively manages its operations to minimize the risk of this possibility.

Changes to income tax laws and the current tax treatment of mutual fund trusts could negatively impact the Fund. Although the Fund is of the view that it currently qualifies under current legislation as a mutual fund trust, there can be no assurance that the legislation will not be changed in the future or that Canada Revenue Agency ("CRA") will agree with this position. If the Fund ceases to qualify as a mutual fund trust, the return to unitholders may be adversely affected.

On December 21, 2006, the Minister of Finance (Canada) (the "Minister") introduced draft legislation to impose a tax on distributions from certain publicly traded income trusts and partnerships (the "SIFT Rules"). Bill C-52, which implements the SIFT Rules, received Royal Assent on September 22, 2007. The SIFT Rules will apply to a "specified investment flow-through trust" ("SIFT trust") which includes trusts resident in Canada whose units are listed on a stock exchange or other public market if the trust holds one or more "non-portfolio properties". The Fund is a SIFT trust. As a SIFT trust, the Fund will not be entitled to any deduction in computing its income in respect of any part of its distributions to Unitholders that are attributable either to a business it carries on in Canada or to income (other than dividends from taxable Canadian corporations) from, or capital gains in respect of, non-portfolio properties ("non-portfolio earnings"). Non-portfolio properties include investments in a "subject entity". The main kinds of subject entities are corporations and trusts resident in Canada and partnerships which meet certain residence related criteria. Generally, a subject entity will be a non-portfolio property if the Fund holds securities of the entity that have a fair market value that is greater than 10% of the entity's equity value or more than 50% of the equity value of the Fund is attributable to the subject entity and affiliated entities.

In general the SIFT Rules will not apply until 2011 to a trust, such as the Fund, which would have been a SIFT trust on October 31, 2006 had the SIFT Rules been in force on that date. Starting with the 2011 taxation year, a SIFT trust will be subject to tax in respect of non-portfolio earnings which it distributes at a rate that is equivalent to the federal general corporate tax rate plus 13% on account of provincial tax. Any non-portfolio earnings distributed by a SIFT trust will be taxable to the unitholder as if the distribution were a taxable dividend from a taxable Canadian corporation and will be deemed to be an "eligible dividend" eligible for the enhanced gross-up and tax credit. There are circumstances where an existing trust will lose its transitional relief where its equity capital grows beyond certain dollar limits measured by reference to that trust's market capitalization at the close of trading on October 31, 2006 ("normal growth"). The Fund is of the view that it has not, to date, taken any action that would cause it to lose its transitional relief and it expects to continue to comply with the normal growth "guidelines".

When the SIFT Rules apply to the Fund in 2011 it is anticipated that generally the tax paid by the Fund and a Unitholder who is a taxable Canadian resident individual on distributed non-portfolio earnings would be substantially equivalent to the tax that would be payable on such distributions by such Unitholders if the SIFT Rules were not enacted. Non-resident Unitholders and Canadian resident Unitholders which are exempt from tax would be negatively affected by the application of the SIFT Rules based on the Fund's current investments.

Although the Fund is of the view that all expenses being claimed by the Fund are reasonable and that the cost amount of the Fund's depreciable properties have been correctly determined, there can be no assurance that CRA or the Internal Revenue Service will agree. A successful challenge by either agency regarding the deductibility of such expenses or the correctness of such cost amounts could impact the return to unitholders.

The Fund's water distribution and waste-water utilities may be located within areas of the United States experiencing high growth. These utilities may have an obligation to service new residential, commercial and industrial customers. While expansion to serve new customers will likely result in increased future cash flows, it may require significant capital commitments in the immediate term.

Accordingly, the Fund may be required to access capital markets or obtain additional borrowings to finance these future construction obligations.

The Fund has fixed the price of its natural gas exposure at the EFW facility until November 2007. The EFW facility is the Fund's only natural gas exposure as all other facilities have pass through provisions in their energy agreements. Natural gas at the EFW facility will be re-contracted on a rolling basis.

The Fund maintains adequate insurance on all of its facilities. This includes property and casualty, boiler and machinery, and liability insurance.

Controls and Procedures

Disclosure Control and Procedures

In accordance with the requirements of the Securities Act (Ontario) and other provincial securities legislation, the CEO and CFO of the Fund certify interim quarterly and annual filings that they have designed the Fund's disclosure controls and have evaluated their effectiveness for the applicable period. Disclosure controls are those controls and procedures which ensure that information that is required to be disclosed by Multilateral Instrument 52-109, the Ontario Securities Commission and other provincial regulators is recorded, processed and reported within the time frames specified by regulators. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Fund is appropriately accumulated and communicated to Management to allow timely decisions regarding required disclosure. During this quarter, an evaluation of the effectiveness of the design and operation of the Fund's disclosure controls and procedures was carried out, under the supervision and with the participation of Management, the CEO and CFO, and was presented to the Disclosure Committee and to the Audit Committee. Based on that evaluation, the CEO and CFO concluded that disclosure controls and procedures were effective.

Internal Control over Financial Reporting

The CEO and CFO of the Fund are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Changes in Internal Control over Financial Reporting

For the quarter ended September 30, 2007, the Fund hired a replacement for the CFO who resigned in the second quarter of 2007. As such, the responsibilities for operating certain controls were reallocated within the finance department. There were no other changes were made in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Quarterly Financial Information

The following is a summary of unaudited quarterly financial information for the two years ended September 30, 2007.

Millions of dollars except per trust unit amounts

	4th Qtr 2006	1st Qtr 2007	2nd Qtr 2007	3rd Qtr 2007	Total
Revenue	53.7	49.5	50.0	46.5	199.7
Net earnings/(loss) from continuing operations	1.8	6.7	(3.2)	12.5	17.8
Net earnings/(loss)	1.8	6.2	(2.3)	12.2	17.9
Net earnings/(loss) and net earnings/(loss) from continuing operations per trust unit	0.02	0.08	(0.03)	0.17	0.24
Total Assets	1,048.3	1,035.8	1,049.0	1,024.1	1,024.1
Long term debt*	411.0	401.8	410.0	421.0	421.0
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

	4th Qtr 2005	1st Qtr 2006	2nd Qtr 2006	3rd Qtr 2006	Total
Revenue	50.9	$ 49.5	$ 47.1	51.1	198.6
Net earnings from continuing operations	9.0	7.5	14.0	5.4	35.9
Net earnings	8.9	7.3	13.8	5.0	35.0
Net earnings and net earnings from continuing operations per trust unit	0.13	0.11	0.20	0.07	0.51
Total Assets	823.8	839.0	1,030.0	1,024.2	1,024.2
Long term debt*	271.5	300.1	376.6	379.6	379.6
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

* Long term debt includes long term liabilities, convertible debentures, other long term obligations and deferred credits

The quarterly results are impacted by various factors including seasonal fluctuations and acquisitions of facilities as noted in this MD&A.

Quarterly revenues have fluctuated between $46.5 million and $53.7 million over the prior two year period. A number of factors impact quarterly results including seasonal fluctuations, hydrology and winter and summer rates built into power purchase agreements. Additionally, revenue has generally trended up due to facility acquisitions, including the St. Leon wind facility in September 2006, and organic growth in the Fund's Infrastructure division.

Quarterly net earnings have fluctuated between $13.8 million and a net loss of $2.3 million over the prior two year period. Recent earnings have been significantly impacted by non cash factors such as future tax expense due to the enactment of Bill C-52 and gains and losses on financial instruments due to the Fund's adoption of Section 3855 and the discontinuation of hedge accounting under Section 3865.

Changes in Accounting Policies

The Fund's accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2006 except as disclosed in Note 2 to the consolidated financial statements for the period ended September 30, 2007. There have been no changes to the critical accounting policies as disclosed in the Fund's annual MD&A for the year ended December 31, 2006, except as discussed below.

Effective January 1, 2007, the Fund adopted three new Canadian Institute of Chartered Accountants accounting standards ("CICA"): CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; and Section 1530, Comprehensive Income. These sections apply to fiscal years beginning on or after October 1, 2006. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognised in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

Under the new standards financial instruments must be classified into one of the following five categories; held-for-trading, held to maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Initially all financial assets and financial liabilities are recorded on the consolidated balance sheet at fair value. After initial recognition, the financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost. The effective interest related to the financial liabilities and the gain or loss arising from the change in the fair value of a financial asset or liability classified as held-for-trading is included in net income for the period in which it arises. Available for sale instruments are measured at fair value with gains and losses, net of tax, recognized in other comprehensive income until the financial asset is derecognised and all cumulative gain or loss is then recognised in net income.

Recent Accounting Pronouncements

Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject. The new standard will become effective on January 1, 2008 for the Fund. The Fund is currently evaluating the impact of the adoption of this new section on the consolidated financial statements.

Financial Instruments – Disclosures and Financial Instruments – Presentation

In December 2006, the CICA Handbook Sections 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments – Presentation. Section 3862 modifies the disclosure requirements of Section 3861, Financial Instruments – Disclosure and Presentation, including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Fund is exposed and how the Fund manages those risks, whereas Section 3863 carries forward the presentation related requirements of Section 3861. The new standards will become effective on January 1, 2008 for the Fund. The Fund is currently evaluating the impact of the adoption of Section 3862 while the Fund does not expect the adoption of 3863 to have a significant effect on the consolidated financial statements.

Consolidated Balance Sheets

September 30, 2007 and December 31, 2006
(thousands of Canadian dollars)

	Sept. 30, 2007 Unaudited	Dec. 31, 2006
Assets		
Current assets		
Cash and cash equivalents	**$ 8,189**	$ 13,465
Accounts receivable	**29,253**	41,291
Prepaid expenses	**3,143**	2,777
Current portion of notes receivable	**690**	2,337
	41,275	59,870
Long-term investments (Note 5)	**30,125**	29,976
Future non-current income tax asset	**9,161**	7,639
Capital assets, net of accumulated amortization (Note 4)	**801,838**	798,942
Intangible assets, net of accumulated amortization (Note 4)	**106,175**	110,935
Assets held for sale (Note 11)	**9,766**	12,575
Restricted cash	**6,172**	6,753
Deferred costs (net of accumulated amortization) (Note 2)	**2,074**	8,246
Other assets	**17,486**	13,388
	$ 1,024,072	$ 1,048,324
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 49,415**	$ 75,011
Due to Algonquin Power Group	**3**	-
Cash distribution payable	**11,649**	11,659
Current portion of long-term liabilities	**1,923**	1,876
Current income tax liability	**294**	141
Future income tax liability	**675**	848
	63,959	89,535
Long-term liabilities (Notes 2 and 7)	**255,428**	228,021
Convertible debentures (Notes 2 and 9)	**139,377**	144,501
Other long-term liabilities (Note 10)	**11,065**	10,711
Deferred credits	**15,146**	27,780
Future non-current income tax liability (Note 12)	**92,959**	71,257
Non controlling interest (Note 15)	**22,253**	31,804
Unitholders' equity		
Trust units	**690,985**	684,414
Equity component of convertible debentures	**479**	479
Deficit	**(274,460)**	(240,178)
Accumulated other comprehensive income (Note 2)	**6,881**	-
	423,885	444,715
	$ 1,024,072	$ 1,048,324

Subsequent events (Note 7 and 15)

See accompanying notes to financial statements

Approved by the Trustees

(signed) George Steeves (signed) Ken Moore

Consolidated Statement of Changes in Unitholders' Equity

For the nine months ended September 30, 2007 and September 30, 2006
(thousands of Canadian dollars)
(unaudited)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2007	**2006**	**2007**	**2006**
Trust units				
Balance, beginning of period	**$ 690,314**	$ 674,140	**$ 684,414**	$ 654,176
Issued on acquisition of AirSource Power Fund I LP	**-**	7,237	**-**	22,639
Issued on conversion of Algonquin (AirSource) Power LP exhangeable units	**655**	-	**6,555**	4,542
Conversion of convertible debentures	**16**	-	**16**	20
Balance, end of period	**$ 690,985**	$ 681,377	**$ 690,985**	$ 681,377
Equity component of convertible debentures	**$ 479**	$ -	**$ 479**	$ -
Deficit				
Balance, beginning of period	**$ (269,769)**	$ (212,051)	**$ (240,178)**	$ (201,178)
Changes in accounting policies (Note 2)	-	-	**211**	-
Balance, beginning of period as adjusted	**(269,769)**	(212,051)	**(239,967)**	(201,178)
Net earnings / (loss)	**12,209**	5,001	**16,112**	26,159
Distributions	**(16,900)**	(17,443)	**(50,605)**	(49,474)
Balance, end of period	**$ (274,460)**	$ (224,493)	**$ (274,460)**	$ (224,493)
Accumulated other comprehensive income (loss)				
Balance, beginning of period	**$ 8,647**	$ -	**$ -**	$ -
Changes in accounting policies (Note 2)	-	-	**11,167**	-
Deferred gains on the forward contracts (note 2)	**(1,766)**	-	**(4,286)**	-
Balance, end of period	**$ 6,881**	$ -	**$ 6,881**	$ -

Consolidated Statements of Earnings and Comprehensive Income

For the nine months ended September 30, 2007 and September 30, 2006
(thousands of Canadian dollars)
Unaudited

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2007	**2006**	**2007**	**2006**
Revenue				
Energy sales	**$ 26,505**	$ 29,897	**$ 85,625**	$ 90,617
Waste disposal fees	**3,727**	3,511	**9,686**	10,647
Water reclamation and distribution	**9,185**	9,564	**25,708**	26,866
Other revenue	**7,084**	6,448	**21,409**	13,828
	46,501	49,420	**142,428**	141,958
Expenses				
Operating	**23,802**	25,217	**76,058**	76,895
Amortization of capital assets	**8,946**	8,801	**27,232**	22,934
Amortization of intangible assets	**1,916**	1,730	**5,751**	4,308
Management costs (Note 10)	**213**	217	**646**	652
Administrative expenses	**2,388**	2,178	**6,074**	5,955
Gain on foreign exchange	**(2,361)**	(66)	**(6,946)**	(2,329)
	34,904	38,077	**108,815**	108,415
Earnings before undernoted	**11,597**	11,343	**33,613**	33,543
Interest expense	**6,618**	6,291	**19,664**	15,940
Interest, dividend income and other income (Note 6)	**(2,538)**	(1,924)	**(7,948)**	(8,710)
Write down of note receivable (Note 5)	**598**	-	**598**	-
(Gain) / loss on financial instruments	**(3,306)**	652	**(14,266)**	652
	1,372	5,019	**(1,952)**	7,882
Earnings from operations before income taxes, minority interest and discontinued operations	**10,225**	6,324	**35,565**	25,661
Current income taxes	**207**	(198)	**594**	683
Future income taxes (Note 12)	**(2,641)**	1,119	**20,129**	(1,964)
	(2,434)	921	**20,723**	(1,281)
Minority interest	**185**	-	**(1,159)**	-
Net earnings / (loss) from operations	**12,474**	5,403	**16,001**	26,942
Net earnings / (loss) from discontinued operations (Note 11)	**(265)**	(402)	**111**	(783)
Net earnings / (loss) and comprehensive income	**$ 12,209**	$ 5,001	**$ 16,112**	$ 26,159
Deficit, beginning of the period	**(269,769)**	(212,051)	**(239,967)**	(201,178)
Cash distributions	**(16,900)**	(17,443)	**(50,605)**	(49,474)
Deficit, end of the period	**(274,460)**	(224,493)	**(274,460)**	(224,493)
Basic and diluted net earnings / (loss) per trust unit	**$ 0.17**	$ 0.07	**$ 0.22**	$ 0.36

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2007 and September 30, 2006
(thousands of Canadian dollars)
Unaudited

	Three months ended Sept. 30 2007	Three months ended Sept. 30 2006	Nine months ended Sept. 30 2007	Nine months ended Sept. 30 2006
Operating Activities				
Operating Activities				
Net earnings / (loss) from continuing operations	**$ 12,474**	$ 5,403	**$ 16,001**	$ 26,942
Items not affecting cash				
Amortization of capital assets	**8,946**	8,801	**27,232**	22,934
Amortization of intangible assets	**1,916**	1,730	**5,751**	4,308
Other amortization	**686**	632	**1,755**	1,289
Distribution received in excess of equity income	**484**	55	**262**	(73)
Future income taxes	**(2,641)**	1,119	**20,129**	(1,964)
Minority interest	**185**	-	**(1,159)**	-
Write down of note receivable (Note 5)	**598**	-	**598**	-
Unrealized gain on financial instruments	**(449)**	652	**(8,384)**	652
Unrealized gain on foreign exchange	**(2,551)**	192	**(6,737)**	(2,389)
	19,648	18,584	**55,448**	51,699
Changes in non-cash operating working capital	**(5,781)**	(3,613)	**(14,411)**	(320)
	13,867	14,971	**41,037**	51,379
Financing Activities				
Cash distributions	**(16,888)**	(17,443)	**(50,497)**	(49,474)
Cash distributions non controlling interest	**(592)**	-	**(1,955)**	-
Deferred financing costs	**(88)**	(114)	**(246)**	(300)
Increase in long term liabilities	**14,000**	2,800	**34,000**	39,300
Increase in other long term liabilities	**-**	-	**1,400**	-
Decrease in long term liabilities	**(219)**	(186)	**(357)**	(572)
Increase / (decrease) in other long term liabilities	**2**	109	**(395)**	149
Deferred credits	**(277)**	(416)	**(261)**	(367)
	(4,062)	(15,250)	**(18,311)**	(11,264)
Investing Activities				
Decrease in restricted cash	**(157)**	(1,666)	**(344)**	(2,099)
Deferred charges	**(430)**	(492)	**(548)**	(804)
Receipt of principal on notes receivable	**452**	618	**1,083**	2,654
Increase in long term investments	**219**	-	**(940)**	-
Net additions to capital assets	**(13,003)**	(4,456)	**(26,985)**	(17,025)
Acquisitions of operating entities (Note 4)	**(159)**	(743)	**(896)**	(22,660)
	(13,078)	(6,739)	**(28,630)**	(39,934)
Effect of exchange rate differences on cash and cash equivalents	**(280)**	(219)	**(902)**	(343)
Increase /(decrease) in cash from continuing operations	**(3,553)**	(7,237)	**(6,806)**	(162)
Increase/ (decrease) in cash from discontinued operations (Note11)	**(265)**	(402)	**1,530**	(783)
Cash and cash equivalents, beginning of the period	**12,007**	18,057	**13,465**	11,363
Cash and cash equivalents, end of the period	**$ 8,189**	$ 10,418	**$ 8,189**	$ 10,418
Supplemental disclosure of cash flow information				
Cash paid during the period for interest expense	**$ 6,570**	$ 7,236	**$ 19,333**	$ 16,279
Cash paid during the period for income taxes	**$ 259**	$ (397)	**$ 399**	$ 860

Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2007 and September 30, 2006
(thousands of Canadian dollars except as noted)
(unaudited)

1. Basis of Presentation

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2006, as set out in the 2006 Annual Report since they do not contain all the disclosures that are in accordance with Canadian generally accepted accounting principles for annual financial statements. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of computation as were used for the audited consolidated financial statements for the year ended December 31, 2006, except as discussed in note 2.

2. Changes in Accounting Policies and Recent Accounting Pronouncement

(a) Change in Accounting Policies

Effective January 1, 2007, the Fund adopted three new Canadian Institute of Chartered Accountants accounting standards ("CICA"): CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; and Section 1530, Comprehensive Income. These sections apply to fiscal years beginning on or after October 1, 2006. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognised in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

Under the new standards, financial instruments must be classified into one of the following five categories; held-for-trading, held to maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Initially all financial assets and financial liabilities are recorded on the consolidated balance sheet at fair value. After initial recognition, the financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost. The effective interest related to the financial liabilities and the gain or loss arising from the change in the fair value of a financial asset or liability classified as held-for-trading is included in net income for the period in which it arises. Available for sale instruments are measured at fair value with gains and losses, net of tax, recognized in other comprehensive income until the financial asset is derecognised and all cumulative gains or losses are then recognised in net income.

The Fund has classified its cash and cash equivalents, accounts receivable, restricted cash, accounts payable and distribution payable as held-for-trading, which are measured at fair value. Long-term investments are classified as loans and receivables, which are measured at amortized cost or as available-for-sale, and are measured at cost as there is no liquid market for these investments. Long-term liabilities, convertible debentures, and other long-term liabilities are classified as other financial liabilities, which are measured at amortized cost, using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception.

Transaction costs for items classified as held-for-trading are expensed immediately. Costs considered as commitment fees paid to financial institutions are recorded in deferred costs, and amortized on a straight-line basis over the term of the debt facility. With respect to the transaction costs attributable to long-term debt, the impact as at January 1, 2007 was a decrease in deferred costs of $272, a decrease in long-term debt of $119, and an increase in deficit of $153; with respect to transaction costs attributable to convertible debentures, the impact as at January 1, 2007 was a decrease in deferred costs of $5,171, a decrease in convertible debentures of $5,536 and a decrease in deficit of $365.

The Fund has entered into forward foreign exchange contracts to manage its exposure to the US dollar as significant cash flows are generated in the US. The Fund sells specific amounts of currencies at predetermined dates and exchange rates which are matched with the anticipated operational cash flows. At December 31, 2006 the Fund ceased designating its forward selling US funds as hedges and recorded the fair value of those contracts of $11,167 as other assets and deferred credits; on the adoption of the new standards on financial instruments the deferred credits balance was transferred into accumulated other comprehensive income of $11,167. These contracts are measured at fair value and the change in fair value is included in the statement of earnings; the Fund recorded a gain of $9,664 for the nine months ended September 30, 2007 (2006 - $ Nil). The balances from accumulated other comprehensive income are released as the contracts are settled.

In 2006, AirSource entered into a fixed for floating interest rate swap until September 2015 in the notional amount of $73.3 million in order to reduce the interest rate variability on its senior debt facility. The Fund has selected not to use hedge accounting for the swap transaction and records the fair value of the swap on the balance sheet. Any gain or loss in fair value is recognized in the statement of earnings.

(b) Recent Accounting Pronouncements

(i) Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, polices and processes for managing capital and disclose whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject. The new standard will become effective on January 1, 2008 for the Fund. The Fund is currently evaluating the impact of the adoption of this new section on the consolidated financial statements.

(ii) Financial Instruments – Disclosures and Financial Instruments – Presentation

In December 2006, the CICA issued Handbook Sections 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments – Presentation. Section 3862 modifies the disclosure requirements of Section 3861, Financial Instruments – Disclosure and Presentation, including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Fund is exposed and how the Fund manages those risks, whereas Section 3863 carries forward the presentation related requirements of Section 3861. The new standards will become effective on January 1, 2008 for the Fund. The Fund is currently evaluating the impact of the adoption of Section 3862 and does not expect the adoption of 3863 to have a significant effect on the consolidated financial statements.

3. Seasonality

The operations of the Fund are seasonal. The Fund's hydroelectric energy assets are primarily "run-of- river" and as such fluctuate with the natural water flows. During the winter and summer periods, flows are generally slower while during the spring and fall periods flows are heavier.

4. Acquisition of facilities

(i) On February 13, 2007 Southern Sunrise Water Company Inc, and Northern Sunrise Water Company Inc. both indirect wholly owned subsidiaries of the Fund, completed the acquisition of the assets and regulatory licences related to the provision of utility service to approximately 1,200 water distribution customers located near the Town of Sierra Vista, Arizona for cash consideration of $815 (U.S. $698). The Fund also incurred $348 (U.S. $300) of acquisition costs. At December 31, 2006, the Fund had $582 (U.S. $498) in escrow pending the approval of regulatory authorities. A deposit in the amount of $234 (U.S. $200) was paid in 2004 which was recorded in deferred costs.

The acquisitions have been accounted for using the purchase method, with earnings from operations included since the date of acquisition. The consideration paid by the Fund has been allocated to net assets acquired as follows:

	Total
Fixed assets	$ 1,164
Total purchase price	**$ 1,164**
Consideration:	
Prior year deposit paid	$ 234
Funds released from escrow	582
Cash	348
Total purchase price consideration	**$ 1,164**

(ii) In accordance with the purchase and sale agreement for Litchfield Park Service Company, Woodmark Utility Company, and Rio Rico Utilities the Fund is required to make additional payments to the previous owners for each additional customer connected to the utility. For Litchfield Park and Rio Rico, these payments continue until 2008 and for Woodmark until 2009. As of September 30, 2007 the Fund has accrued $637 (U.S $572) (September 30, 2006 –$2,030, U.S. $1,785) as a growth premium, and increased intangible assets by a similar amount, gross of future tax liabilities of $145 (September 30, 2006 – $806).

5. Long term investments

During the third quarter 2007, the Fund wrote down the value of the Across America note to its estimated fair value.

6. Termination fee

During the second quarter 2007 the Fund allowed its offer to acquire all of the outstanding trust units and convertible debentures of the Clean Power Income Fund ("CPIF") to expire. In connection with the expiry of the offer, a termination fee of $1,750 was paid to the Fund and recorded in interest, dividend and other income on the consolidated statement of earnings. The Fund was reimbursed $850 from CPIF for its expenses.

7. Long term debt

During the first nine months of the year, the Fund drew an additional $34,000 on the revolving credit facility, primarily to fund capital requirements. Subsequent to the end of the quarter, the Fund drew an additional $3,000 on its credit facility to fund capital requirements.

8. Basic and diluted net earnings per trust unit

Basic and diluted earnings per trust unit has been calculated on the basis of the weighted average number of units outstanding for the three months and the nine months ended September 30, 2007 which amounted to 73,536,268 units and 73,360,072 units respectively (2006 - 72,191,185 and 70,542,323 for the three months and nine months). Diluted net earnings per trust unit is calculated using the "if – converted method". The effect of conversion of the convertible debentures and non controlling interest into trust units was not included in the computation of diluted net earnings per trust unit as the effect of conversion would be anti-dilutive.

9. Convertible Debentures

During the quarter, $16 of convertible debentures were converted into 1,502 trust units of the Fund. The convertible debentures are convertible into trust units of the Fund at a conversion price of $10.65 per trust unit, being a ratio of approximately 93.8967 trust units per $1 principal amount of debentures.

10. Algonquin Power Group

In accordance with the management agreement, the Fund paid Algonquin Power Management Inc. ("APMI") and its related companies for services provided on a cost recovery basis. For the period ended September 30, 2007, the Fund paid APMI $646 (2006 - $652) for management services.

The Fund has leased its head office facilities since 2001 from an entity owned by the shareholders of APMI on a net basis. Base lease costs for the period ended September 30, 2007 were $222 (2006 - $222) and additional rent representing operating costs was $nil (2006 - $89).

As part of the project to re-power the Sanger facility, the Fund has entered into an agreement with APMI to undertake certain construction management services on the project. APMI is entitled to a development supervision fee plus a contingency fee for its construction management role on the project. For the period ended September 30, 2007, APMI was paid $83 (2006 – nil).

In accordance with the construction services agreement related to the St Leon facility, GreenWing Algonquin Power Development Inc ("GWAP"), a company controlled by APMI, was paid $782 during the quarter and the nine months ended September 30, 2007 respectively for construction services ($0 and $141 for the three and nine months ended September 30, 2006). This amount is included in accounts payable and accrued liabilities as part of the total cost of the project. For the nine months ended September 30, 2007, the Fund also paid $1,104 to GWAP on a cost recovery basis related to ongoing operating expenses of the project and $367 for the quarter ended September 30, 2007 ($218 and $714 for the three and nine months ended September 30, 2006). There remains a final payment of $197 to GWAP in respect of construction services. This amount will be paid in the foruth quarter.

As at June 30, 2007, the Fund had project debt from Algonquin Power Venture Fund ("APVF") in an amount of $3.0 million related to the St. Leon facility. APVF advanced $1.6 million at a rate of 11.25% as part of the initial financing of the St. Leon facility and advanced $1.4 million at a rate of 9.25% during the first quarter of 2007. Both amounts mature on September 30, 2014 and are secured by the underlying assets of the St. Leon facility. For the nine months ended September 30, 2007, APVF was paid $225 (2006 – nil) in interest related to debt associated with the St Leon facility. Some of the directors and shareholders of the Manager are also directors, officers and shareholders of the manager of APVF.

11. Discontinued Operations

During the quarter ended September 30, 2007, the Fund committed to a plan to dispose of certain landfill gas facilities that were no longer considered strategic to the ongoing operations of the Fund. The results of operations from these facilities are now disclosed as net earnings / (loss) from discontinued operations on the consolidated statement of earnings as discontinued operations and their fixed assets and intangible assets have been reclassified on the consolidated balance sheet to non-current assets held for sale.

The results of the discontinued operations which have been included in the interim consolidated statement of earnings were as follows:

(C$000)	Three months ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Revenue	$ 1,319	$ 1,689	$ 4,847	$ 5,719
Expenses	1,676	2,089	5,861	6,498
Operating profit / (loss)	(357)	(400)	(1,014)	(779)
Interest expense	21	2	53	4
Interest, dividend income and other income	(113)	-	(1,178)	-
Net earnings (loss) from discontinued operations	(265)	(402)	111	(783)
Less: Gain on sale of capital assets and intangible assets	-	-	(1,069)	-
Add: Proceeds from sale of capital assets and intangible assets	-	-	2,488	-
Net cashflow from discontinued operations	(265)	(402)	1,530	(783)

12. Future Income Tax

On June 22, 2007, legislation (the "SIFT Rules") relating to the federal income taxation of publicly-listed or traded trusts (such as income trusts and real estate investment trusts) and partnerships received royal assent. The SIFT Rules apply to a publicly traded trust or partnership that is a specified investment flow-through entity (a "SIFT") from January 1, 2007.

The SIFT Rules effectively provide that certain income of a SIFT trust or partnership will be taxed at a rate that is substantially equivalent to a general tax rate applicable to Canadian corporations.

The SIFT Rules provide transitional relief for a SIFT trust (or partnership) that existed before November 1, 2006 ("Existing Trust") until 2010. There will be circumstances where an Existing trust may lose its transitional relief where its equity capital grows beyond certain dollar limits measured by reference to the Existing Trust's market capitalization at the close of trading on October 31, 2006.

Under the SIFT Rules, certain distributions attributable to a SIFT trust will not be deductible in computing its taxable income, and the SIFT trust will be subject to tax on such distributions ("SIFT Tax") at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Certain distributions (e.g. returns of capital, dividend income and foreign income directly received by the SIFT trust) will not be subject to the SIFT tax.

The Fund is a SIFT as defined in the SIFT Rules. Accordingly, the Fund will be subject to SIFT tax on distributions of certain income earned from investments in its subsidiaries made after 2010. The Fund is also required to recognize future income tax assets and liabilities with respect to the temporary timing differences between the carrying amount and tax bases of its assets and liabilities and those of its flow-through subsidiaries that are expected to reverse in or after 2011.

For the nine months ended September 30, 2007, the Fund recorded $27,874 in future non-current income tax liability and future income tax expense. The Fund expects that its distributions will not be subject to the SIFT Tax prior to 2011 and accordingly, has not provided for future income tax on the temporary differences expected to reverse prior to then.

The SIFT Legislation does not affect the current and future tax amounts of the Fund's corporate subsidiaries.

13. Segmented Information

The Fund and its subsidiaries operate in the independent power industry in both Canada and the United States. Information on operations by geographic area is as follows:

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Revenue				
Canada	$ 18,059	$ 17,655	$ 56,272	$ 44,762
United States	28,442	31,765	86,156	97,196
	$ 46,501	$ 49,420	$ 142,428	$ 141,958

	September 30, 2007	**September 30, 2006**
Capital Assets		
Canada	$ 476,457	$ 484,363
United States	325,381	309,493
	$ 801,838	$ 793,856

	September 30, 2007	**September 30, 2006**
Intangible Assets		
Canada	$ 57,284	$ 63,497
United States	48,891	50,938
	$ 106,175	$ 114,435

	September 30, 2007	**September 30, 2006**
Other Assets		
Canada	$ 17,486	$ -
United States	-	-
	$ 17,486	$ -

	September 30, 2007	**September 30, 2006**
Assets held for sale		
Canada	$ -	$ -
United States	9,766	12,742
	$ 9,766	$ 12,742

Operational segments

The Fund identifies four business categories it operates in: hydro, natural gas co-generation, alternative fuels and infrastructure assets. The operations and assets for these segments are outlined below:

Three months ended September 30, 2007

	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Revenue						
Energy sales	7,968	16,351	2,186	-	-	26,505
Waste disposal fees	-	-	3,727	-	-	3,727
Water reclamation and distribution	-	-	-	9,185	-	9,185
Other revenue	-	1,560	5,524	-	-	7,084
Total Revenue	7,968	17,911	11,437	9,185	-	46,501
Operating expenses	2,927	12,051	4,457	4,367	-	23,802
	5,041	5,860	6,980	4,818	-	22,699
Other administration costs	(80)	-	(96)	(36)	(28)	(240)
Interest expense	(1,230)	(266)	(1,197)	(237)	(3,688)	(6,618)
Interest, dividend income and other income	150	811	1,563	-	14	2,538
Gain on financial instruments	-	1,543	(1,809)	1,003	2,569	3,306
Write down of note receivable	-	-	(598)	-	-	(598)
Amortization of capital assets	(2,546)	(1,720)	(2,911)	(1,769)	-	(8,946)
Amortization of intangible assets	-	(519)	(1,173)	(224)	-	(1,916)
Earnings from continuing operations before income taxes and minority interest	1,335	5,709	759	3,555	(1,133)	10,225
Earnings / (loss) from discontinued operations	-	-	(265)	-	-	(265)
Earnings before income taxes and minority interest	1,335	5,709	494	3,555	(1,133)	9,960
Capital assets	264,369	97,199	261,328	178,942	-	801,838
Intangible assets	17	17,584	57,214	31,360	-	106,175
Assets held for sale	-	-	9,766	-	-	9,766
Capital expenditures	246	3,549	5,137	4,033	38	13,003
Acquisition of operating entities	-	-		159	-	159
Total assets	278,134	145,192	375,851	218,698	6,197	1,024,072

Three months ended September 30, 2006

	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Revenue						
Energy sales	8,765	18,512	2,620	-	-	29,897
Waste disposal fees	-	-	3,511	-	-	3,511
Water reclamation and distribution	-	-	-	9,564	-	9,564
Other revenue	-	806	5,642	-	-	6,448
Total Revenue	8,765	19,318	11,773	9,564	-	49,420
Operating expenses	4,109	12,451	4,589	4,068		25,217
	4,656	6,867	7,184	5,496	-	24,203
Other administration costs	(73)	-	(155)	(47)	(2,054)	(2,329)
Interest expense	(1,249)	(288)	(1,298)	(244)	(3,212)	(6,291)
Interest, dividend income and other income	154	732	990	10	38	1,924
Gain on financial instruments	-	-	(652)	-	-	(652)
Write down of note receivable	-	-	-	-	-	-
Amortization of capital assets	(2,192)	(1,621)	(3,378)	(1,610)	-	(8,801)
Amortization of intangible assets	(1)	(524)	(995)	(210)	-	(1,730)
Earnings from continuing operations before income taxes and minority interest	1,295	5,166	1,696	3,395	(5,228)	6,324
Earnings / (loss) from discontinued operations	-	-	(402)	-	-	(402)
Earnings before income taxes and minority interest	1,295	5,166	1,294	3,395	(5,228)	5,922
Capital assets	270,715	86,552	264,985	171,604	-	793,856
Intangible assets	19	20,725	63,371	30,320	-	114,435
Assets held for sale	-	-	12,742	-	-	12,742
Capital expenditures	340	307	954	2,755	100	4,456
Acquisition of operating entities	-	-	260	483	-	743
Total assets	285,729	138,810	373,158	215,726	10,752	1,024,175

	Nine months ended September 30, 2007					
	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Revenue						
Energy sales	32,339	48,023	5,263	-	-	85,625
Waste disposal fees	-	-	9,686	-	-	9,686
Water reclamation and distribution	-	-	-	25,708	-	25,708
Other revenue	-	2,909	18,500	-	-	21,409
Total Revenue	32,339	50,932	33,449	25,708	-	142,428
Operating expenses	11,215	36,711	14,941	13,191	-	76,058
	21,124	14,221	18,508	12,517	-	66,370
Other administration costs	(261)	-	(228)	(134)	849	226
Interest expense	(3,714)	(836)	(3,432)	(753)	(10,929)	(19,664)
Interest, dividend income and other income	907	2,398	2,747	33	1,863	7,948
Gain on financial instruments	-	3,148	236	2,162	8,720	14,266
Write down of note receivable			(598)			(598)
Amortization of capital assets	(7,304)	(4,931)	(9,499)	(5,498)	-	(27,232)
Amortization of intangible assets	(1)	(1,493)	(3,593)	(664)	-	(5,751)
Earnings from continuing operations before income taxes and minority interest	10,751	12,507	4,141	7,663	503	35,565
Earnings / (loss) from discontinued operations	-	-	111	-	-	111
Earnings before income taxes and minority interest	10,751	12,507	4,252	7,663	503	35,676
Capital assets	264,369	97,199	261,328	178,942	-	801,838
Intangible assets	17	17,584	57,214	31,360	-	106,175
Assets held for sale	-	-	9,766	-	-	9,766
Capital expenditures	404	7,451	8,161	10,807	162	26,985
Acquisition of operating entities	-	-	-	896	-	896
Total assets	278,134	145,192	375,851	218,698	6,197	1,024,072

	Nine months ended September 30, 2006					
	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Revenue						
Energy sales	33,406	50,355	6,856	-	-	90,617
Waste disposal fees	-	-	10,647	-	-	10,647
Water reclamation and distribution	-	-	-	26,866	-	26,866
Other revenue	-	8,186	5,642	-	-	13,828
Total Revenue	33,406	58,541	23,145	26,866	-	141,958
Operating expenses	12,138	39,723	13,749	11,285	-	76,895
	21,268	18,818	9,396	15,581	-	65,063
Other administration costs	(295)	-	(217)	(120)	(3,646)	(4,278)
Interest expense	(3,773)	(838)	(1,489)	(781)	(9,059)	(15,940)
Interest, dividend income and other income	1,021	2,650	4,928	36	75	8,710
Gain on financial instruments	-	-	(652)	-	-	(652)
Amortization of capital assets	(7,186)	(4,741)	(6,120)	(4,887)	-	(22,934)
Amortization of intangible assets	(1)	(1,570)	(2,125)	(612)	-	(4,308)
Earnings from continuing operations before income taxes and minority interest	11,034	14,319	3,721	9,217	(12,630)	25,661
Earnings / (loss) from discontinued operations	-	-	(783)	-	-	(783)
Earnings before income taxes and minority interest	11,034	14,319	2,938	9,217	(12,630)	24,878
Capital assets	270,715	86,552	264,985	171,604	-	793,856
Intangible assets	19	20,725	63,371	30,320	-	114,435
Assets held for sale	-	-	12,742	-	-	12,742
Capital expenditures	995	3,871	2,300	9,702	157	17,025
Acquisition of operating entities	-	-	20,630	2,030	-	22,660
Total assets	285,729	138,810	373,158	215,726	10,752	1,024,175

14. Cash Distributions

Distributions paid for the three months and nine months ended September 30, 2007 were $16,888 and $50,497 respectively (2006 - $17,443 and $49,474). Distributions paid to the unitholders of the Algonquin (AirSource) Power LP exchangeable units for the three months and nine months ended September 30, 2007 were $592 and $1,955 respectively which have been recorded as a reduction in non controlling interest on the consolidated Balance Sheet. All cash distributions of the Fund are made on a discretionary basis.

15. Subsequent Events

Subsequent to the end of the quarter, a further 19,379 trust units of the Fund were issued pursuant to the conversion of exchangeable units of Algonquin (AirSource) Power LP.

Corporate Information and Contacts

Trustees

The Management Group

Algonquin Power Management Inc.

Chris K. Jarratt, Chief Executive Officer and Director

Ian E. Robertson, Director

David C. Kerr, Director

Algonquin Power Income Fund

David Bronicheski, Chief Financial Officer

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Income Fund