ALGONQUIN
Power & Utilities Corp.

30 Years of Innovation and Growth

Q1 2019

CORPORATE PROFILE

Algonquin Power & Utilities Corp. (“Algonquin”) is focused on providing clean, sustainable utility services to its nearly 800,000 North American customers, while delivering reliable earnings, cash flow, and dividend growth via operational excellence, strategic growth, and accretive acquisitions. Through its two business groups – Liberty Power and Liberty Utilities – Algonquin owns and operates a diversified portfolio of North American rate-regulated and non-regulated electricity, natural gas, and water utility businesses.

At Algonquin, we operate, develop and acquire long-lived, sustainable assets that are built for the long-term. Since our inception in 1988, we have grown to over 70 power generation facilities and utilities in Canada and the United States supported by more than 2,200 skilled and motivated employees who play a vital role in our success. Algonquin is also active in international infrastructure development and operations through its AAGES joint venture and its 41.5% equity interest in Atlantica Yield plc (NASDAQ: AY).

With our strong, diversified and growing presence in communities across the U.S., Canada, and internationally, we are continually demonstrating our commitment to thinking globally and acting locally.

Algonquin Power & Utilities Corp.

AlgonquinPowerandUtilities.com TSX/NYSE: **AQN**

FORWARD-LOOKING INFORMATION

This document may contain statements that constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities legislation (collectively, “forward-looking information”). The words “anticipates”, “believes”, “budget”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specific forward-looking information in this document includes, but is not limited to: expected future growth and results of operations; ongoing and planned acquisitions, projects and initiatives, expectations regarding international developments and operations; expectations and plans with respect to current and planned capital projects; and expectations regarding the future growth and results of operations of Atlantica Yield plc. Readers are advised that all forward-looking information in this document is provided subject to the cautionary statement regarding forward-looking information, which is found in Management’s Discussion & Analysis section of this Annual Report beginning at page 1.

All monetary amounts are in thousands of U.S. dollars, except where otherwise noted.

Management Discussion & Analysis

Management of Algonquin Power & Utilities Corp. ("APUC" or the "Company" or the "Corporation") has prepared the following discussion and analysis to provide information to assist its shareholders' understanding of the financial results for the three months ended March 31, 2019. This Management Discussion & Analysis ("MD&A") should be read in conjunction with APUC's unaudited consolidated financial statements for the three months ended March 31, 2019 and 2018. This MD&A should also be read in conjunction with APUC's audited consolidated financial statements for the years ended December 31, 2018 and 2017. This material is available on SEDAR at www.sedar.com, on EDGAR at www.sec.gov/edgar, and on the APUC website at www.AlgonquinPowerandUtilities.com. Additional information about APUC, including the most recent Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.

Unless otherwise indicated, financial information provided for the quarters ended March 31, 2019 and 2018 has been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). As a result, the Company's financial information may not be comparable with financial information of other Canadian companies that provide financial information on another basis.

All monetary amounts are in thousands of U.S. dollars, except where otherwise noted. We denote any amounts denominated in Canadian dollars with "C$" immediately prior to the stated amount.

This MD&A is based on information available to management as of May 9, 2019.

Caution Concerning Forward-looking Statements, Forward-looking Information and Non-GAAP Measures

Forward-looking Statements and Forward-Looking Information

This document may contain statements that constitute "forward-looking information" within the meaning of applicable securities laws in each of the provinces of Canada and the respective policies, regulations and rules under such laws or "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking information"). The words "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specific forward-looking information in this document includes, but is not limited to, statements relating to: expected future growth and results of operations; liquidity, capital resources and operational requirements; rate reviews, including resulting decisions and rates and expected impacts and timing; sources of funding, including adequacy and availability of credit facilities, debt maturation and future borrowings; expectations regarding the use of proceeds from equity financing, including the ATM Program (as defined herein); ongoing and planned acquisitions, projects and initiatives, including expectations regarding costs, financing, results and completion dates; expectations regarding the Company's corporate development activities and the results thereof; expectations regarding the cost of operations, capital spending and maintenance, and the variability of those costs; expected future capital investments, including expected timing, investment plans, sources of funds and impacts; expectations regarding generation availability, capacity and production; expectations regarding the outcome of existing or potential legal and contractual claims and disputes; expectations regarding the ability to access the capital market on reasonable terms; strategy and goals; contractual obligations and other commercial commitments; environmental liabilities; dividends to shareholders; expectations regarding the maturity and redemption of APUC's outstanding Subordinated Notes; expectations regarding the impact of tax reforms; expectations regarding the closing of APUC's subscription for 1,384,402 shares of Atlantica; credit ratings; anticipated growth and emerging opportunities in APUC's target markets; accounting estimates; interest rates; currency exchange rates; and commodity prices. All forward-looking information is given pursuant to the "safe harbor" provisions of applicable securities legislation.

The forecasts and projections that make up the forward-looking information contained herein are based on certain factors or assumptions which include, but are not limited to: the receipt of applicable regulatory approvals and requested rate decisions; the absence of material adverse regulatory decisions being received and the expectation of regulatory stability; the absence of any material equipment breakdown or failure; availability of financing on commercially reasonable terms and the stability of credit ratings of the Corporation and its subsidiaries; the absence of unexpected material liabilities or uninsured losses; the continued availability of commodity supplies and stability of commodity prices; the absence of sustained interest rate increases or significant currency exchange rate fluctuations; the absence of significant operational disruptions or liability due to natural disasters or catastrophic events; the continued ability to maintain systems and facilities to ensure their continued performance; the absence of a severe and prolonged downturn in general economic, credit, social and market conditions; the successful and timely development and construction of new projects; the absence of material capital project or financing cost overruns; sufficient liquidity and capital resources; the continuation of observed weather patterns and trends; the absence of significant counterparty defaults; the continued competitiveness of electricity pricing when compared with alternative sources of energy; the realization of the anticipated benefits of the Corporation's acquisitions and joint ventures; the absence of a material change in political conditions or public policies and directions by governments materially negatively affecting the Corporation; the ability to obtain and maintain licenses and permits; the absence of a material decrease in market energy prices; the absence of material disputes with taxation authorities or changes to applicable tax laws; continued maintenance of information technology infrastructure and the absence of a material breach of cyber security; favourable relations with external stakeholders; and favourable labour relations.

The forward-looking information contained herein is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ materially from current expectations include, but are not limited to: changes in general economic, credit, social and market conditions; changes in customer energy usage patterns and energy demand; global climate change; the incurrence of environmental liabilities; natural disasters and other catastrophic events; the failure of information technology infrastructure and cybersecurity; the loss of key personnel and/or labour disruptions; seasonal fluctuations and variability in weather conditions and natural resource availability; reductions in demand for electricity, gas and water due to developments in technology; reliance on transmission systems owned and operated by third parties; issues arising with respect to land use rights and access to the Corporation's facilities; critical equipment breakdown or failure; terrorist attacks; fluctuations in commodity prices; capital expenditures; reliance on subsidiaries; the incurrence of an uninsured loss; a credit rating downgrade; an increase in financing costs or limits on access to credit and capital markets; sustained increases in interest rates; currency exchange rate fluctuations; restricted financial flexibility due to covenants in existing credit agreements; an inability to refinance maturing debt on commercially reasonable terms; disputes with taxation authorities or changes to applicable tax laws; failure to identify, acquire or develop appropriate projects to maximize the value of production tax credit qualified equipment; requirement for greater than expected contributions to post-employment benefit plans; default by a counterparty; inaccurate assumptions, judgments and/or estimates with respect to asset retirement obligations; failure to maintain required regulatory authorizations; changes to health and safety laws, regulations or permit requirements; failure to comply with and/or changes to environmental laws, regulations and other standards; compliance with new foreign laws or regulations; failure to identify attractive acquisition or development candidates necessary to pursue the Corporation's growth strategy; delays and cost overruns in the design and construction of projects; loss of key customers; failure to realize the anticipated benefits of acquisitions or joint ventures; Atlantica (as defined herein) or the Corporation's joint venture with Abengoa (as defined herein) acting in a manner contrary to the Corporation's interests; a drop in the market value of Atlantica's ordinary shares; facilities being condemned or otherwise taken by governmental entities; increased external stakeholder activism adverse to the Corporation's interests; and fluctuations in the price and liquidity of the Corporation's common shares. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Some of these and other factors are discussed in more detail under the heading "*Enterprise Risk Management*" and in the Corporation's most recent AIF.

Forward-looking information contained herein is made as of the date of this document and based on the plans, beliefs, estimates, projections, expectations, opinions and assumptions of management on the date hereof. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Corporation's views to change, the Corporation disclaims any obligation to update any forward-looking information or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by law. All forward-looking information contained herein is qualified by these cautionary statements.

Non-GAAP Financial Measures

The terms “Adjusted Net Earnings”, “Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization” (“Adjusted EBITDA”), “Adjusted Funds from Operations”, "Net Energy Sales", "Net Utility Sales" and "Divisional Operating Profit" are used throughout this MD&A. The terms “Adjusted Net Earnings”, “Adjusted Funds from Operations”, "Adjusted EBITDA", "Net Energy Sales", "Net Utility Sales" and "Divisional Operating Profit" are not recognized measures under U.S. GAAP. There is no standardized measure of “Adjusted Net Earnings”, "Adjusted EBITDA", “Adjusted Funds from Operations”, "Net Energy Sales", "Net Utility Sales", and "Divisional Operating Profit"; consequently, APUC’s method of calculating these measures may differ from methods used by other companies and therefore may not be comparable to similar measures presented by other companies. A calculation and analysis of “Adjusted Net Earnings”, "Adjusted EBITDA", “Adjusted Funds from Operations”, "Net Energy Sales", "Net Utility Sales", and "Divisional Operating Profit" can be found throughout this MD&A.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure used by many investors to compare companies on the basis of ability to generate cash from operations. APUC uses these calculations to monitor the amount of cash generated by APUC as compared to the amount of dividends paid by APUC. APUC uses Adjusted EBITDA to assess the operating performance of APUC without the effects of (as applicable): depreciation and amortization expense, income tax expense or recoveries, acquisition costs, litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, earnings attributable to non-controlling interests, non-service pension and post-employment costs, cost related to tax equity financing, gain or loss on foreign exchange, earnings or loss from discontinued operations, changes in value of investments carried at fair value, and other typically non-recurring items. APUC adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the Company. APUC believes that presentation of this measure will enhance an investor’s understanding of APUC’s operating performance. Adjusted EBITDA is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items.

Adjusted Net Earnings

Adjusted Net Earnings is a non-GAAP measure used by many investors to compare net earnings from operations without the effects of certain volatile primarily non-cash items that generally have no current economic impact or items such as acquisition expenses or litigation expenses that are viewed as not directly related to a company’s operating performance. APUC uses Adjusted Net Earnings to assess its performance without the effects of (as applicable): gains or losses on foreign exchange, foreign exchange forward contracts, interest rate swaps, acquisition costs, one-time costs of arranging tax equity financing, litigation expenses and write down of intangibles and property, plant and equipment, earnings or loss from discontinued operations, unrealized mark-to-market revaluation impacts, changes in value of investments carried at fair value, and other typically non-recurring items as these are not reflective of the performance of the underlying business of APUC. APUC believes that analysis and presentation of net earnings or loss on this basis will enhance an investor’s understanding of the operating performance of its businesses. Adjusted Net Earnings is not intended to be representative of net earnings or loss determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items.

Adjusted Funds from Operations

Adjusted Funds from Operations is a non-GAAP measure used by investors to compare cash flows from operating activities without the effects of certain volatile items that generally have no current economic impact or items such as acquisition expenses that are viewed as not directly related to a company’s operating performance. APUC uses Adjusted Funds from Operations to assess its performance without the effects of (as applicable): changes in working capital balances, acquisition expenses, litigation expenses, cash provided by or used in discontinued operations and other typically non-recurring items affecting cash from operations as these are not reflective of the long-term performance of the underlying businesses of APUC. APUC believes that analysis and presentation of funds from operations on this basis will enhance an investor’s understanding of the operating performance of its businesses. Adjusted Funds from Operations is not intended to be representative of cash flows from operating activities as determined in accordance with U.S. GAAP, and can be impacted positively or negatively by these items.

Net Energy Sales

Net Energy Sales is a non-GAAP measure used by investors to identify revenue after commodity costs used to generate revenue where such revenue generally increases or decreases in response to increases or decreases in the cost of the commodity used to produce that revenue. APUC uses Net Energy Sales to assess its revenues without the effects of fluctuating commodity costs as such costs are predominantly passed through either directly or indirectly in the rates that are charged to customers. APUC believes that analysis and presentation of Net Energy Sales on this basis will enhance an investor's understanding of the revenue generation of its businesses. It is not intended to be representative of revenue as determined in accordance with U.S. GAAP.

Net Utility Sales

Net Utility Sales is a non-GAAP measure used by investors to identify utility revenue after commodity costs, either natural gas or electricity, where these commodity costs are generally included as a pass through in rates to its utility customers. APUC uses Net Utility Sales to assess its utility revenues without the effects of fluctuating commodity costs as such costs are predominantly passed through and paid for by utility customers. APUC believes that analysis and presentation of Net Utility Sales on this basis will enhance an investor's understanding of the revenue generation of its utility businesses. It is not intended to be representative of revenue as determined in accordance with U.S. GAAP.

Divisional Operating Profit

Divisional Operating Profit is a non-GAAP measure. APUC uses Divisional Operating Profit to assess the operating performance of its business groups without the effects of (as applicable): depreciation and amortization expense, corporate administrative expenses, income tax expense or recoveries, acquisition costs, litigation expenses, interest expense, gain or loss on derivative financial instruments, write down of intangibles and property, plant and equipment, gain or loss on foreign exchange, earnings or loss from discontinued operations, non-service pension and post-employment costs, and other typically non-recurring items. APUC adjusts for these factors as they may be non-cash, unusual in nature and are not factors used by management for evaluating the operating performance of the divisional units. Divisional Operating Profit is calculated inclusive of interest, dividend and equity income earned from indirect investments, and Hypothetical Liquidation at Book Value ("HLBV") income, which represents the value of net tax attributes earned in the period from electricity generated by certain of its U.S. wind power and U.S. solar generation facilities. APUC believes that presentation of this measure will enhance an investor's understanding of APUC's divisional operating performance. Divisional Operating Profit is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with U.S. GAAP.

Capitalized terms used herein and not otherwise defined will have the meanings assigned to them in the Company's most recent AIF.

Overview and Business Strategy

APUC is incorporated under the *Canada Business Corporations Act*. APUC owns and operates a diversified portfolio of regulated and non-regulated generation, distribution, and transmission utility assets which are expected to deliver predictable earnings and cash flows. APUC seeks to maximize total shareholder value through real per share growth in earnings and cash flows to support a growing dividend and share price appreciation.

APUC's current quarterly dividend to shareholders is $0.1410 per common share or $0.5640 per common share per annum. Based on exchange rates as at May 8, 2019, the quarterly dividend is equivalent to C$0.1899 per common share or C$0.7596 per common share per annum. APUC believes its annual dividend payout allows for both an immediate return on investment for shareholders and retention of sufficient cash within APUC to fund growth opportunities. Changes in the level of dividends paid by APUC are at the discretion of the APUC Board of Directors (the "Board"), with dividend levels being reviewed periodically by the Board in the context of APUC's financial performance and growth prospects.

APUC's operations are organized across two primary North American business units consisting of: the Liberty Utilities Group, which primarily owns and operates a portfolio of regulated electric, natural gas, water distribution and wastewater collection utility systems, and transmission operations; and the Liberty Power Group, which owns and operates a diversified portfolio of non-regulated renewable and thermal electric generation assets. APUC also currently owns a 41.5% beneficial stake in Atlantica Yield plc (NASDAQ: AY) ("Atlantica"), a company that acquires, owns, and manages a diversified international portfolio of contracted renewable energy, power generation, electric transmission, and water assets. The investment in Atlantica is reported under the Liberty Power Group.

Liberty Utilities Group

The Liberty Utilities Group operates a diversified portfolio of regulated utility systems throughout the United States serving approximately 770,000 connections. The Liberty Utilities Group seeks to provide safe, high quality, and reliable services to its customers and to deliver stable and predictable earnings to APUC. In addition to encouraging and supporting organic growth within its service territories, the Liberty Utilities Group seeks to deliver continued growth in earnings through accretive acquisitions of additional utility systems.

The Liberty Utilities Group's regulated electrical distribution utility systems and related generation assets are located in the States of California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas which together serve approximately 266,000 electric connections. The group also owns and manages generating assets with a gross capacity of approximately 1.7 GW and has investments in generating assets with approximately 0.3 GW of net generation capacity.

The Liberty Utilities Group's regulated natural gas distribution utility systems are located in the States of Georgia, Illinois, Iowa, Massachusetts, New Hampshire, and Missouri which together serve approximately 339,000 natural gas connections.

The Liberty Utilities Group's regulated water distribution and wastewater collection utility systems are located in the States of Arizona, Arkansas, California, Illinois, Missouri, and Texas which together serve approximately 165,000 connections.

Liberty Power Group

The Liberty Power Group generates and sells electrical energy produced by its diverse portfolio of non-regulated renewable power generation and clean power generation facilities located across North America. The Liberty Power Group seeks to deliver continuing growth through development of new greenfield power generation projects and accretive acquisitions of additional electrical energy generation facilities.

The Liberty Power Group owns and operates hydroelectric, wind, solar, and thermal facilities with a combined gross generating capacity of approximately 1.5 GW. Approximately 86% of the electrical output is sold pursuant to long term contractual arrangements which as of March 31, 2019 had a production-weighted average remaining contract life of approximately 14 years.

APUC currently has a 41.5% interest in Atlantica. Atlantica owns and operates a portfolio of international clean energy and water infrastructure assets under long term contracts with a Cash Available for Distribution ("CAFD") weighted average remaining contract life of approximately 18 years as of December 31, 2018.

Corporate Development

The Company's development activities for projects either owned directly by the Company or indirectly through AAGES entities are undertaken primarily by Abengoa-Algonquin Global Energy Solutions ("AAGES"), a joint venture with Abengoa S.A (MC: ABG) ("Abengoa"), an international infrastructure construction company. AAGES and its affiliates work with a global reach to identify, develop, and construct new renewable power generating facilities, power transmission lines, and water infrastructure assets. Once a project developed by AAGES has reached commercial operations ("COD"), APUC will work with AAGES to jointly determine whether it will be optimal for such project to be held by APUC, remain in AAGES, or be offered for sale to Atlantica or, in limited circumstances, another party.

2019 Major Highlights

Corporate Highlights

Operating Results

APUC operating results relative to the same period last year are as follows:

(all dollar amounts in $ millions except per share information)	Three Months Ended March 31 2019	2018	Change
Net earnings attributable to shareholders	**$86.4**	$17.6	**391%**
Adjusted Net Earnings[1]	**$93.8**	$141.0	**(33)%**
Adjusted EBITDA[1]	**$231.5**	$279.6	**(17)%**
Net earnings per common share	**$0.17**	$0.04	**325%**
Adjusted Net Earnings per common share[1]	**$0.19**	$0.32	**(41)%**

1 See *Non-GAAP Financial Measures*.

Annual dividend increased from $0.5128 to $0.5640 and Declaration of 2019 Second Quarter Dividend of $0.1410 (C$0.1899) per Common Share

APUC currently targets an industry leading annual growth in dividends payable to shareholders underpinned by increases in earnings and cashflow. In setting the appropriate dividend level, the Board of APUC considers the Company's current and expected growth in earnings per share as well as dividend payout ratio as a percentage of earnings per share and cash flow per share.

On May 9, 2019, APUC announced that the Board of APUC approved an increase in the dividend to $0.1410 per quarter, $0.5640 annually, and declared a second quarter 2019 dividend of $0.1410 per common share payable on July 15, 2019 to shareholders of record on June 28, 2019. Based on the Bank of Canada exchange rate on May 8, 2019, the Canadian dollar equivalent for the second quarter 2019 dividend is set at C$0.1899 per common share.

The previous four quarter equivalent Canadian dollar dividends per common share have been as follows:

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Total
U.S. dollar dividend	$0.1282	$0.1282	$0.1282	$0.1410	$0.5256
Canadian dollar equivalent	$0.1673	$0.1679	$0.1685	$0.1899	$0.6936

Liberty Utilities Group Highlights

Acquisition of Ownership Interest in Wataynikaneyap Power Transmission Project

On January 17, 2019, the Liberty Utilities Group acquired from Fortis Inc. a 9.8% ownership interest in an electricity transmission project located in Northwestern Ontario (the "Wataynikaneyap Power Transmission Project") that is expected to connect 17 remote First Nation communities to the Ontario provincial electricity grid through the construction of approximately 1,800 km of transmission lines. In addition to providing participating First Nations communities ownership in the transmission line, the Wataynikaneyap Power Transmission Project is expected to result in socio-economic benefits for surrounding communities, reduce environmental risk, and lessen greenhouse gas emissions associated with diesel-fired generation currently used in the area.

In April 2019 the Ontario Energy Board approved the leave-to-construct application. The project's next significant milestones include environmental assessment approvals, selection of engineering, procurement and construction contracts, and the finalization of financing.

Liberty Power Group Highlights

Issuance of Green Bonds

On January 29, 2019, the Liberty Power Group issued C$300.0 million of senior unsecured debentures bearing interest at 4.60% and with a maturity date of January 29, 2029. The debentures represent Liberty Power Group's inaugural "green bond" offering (see *Long Term Debt*).

2019 First Quarter Results From Operations

Key Financial Information (all dollar amounts in $ millions except per share information)	Three Months Ended March 31	
	2019	**2018**
Revenue	**$ 477.2**	$ 494.8
Net earnings attributable to shareholders	**86.4**	17.6
Cash provided by operating activities	**122.1**	97.0
Adjusted Net Earnings[1]	**93.8**	141.0
Adjusted EBITDA[1]	**231.5**	279.6
Adjusted Funds from Operations[1]	**173.5**	179.9
Dividends declared to common shareholders	**63.3**	50.6
Weighted average number of common shares outstanding	**490,538,243**	432,821,235
Per share		
Basic net earnings	**$ 0.17**	$ 0.04
Diluted net earnings	**$ 0.17**	$ 0.04
Adjusted Net Earnings[1,2]	**$ 0.19**	$ 0.32
Dividends declared to common shareholders	**$ 0.13**	$ 0.12

1 See *Non-GAAP Financial Measures.*

2 APUC uses per share Adjusted Net Earnings to enhance assessment and understanding of the performance of APUC.

For the three months ended March 31, 2019, APUC experienced an average exchange rate of Canadian to U.S. dollar of approximately 0.7523 as compared to 0.7906 in the same period in 2018. As such, any quarter over quarter variance in revenue or expenses, in local currency, at any of APUC's Canadian entities is affected by a change in the average exchange rate upon conversion to APUC's reporting currency.

For the three months ended March 31, 2019, APUC reported total revenue of $477.2 million as compared to $494.8 million during the same period in 2018, a decrease of $17.6 million. The major factors resulting in the decrease in APUC revenue in the three months ended March 31, 2019 as compared to the corresponding period in 2018 are set out as follows:

(all dollar amounts in $ millions)	Three Months Ended March 31
Comparative Prior Period Revenue	**$ 494.8**
LIBERTY UTILITIES GROUP	
Existing Facilities	
Electricity: Decrease is primarily due to lower pass-through commodity costs at the Calpeco and Empire Electric Systems, partially offset by higher consumption at the Empire Electric System.	(2.7)
Gas: Decrease is primarily due to lower pass-through commodity costs at the Midstates, EnergyNorth, New England and Empire Gas Systems.	(9.7)
Water: Decrease is primarily due to lower pass-through commodity costs at the Park Water System.	(0.6)
Other	0.2
	(12.8)
Rate Reviews	
Electricity: Implementation of lower rates at Empire and Granite State Electric Systems due to the Tax Cuts and Jobs Act ("U.S. Tax Reform").	(5.0)
Gas: Implementation of new rates, net of U.S. Tax Reform impact, primarily at the Midstates and EnergyNorth Gas Systems, partially offset by lower rates at the Empire Gas System due to U.S. Tax Reform.	4.8
Water: Implementation of lower rates at the Park Water Systems due to U.S. Tax Reform, partially offset by new rates, net of U.S. Tax Reform impact, at the Arizona Water System.	(0.3)
	(0.5)
LIBERTY POWER GROUP	
Existing Facilities	
Hydro: Decrease is primarily due to lower production at the Ontario and Quebec Regions, partially offset by favourable rates in the Maritimes Region.	(0.2)
Wind Canada: Increase is primarily due to higher production at the St. Damase Wind Facility and a favourable rate mix at the St. Leon Wind Facility, partially offset by lower production.	0.5
Wind U.S.: Decrease is primarily due to lower overall production.	(4.3)
Solar Canada: Increase is primarily due to higher production.	0.3
Solar U.S.: Decrease is primarily due to lower production.	(0.1)
Thermal: Decrease is primarily due to lower overall production, partially offset by higher capacity revenue at the Windsor Locks Thermal Facility.	(1.2)
Other	0.2
	(4.8)
New Facilities	
Solar US: The Great Bay Solar Facility achieved full COD in March 2018.	1.5
	1.5
Foreign Exchange	**(1.0)**
Current Period Revenue	**$ 477.2**

A more detailed discussion of these factors is presented within the business unit analysis.

For the three months ended March 31, 2019, net earnings attributable to shareholders totaled $86.4 million as compared to $17.6 million during the same period in 2018, an increase of $68.8 million or 390.9%. The increase was due to a $111.2 million reduction in the change in fair value of the investment in Atlantica which is carried at fair value on the Company's balance sheet, $14.6 million increase in interest, dividend, equity, and other income primarily from the investment in Atlantica, $5.7 million decrease in acquisition related costs, $0.7 million increase in foreign exchange gain, and a $18.3 million decrease in income tax expense (tax explanations are discussed in *APUC: Corporate and Other Expenses).* These items were partially offset by a $2.0 million decrease in earnings from operating facilities, $7.1 million increase in interest expense, $0.5 million increase in administration charges, $2.4 million increase in depreciation and amortization expenses, $1.8 million decrease in other gains, $0.1 million increase in losses from derivative instruments, $0.9 million increase in pension and post-employment non-service costs, and a $66.9 million decrease in net effect of non-controlling interests as compared to the same period in 2018.

During the three months ended March 31, 2019, cash provided by operating activities totaled $122.1 million as compared to $97.0 million during the same period in 2018. During the three months ended March 31, 2019, Adjusted Funds from Operations totaled $173.5 million as compared to $179.9 million during the same period in 2018 (see *Non-GAAP Financial Measures*).

During the three months ended March 31, 2019, Adjusted EBITDA totaled $231.5 million as compared to $279.6 million during the same period in 2018, a decrease of $48.1 million or 17.2%. A more detailed analysis of these factors is presented within the reconciliation of Adjusted EBITDA to net earnings set out below (see *Non-GAAP Financial Measures*).

2019 Adjusted EBITDA Summary

Adjusted EBITDA (see *Non-GAAP Financial Measures*) for the three months ended March 31, 2019 totaled $231.5 million as compared to $279.6 million during the same period in 2018, a decrease of $48.1 million or 17.2%. In the first quarter of 2018, APUC recorded a one-time acceleration of HLBV income of $55.9 million. Excluding this adjustment, Adjusted EBITDA increased by $7.8 million year over year. The breakdown of Adjusted EBITDA by the Company's main operating segments and a summary of changes are shown below.

Adjusted EBITDA by business units	**Three months ended March 31**	
(all dollar amounts in $ millions)	**2019**	**2018**
Liberty Utilities Group Operating Profit	**$ 161.2**	$ 161.3
Liberty Power Group Operating Profit	**83.1**	130.5
Administrative Expenses	**(13.1)**	(12.6)
Other Income & Expenses	**$ 0.3**	$ 0.4
Total Algonquin Power & Utilities Adjusted EBITDA	**$ 231.5**	$ 279.6
Change in Adjusted EBITDA ($)	$ (48.1)	
Change in Adjusted EBITDA (%)	(17.2)%	

Change in Adjusted EBITDA

(all dollar amounts in $ millions)	**Utilities**	**Power**	**Corporate**	**Total**
Prior period balances	**$ 161.3**	**$ 130.5**	**$ (12.2)**	**$ 279.6**
Existing Facilities	0.4	(65.7) [1]	(0.1)	(65.4)
New Facilities	—	19.1	—	19.1
Rate Reviews	(0.5)	—	—	(0.5)
Foreign Exchange Impact	—	(0.8)	—	(0.8)
Administration Expenses	—	—	(0.5)	(0.5)
Total change during the period	**$ (0.1)**	**$ (47.4)**	**$ (0.6)**	**$ (48.1)**
Current Period Balances	**$ 161.2**	**$ 83.1**	**$ (12.8)**	**$ 231.5**

[1] Includes a one-time acceleration of HLBV income of $55.9 million recorded in the first quarter of 2018 due to U.S. Tax Reform.

LIBERTY UTILITIES GROUP

The Liberty Utilities Group operates rate-regulated utilities that provide distribution services to approximately 770,000 connections in the natural gas, electric, water and wastewater sectors which is an increase of 7,000 connections as compared to the prior year resulting primarily from small acquisitions as well as organic growth in the Liberty Utilities Group's service territories. The Liberty Utilities Group's strategy is to grow its business organically and through business development activities while using prudent acquisition criteria. The Liberty Utilities Group believes that its business results are maximized by building constructive regulatory and customer relationships, and enhancing connections in the communities in which it operates.

Utility System Type

	As at March 31			
	2019		2018	
(all dollar amounts in $ millions)	Assets	Total Connections[1]	Assets	Total Connections[1]
Electricity	**$ 2,592.9**	**266,000**	$ 2,410.1	265,000
Natural Gas	**1,066.1**	**339,000**	976.3	337,000
Water and Wastewater	**487.5**	**165,000**	460.0	161,000
Total	**$ 4,146.5**	**770,000**	$ 3,846.4	763,000
Accumulated Deferred Income Taxes Liability	**$ 459.0**		$ 410.8	

[1] Total Connections represents the sum of all active and vacant connections.

The Liberty Utilities Group aggregates the performance of its utility operations by utility system type – electricity, natural gas, and water and wastewater systems.

The electric distribution systems are comprised of regulated electrical distribution utility systems and serve approximately 266,000 connections in the states of California, New Hampshire, Missouri, Kansas, Oklahoma, and Arkansas.

The natural gas distribution systems are comprised of regulated natural gas distribution utility systems and serve approximately 339,000 connections located in the states of New Hampshire, Illinois, Iowa, Missouri, Georgia, and Massachusetts.

The water and wastewater distribution systems are comprised of regulated water distribution and wastewater collection utility systems and serve approximately 165,000 connections located in the states of Arkansas, Arizona, California, Illinois, Missouri, and Texas. Approximately 4,000 new customers were added from acquisitions of small water utilities compared to the previous year.

2019 First Quarter Usage Results

Electric Distribution Systems

	Three Months Ended March 31	
	2019	2018
Average Active Electric Connections For The Period		
Residential	**226,900**	224,500
Commercial and Industrial	**37,900**	37,700
Total Average Active Electric Connections For The Period	**264,800**	262,200
Customer Usage (GW-hrs)		
Residential	**754.7**	703.7
Commercial and Industrial	**955.0**	936.4
Total Customer Usage (GW-hrs)	**1,709.7**	1,640.1

For the three months ended March 31, 2019, the electric distribution systems' usage totaled 1,709.7 GW-hrs as compared to 1,640.1 GW-hrs for the same period in 2018, an increase of 69.6 GW-hrs or 4.2%, primarily due to higher heating degree days at the Empire Electric System.

Natural Gas Distribution Systems

	Three Months Ended March 31	
	2019	2018
Average Active Natural Gas Connections For The Period		
Residential	**293,700**	292,300
Commercial and industrial	**32,600**	32,200
Total Average Active Natural Gas Connections For The Period	**326,300**	324,500
Customer Usage (MMBTU)		
Residential	**9,935,000**	9,410,000
Commercial and industrial	**6,055,000**	6,150,000
Total Customer Usage (MMBTU)	**15,990,000**	15,560,000

For the three months ended March 31, 2019, usage at the natural gas distribution systems totaled 15,990,000 MMBTU as compared to 15,560,000 MMBTU during the same period in 2018, an increase of 430,000 MMBTU, or 2.8%. The increase is primarily due to higher heating degree days at the Midstates, EnergyNorth, New England and Empire Gas Systems.

Water and Wastewater Distribution Systems

	Three Months Ended March 31	
	2019	2018
Average Active Connections For The Period		
Wastewater connections	**43,300**	41,800
Water distribution connections	**114,000**	112,600
Total Average Active Connections For The Period	**157,300**	154,400
Gallons Provided		
Wastewater treated (millions of gallons)	**620**	568
Water provided (millions of gallons)	**2,851**	3,491
Total Gallons Provided	**3,471**	4,059

During the three months ended March 31, 2019, the water and wastewater distribution systems provided approximately 2,851 million gallons of water to its customers and treated approximately 620 million gallons of wastewater as compared to 3,491 million gallons of water provided and 568 million gallons of wastewater treated during the same period in 2018.

2019 Liberty Utilities Group Operating Results

	Three Months Ended March 31	
	2019	**2018**
Revenue		
Utility electricity sales and distribution	**$ 205.1**	$ 212.7
Less: cost of sales – electricity	**(69.6)**	(70.9)
Net Utility Sales - electricity[1]	**135.5**	141.8
Utility natural gas sales and distribution	**164.9**	171.1
Less: cost of sales – natural gas	**(79.6)**	(90.4)
Net Utility Sales - natural gas[1]	**85.3**	80.7
Utility water distribution & wastewater treatment sales and distribution	**26.8**	27.6
Less: cost of sales – water	**(1.5)**	(2.0)
Net Utility Sales - water distribution & wastewater treatment[1]	**25.3**	25.6
Gas transportation	**12.4**	11.2
Other revenue	**1.9**	1.7
Net Utility Sales[1]	**260.4**	261.0
Operating expenses	**(102.0)**	(102.5)
Other income	**1.3**	1.4
HLBV[2]	**1.5**	1.4
Divisional Operating Profit[1,3]	**$ 161.2**	$ 161.3

1 See *Non-GAAP Financial Measures.*

2 HLBV income represents the value of net tax attributes monetized by the Liberty Utilities Group in the period at the Luning Solar Facility.

3 Certain prior year items have been reclassified to conform with current year presentation.

2019 First Quarter Operating Results

For the three months ended March 31, 2019, the Liberty Utilities Group reported an operating profit (excluding corporate administration expenses) of $161.2 million as compared to $161.3 million for the comparable period in the prior year.

Highlights of the changes are summarized in the following table:

(all dollar amounts in $ millions)		Three Months Ended March 31
Prior Period Operating Profit	$	**161.3**
Existing Facilities		
Electricity: Decrease is primarily due to lower revenues at the Empire Electric System and higher operating costs at the Calpeco Electric System.		(2.1)
Gas: Increase is primarily due to higher revenue at the Peach State Gas System and lower operating costs at the New England and Empire Gas Systems.		1.9
Water: Increase is primarily due to operating cost savings at the Arizona and Park Water Systems.		0.7
Other		(0.1)
		0.4
Rate Reviews		
Electricity: Implementation of lower rates at Empire and Granite State Electric Systems due to U.S. Tax Reform.		(5.0)
Gas: Implementation of new rates, net of U.S. Tax Reform impact, primarily at the Midstates and EnergyNorth Gas Systems, partially offset by lower rates at the Empire Gas System due to U.S. Tax Reform.		4.8
Water: Implementation of lower rates at the Park Water Systems due to U.S. Tax Reform, partially offset by new rates, net of U.S. Tax Reform impact, at the Arizona Water System.		(0.3)
		(0.5)
Current Period Divisional Operating Profit[1]	$	**161.2**

[1] See *Non-GAAP Financial Measures*.

Regulatory Proceedings

The following table summarizes the major regulatory proceedings currently underway within the Liberty Utilities Group:

Utility	State	Regulatory Proceeding Type	Rate Request (millions)	Current Status
Completed Rate Reviews				
Peach State Gas System	Georgia	GRAM	$2.7	On January 31, 2019, an Order was issued approving an increase in revenue of $2.4 million for rates effective February 1, 2019.
New England Natural Gas System	Massachusetts	GSEP	$3.8	On April 30, 2019, an Order was issued approving an increase in revenue of $3.7 million for rates effective November 1, 2019.
Pending Rate Reviews				
CalPeco Electric	California	GRC	$6.7	On December 3, 2018, filed a three year application requesting a rate increase of $6.7 million for 2019 ($5.9 million for 2020 and $3.8 million for 2021).
Empire Electricity (Kansas System)	Kansas	GRC	$2.5	On December 7, 2018, filed an application requesting an incremental increase in revenue requirement of $2.5 million.
Empire Electricity (Oklahoma System)	Oklahoma	GRC	$2.3	On March 29, 2019, filed an application requesting an incremental increase in revenue requirement of $2.3 million.
Various	Various	Various	$3.9	Other pending rate review requests across four water utilities.

LIBERTY POWER GROUP

2019 Electricity Generation Performance

(Performance in GW-hrs sold)	Long Term Average Resource	Three Months Ended March 31 2019	Three Months Ended March 31 2018
Hydro Facilities:			
Maritime Region	**27.5**	**28.2**	28.1
Quebec Region	**56.0**	**57.7**	62.4
Ontario Region	**38.3**	**29.8**	36.2
Western Region	**9.6**	**9.6**	8.8
	131.4	**125.3**	135.5
Wind Facilities:			
St. Damase	**20.9**	**25.4**	22.5
St. Leon	**121.4**	**111.6**	116.6
Red Lily[1]	**23.2**	**22.3**	24.6
Morse	**30.5**	**24.9**	27.3
Amherst[2]	**65.3**	**66.8**	—
Sandy Ridge	**47.1**	**38.3**	52.7
Minonk	**187.4**	**186.6**	212.1
Senate	**151.3**	**134.7**	141.5
Shady Oaks	**108.2**	**108.0**	114.9
Odell	**230.5**	**196.0**	230.8
Deerfield	**160.4**	**158.7**	183.5
	1,146.2	**1,073.3**	1,126.5
Solar Facilities:			
Cornwall	**2.6**	**3.0**	2.2
Bakersfield	**12.9**	**12.0**	13.2
Great Bay Solar[3]	**31.2**	**28.5**	6.9
	46.7	**43.5**	22.3
Renewable Energy Performance	**1,324.3**	**1,242.1**	1,284.3
Thermal Facilities:			
Windsor Locks	**N/A[4]**	**30.2**	34.4
Sanger	**N/A[4]**	**26.2**	53.3
		56.4	87.7
Total Performance		**1,298.5**	1,372.0

[1] APUC owns a 75% equity interest in the Red Lily Wind Facility but accounts for the facility using the equity method. The production data represents the full energy produced by the facility.

[2] The Amherst Wind Facility achieved COD on June 15, 2018 in accordance with the terms of the PPA, however, the facility was partially operational prior to that date. The production data represents the full energy produced by the facility.

[3] The Great Bay Solar Facility achieved COD on March 29, 2018 in accordance with the terms of the PPA, however, the facility was partially operational prior to that date. The production data represents the full energy produced by the facility.

[4] Natural gas fired co-generation facility.

2019 First Quarter Liberty Power Group Performance

For the three months ended March 31, 2019, the Liberty Power Group generated 1,298.5 GW-hrs of electricity as compared to 1,372.0 GW-hrs during the same period of 2018.

For the three months ended March 31, 2019, the hydro facilities generated 125.3 GW-hrs of electricity as compared to 135.5 GW-hrs produced in the same period in 2018, a decrease of 7.5%. Electricity generated represented 95.4% of long-term average resources ("LTAR") as compared to 103.1% during the same period in 2018.

For the three months ended March 31, 2019, the wind facilities produced 1,073.3 GW-hrs of electricity as compared to 1,126.5 GW-hrs produced in the same period in 2018, a decrease of 4.7%. During the three months ended March 31, 2019, the wind facilities (excluding the Amherst Wind Facility) generated electricity equal to 93.2% of LTAR as compared to 104.3% during the same period in 2018 primarily due to lower wind resource.

For the three months ended March 31, 2019, the solar facilities generated 43.5 GW-hrs of electricity as compared to 22.3 GW-hrs of electricity in the same period in 2018, an increase of 95.1%. The increase in production is primarily due to the addition of the Great Bay Solar Facility which achieved full COD on March 29, 2018. The solar facilities' (excluding the Great Bay Solar Facility) production was 3.2% below its LTAR as compared to 0.6% below in the same period in 2018 primarily due to lower irradiance.

For the three months ended March 31, 2019, the thermal facilities generated 56.4 GW-hrs of electricity as compared to 87.7 GW-hrs of electricity during the same period in 2018. During the same period, the Windsor Locks Thermal Facility generated 165.1 billion lbs of steam as compared to 184.7 billion lbs of steam during the same period in 2018.

2019 Liberty Power Group Operating Results

	Three Months Ended March 31	
(all dollar amounts in $ millions)	**2019**	**2018**
Revenue[1]		
Hydro	**$ 11.0**	$ 11.8
Wind	**39.1**	42.9
Solar	**3.5**	2.0
Thermal	**9.8**	11.2
Total Revenue	**$ 63.4**	$ 67.9
Less:		
Cost of Sales - Energy[2]	**(1.4)**	(1.5)
Cost of Sales - Thermal	**(5.5)**	(7.4)
Realized gain/(loss) on hedges[3]	**(0.2)**	—
Net Energy Sales[7]	**$ 56.3**	$ 59.0
Renewable Energy Credits ("REC")[4]	**2.5**	2.5
Other Revenue	**0.3**	0.1
Total Net Revenue	**$ 59.1**	$ 61.6
Expenses & Other Income		
Operating expenses	**(18.1)**	(18.6)
Interest, dividend, equity and other income[5]	**23.5**	8.8
HLBV income[8]	**18.6**	78.7
Divisional Operating Profit [6,7]	**$ 83.1**	$ 130.5

1 While most of the Liberty Power Group's PPAs include annual rate increases, a change to the weighted average production levels resulting from higher average production from facilities that earn lower energy rates can result in a lower weighted average energy rate earned by the division as compared to the same period in the prior year.

2 Cost of Sales - Energy consists of energy purchases in the Maritime Region to manage the energy sales from the Tinker Hydro Facility which is sold to retail and industrial customers under multi-year contracts.

3 See *Note 20(b)(iv)* in the interim unaudited consolidated financial statements.

4 Qualifying renewable energy projects receive RECs for the generation and delivery of renewable energy to the power grid. The energy credit certificates represent proof that 1 MW-hr of electricity was generated from an eligible energy source.

5 Includes dividends received from Atlantica of which APUC currently owns approximately 41.5% of the ordinary shares (see *Note 6* in the interim unaudited consolidated financial statements).

6 Certain prior year items have been reclassified to conform to current year presentation.

7 See *Non-GAAP Financial Measures*.

[8] **HLBV Income and Production Tax Credits**

HLBV income represents the value of net tax attributes earned by the Liberty Power Group in the period primarily from electricity generated by certain of its U.S. wind and U.S. solar generation facilities.

Production Tax Credits ("PTCs") are earned as wind energy is generated based on a $ per kW-hr rate prescribed in applicable federal and state statutes. For the three months ended March 31, 2019, the Liberty Power Group's eligible facilities generated 714.3 GW-hrs representing approximately $17.1 million in PTCs earned as compared to 820.6 GW-hrs and $19.7 million during the same period in 2018. The majority of the PTCs have been allocated to tax equity investors to monetize the value to APUC of the PTCs and other tax attributes which are being recognized as HLBV income.

2019 First Quarter Operating Results

For the three months ended March 31, 2019, the Liberty Power Group's facilities generated $83.1 million of operating profit as compared to $130.5 million during the same period in 2018, which represents a decrease of $47.4 million or 36.3%, excluding corporate administration expenses.

Highlights of the changes are summarized in the following table:

(all dollar amounts in $ millions)		Three Months Ended March 31
Prior Period Operating Profit	**$**	**130.5**
Existing Facilities		
Hydro: Decrease is primarily due to lower production at the Ontario and Quebec Regions, partially offset by favourable rates in the Maritimes Region.		(0.4)
Wind Canada: Increase is primarily due to higher production at the St. Damase Wind Facility and a favourable rate mix at the St Leon Wind Facility, partially offset by lower production.		0.4
Wind U.S.: Decrease is primarily due to HLBV income acceleration ($54.9 million) resulting from U.S. Tax Reform that was recognized in the prior year and lower overall production.		(66.5)
Solar Canada: Increase is primarily due to higher production.		0.1
Solar U.S.: Decrease is primarily due to HLBV income acceleration ($1.0 million) resulting from U.S. Tax Reform that was recognized in the prior year.		(1.1)
Thermal: Increase is primarily due to lower fuel and operating costs as well as an increase in capacity revenue at the Windsor Locks Thermal Facility, partially offset by lower overall production.		1.2
Other		0.6
		(65.7)
New Facilities and Investments		
Solar U.S.: Great Bay Solar reached full COD in March 2018.		3.7
Wind Canada: Amherst Island Wind Facility interest and equity income received as it achieved COD in June 2018.		5.3
Atlantica & AAGES: Dividends from Atlantica, net of AAGES equity loss.		10.1
		19.1
Foreign Exchange		**(0.8)**
Current Period Divisional Operating Profit[1]	**$**	**83.1**

1 See *Non-GAAP Financial Measures*.

APUC: CORPORATE AND OTHER EXPENSES

(all dollar amounts in $ millions)	Three Months Ended March 31	
	2019	2018
Corporate and other expenses:		
Administrative expenses	**$ 13.1**	$ 12.6
Loss (gain) on foreign exchange	**(0.5)**	0.2
Interest expense	**42.6**	35.5
Depreciation and amortization	**71.0**	68.6
Change in value of investment carried at fair value	**5.8**	117.0
Interest, dividend, equity, and other income[1]	**(0.5)**	(0.5)
Pension and post-employment non-service costs	**1.3**	0.4
Other losses (gains)	**0.6**	(1.2)
Acquisition-related costs, net	**1.9**	7.6
Loss on derivative financial instruments	**0.2**	0.1
Income tax expense	**14.8**	33.1

[1] Excludes income directly pertaining to the Liberty Power and Liberty Utilities Groups (disclosed in the relevant sections).

2019 First Quarter Corporate and Other Expenses

During the three months ended March 31, 2019, administrative expenses totaled $13.1 million as compared to $12.6 million in the same period in 2018.

For the three months ended March 31, 2019, interest expense totaled $42.6 million as compared to $35.5 million in the same period in 2018. The increase is primarily due to the issuance of Subordinated Notes in October 2018.

For the three months ended March 31, 2019, depreciation expense totaled $71.0 million as compared to $68.6 million in the same period in 2018 representing an increase of $2.4 million, due to higher overall Property Plant and Equipment.

For the three months ended March 31, 2019, change in investment carried at fair value totaled $5.8 million as compared to $117.0 million in 2018. The Company records its investment in Atlantica using the fair value method and accordingly any change in the fair value of the investment is recorded in the Statement of Operations (see *Note 6* in the interim unaudited consolidated financial statements).

For the three months ended March 31, 2019, pension and post-employment non-service costs totaled $1.3 million as compared to $0.4 million in 2018.

For the three months ended March 31, 2019, other losses were $0.6 million as compared to other gains of $1.2 million in the same period in 2018. The gain in 2018 was primarily related to the sale of the Company's interest in the Northeast Energy Center LLC Joint Venture.

For the three months ended March 31, 2019, acquisition related costs totaled $1.9 million as compared to $7.6 million in 2018. The costs in 2018 and 2019 are primarily related to the investment in Atlantica.

For the three months ended March 31, 2019, loss on derivative financial instruments totaled $0.2 million as compared to $0.1 million in the same period in 2018.

For the three months ended March 31, 2019, an income tax expense of $14.8 million was recorded as compared to an income tax expense of $33.1 million during the same period in 2018. The decrease in income tax expense is primarily due to higher HLBV earnings in 2018 as a result of U.S. Tax Reform. Also, the Company does not currently record a tax benefit on the life to date change in fair value associated with its investment in Atlantica.

NON-GAAP FINANCIAL MEASURES

Reconciliation of Adjusted EBITDA to Net Earnings

The following table is derived from and should be read in conjunction with the consolidated statement of operations. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted EBITDA and provides additional information related to the operating performance of APUC. Investors are cautioned that this measure should not be construed as an alternative to U.S. GAAP consolidated net earnings.

	Three Months Ended March 31	
(all dollar amounts in $ millions)	2019	2018
Net earnings attributable to shareholders	**$ 86.4**	$ 17.6
Add (deduct):		
Net earnings attributable to the non-controlling interest, exclusive of HLBV	**7.6**	0.7
Income tax expense	**14.8**	33.1
Interest expense on long-term debt and others	**42.6**	35.5
Other losses (gains)	**0.6**	(1.2)
Acquisition-related costs	**1.9**	7.6
Pension and post-employment non-service costs	**1.3**	0.4
Change in value of investment in Atlantica carried at fair value	**5.8**	117.0
Loss on derivative financial instruments	**0.2**	0.1
Realized loss on energy derivative contracts	**(0.2)**	—
Loss (gain) on foreign exchange	**(0.5)**	0.2
Depreciation and amortization	**71.0**	68.6
Adjusted EBITDA	**$ 231.5**	$ 279.6

HLBV represents the value of net tax attributes earned during the period primarily from electricity generated by certain U.S. wind power and U.S. solar generation facilities. HLBV earned in the three months ended March 31, 2019 amounted to $20.1 million as compared to $80.1 million during the same period in 2018. In the first quarter of 2018, a one-time acceleration of HLBV income in the amount of $55.9 million was recorded as a result of U.S. Tax Reform.

Reconciliation of Adjusted Net Earnings to Net Earnings

The following table is derived from and should be read in conjunction with the consolidated statement of operations. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Net Earnings and provides additional information related to the operating performance of APUC. Investors are cautioned that this measure should not be construed as an alternative to consolidated net earnings in accordance with U.S. GAAP.

The following table shows the reconciliation of net earnings to Adjusted Net Earnings exclusive of these items:

(all dollar amounts in $ millions except per share information)	Three Months Ended March 31 2019	2018
Net earnings attributable to shareholders	**$ 86.4**	$ 17.6
Add (deduct):		
Loss on derivative financial instruments	**0.2**	0.1
Realized loss on energy derivative contracts	**(0.2)**	—
Loss (gain) on long-lived assets, net	**0.2**	(1.2)
Loss (gain) on foreign exchange	**(0.5)**	0.2
Acquisition-related costs	**1.9**	7.6
Change in value of investment in Atlantica carried at fair value	**5.8**	117.0
Adjustment for taxes related to above	**—**	(0.3)
Adjusted Net Earnings	**$ 93.8**	$ 141.0
Adjusted Net Earnings per share[1]	**$ 0.19**	$ 0.32

[1] Per share amount calculated after preferred share dividends and excluding subscription receipts issued for projects or acquisitions not reflected in earnings.

For the three months ended March 31, 2019, Adjusted Net Earnings totaled $93.8 million as compared to Adjusted Net Earnings of $141.0 million for the same period in 2018, a decrease of $47.2 million. The decrease is primarily due to a one-time acceleration in HLBV income of $55.9 million in the prior year due to U.S. Tax Reform. Excluding the one-time HLBV acceleration, Adjusted Net Earnings have decreased by $6.5 million year over year.

Reconciliation of Adjusted Funds from Operations to Cash Flows from Operating Activities

The following table is derived from and should be read in conjunction with the consolidated statement of operations and consolidated statement of cash flows. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Funds from Operations and provides additional information related to the operating performance of APUC. Investors are cautioned that this measure should not be construed as an alternative to funds from operations in accordance with U.S. GAAP.

The following table shows the reconciliation of funds from operations to Adjusted Funds from Operations exclusive of these items:

(all dollar amounts in $ millions)	Three Months Ended March 31 2019	2018
Cash flows from operating activities	**$ 122.1**	$ 97.0
Add (deduct):		
Changes in non-cash operating items	**45.9**	63.0
Production based cash contributions from non-controlling interests	**3.6**	11.3
Acquisition-related costs	**1.9**	7.6
Reimbursement of operating expenses incurred on joint venture	**—**	1.0
Adjusted Funds from Operations	**$ 173.5**	$ 179.9

For the three months ended March 31, 2019, Adjusted Funds from Operations totaled $173.5 million as compared to Adjusted Funds from Operations of $179.9 million for the same period in 2018, a decrease of $6.4 million.

CORPORATE DEVELOPMENT ACTIVITIES

The Company's worldwide development activities for projects either owned directly by the Company or indirectly through AAGES entities are undertaken primarily by AAGES, a joint venture formed with Abengoa. AAGES and its affiliates work with a global reach to identify, develop, and construct new renewable power generating facilities, power transmission lines, and water infrastructure assets. Once a project developed by AAGES has reached commercial operation, a determination will be made on whether it will be optimal for such project to be held by APUC, remain in AAGES, or be offered for sale to Atlantica or, in limited circumstances, another party.

The Company has an identified development pipeline of approximately $4.0 billion over the next five years consisting of potential investments of $1.4 billion in North American regulated renewable generation assets, $1.7 billion in North American unregulated renewable generation assets, $0.4 billion in regulated electric and gas transmission assets, and $0.5 billion in international development projects. The projects continue to be advanced in the normal course of business.

The projects identified are at various stages of development and have advanced to a stage where the resolutions to major project uncertainties such as regulatory approvals, land control, economic and contractual issues are probable, but not certain, and it is expected that the project will meet management's risk adjusted return expectations.

For further details on the Company's development projects, please refer to the annual MD&A and the AIF.

Mid-West Wind Development Project

In 2017, the Liberty Utilities Group presented a plan to the necessary public utility commissions for an investment in up to 600 MW of strategically located wind energy generation which is forecast to reduce energy costs for its customers.

On May 9, 2019, the Arkansas Public Service Commission issued its order allowing the commencement of construction of the project. The project is expected to commence construction upon receipt of the approval of the Certificate of Convenience and Necessity in Missouri which is expected in the second quarter of 2019.

Uruguay Transmission Line Project

Subsequent to quarter end, on May 7, 2019, AAGES secured the winning bid for a High Voltage Transmission Line Project in Uruguay (the "Uruguay Project"). The Uruguay Project consists of a 500 kV substation, a 500 kV power transmission line approximately 60 km in length, and a 150 kV power transmission line approximately 20 km in length. The Uruguay Project will be under an operational lease agreement with Administración Nacional de Usinas y Trasmisiones Eléctricas (the national utility owned by the Government of Uruguay, also known as “UTE”), with a leasing period of 30 years for transmission lines and 20 years for the substation from the commencement of COD. The lease agreement grants to the Project a monthly fixed fee denominated in U.S. dollars and indexed to the U.S. consumer price index. UTE has the option to purchase the assets at the end of the leasing term. The project is expected to cost $80.5 million and COD is expected in 2022.

Cooperation with Atlantica

Subsequent to quarter end, on May 9, 2019, APUC has agreed with Atlantica on a framework for evaluating mutually advantageous transactions. APUC also has the flexibility, subject to certain conditions, to increase its ownership of Atlantica to up to 48.5%. As part of this agreement, APUC subscribed for an additional 1,384,402 ordinary shares of Atlantica for an aggregate purchase price of $30.0 million. Closing of the subscription is expected to occur on or about May 16, 2019 and will result in APUC increasing its current ownership of Atlantica to approximately 42.3%.

SUCCESSION PLANNING AND LEADERSHIP DEVELOPMENT

Consistent with APUC’s recognition of the importance of succession planning and leadership development, APUC’s Board of Directors, with the support and active involvement of its Chief Executive Officer and other APUC senior executives, is working to identify potential candidates, and to craft development and transitioning plans, with a view to positioning the organization well for a smooth transition with respect to the appointment of APUC’s next Chief Executive Officer. There are no immediate changes expected from this process. These actions are intended to ensure a seamless transition to the next generation of executive leadership so as to continue the Company’s trajectory of growth and shareholder value creation.

SUMMARY OF PROPERTY, PLANT, AND EQUIPMENT EXPENDITURES[1]

(all dollar amounts in $ millions)	Three Months Ended March 31 2019		2018	
Liberty Utilities Group:				
Rate Base Maintenance	**$**	**48.4**	$	44.7
Rate Base Acquisition		**0.4**		—
Rate Base Growth		**29.5**		24.4
	$	**78.3**	$	69.1
Liberty Power Group:				
Maintenance	**$**	**2.6**	$	3.7
Investment in Capital Projects[1]		**212.5**		33.3
International Investments[2]		**—**		612.6
	$	**215.1**	$	649.6
Total Capital Expenditures	**$**	**293.4**	$	718.7

[1] Includes expenditures on Property Plant & Equipment, equity-method investees, and acquisitions of operating entities that may have been jointly developed by the Company with another third party developer.

[2] Investments in Atlantica are reflected at historical investment cost and not fair value.

2019 First Quarter Property Plant and Equipment Expenditures

During the three months ended March 31, 2019, the Liberty Utilities Group invested $78.3 million in capital expenditures as compared to $69.1 million during the same period in 2018. The Liberty Utilities Group's investment in the first quarter of 2019 was primarily related to construction of transmission and distribution main replacements, work on new and existing substation assets, initiatives relating to the safety and reliability at the electric and gas systems, and the initial investment in the Wataynikaneyap Power Transmission Project.

During the three months ended March 31, 2019, the Liberty Power Group incurred capital expenditures of $215.1 million as compared to $649.6 million during the same period in 2018. Excluding the investment in Atlantica, the Liberty Power Group's investment was $37.0 million in 2018. The Liberty Power Group's investment in the first quarter of 2019 was primarily related to an additional investment in the Amherst Island Wind Facility, development costs for the Sugar Creek and Broad Mountain Wind Projects, and ongoing maintenance capital at existing operating sites.

2019 Capital Investments

Over the course of the 2019 financial year, the Company expects to spend between $1.4 billion and $1.6 billion on capital investment opportunities. Actual expenditures in 2019 may vary due to timing of various project investments and the realized Canadian to U.S. dollar exchange rate.

Ranges of expected capital investment in the 2019 financial year are as follows:

(all dollar amounts in $ millions)			
Liberty Utilities Group:			
Rate Base Maintenance	$ 180.0	-	$ 200.0
Rate Base Growth	280.0	-	320.0
Utility Acquisitions	350.0	-	370.0
Total Liberty Utilities Group:	$ 810.0	-	$ 890.0
Liberty Power Group:			
Maintenance	$ 30.0	-	$ 40.0
Investment in Capital Projects	340.0	-	370.0
International Investments	220.0	-	300.0
Total Liberty Power Group:	$ 590.0	-	$ 710.0
Total 2019 Capital Investments	**$ 1,400.0**	**-**	**$ 1,600.0**

The Liberty Utilities Group intends to invest between $810.0 million - $890.0 million over the course of 2019 in an effort to expand its operations, improve the reliability of its utility systems, and broaden the technologies used to better serve its service areas. Projects entail investments in capital for structural improvements, specifically in relation to refurbishing substations, replacing poles and wires, drilling and equipping aquifers, main replacements, and maintaining reservoir pumping stations. The Liberty Utilities Group also expects to close the acquisitions of New Brunswick Gas, St. Lawrence Gas, and the Turquoise Solar Project in 2019.

The Liberty Power Group intends to invest between $590.0 million - $710.0 million over the course of 2019 to develop and further advance capital projects, primarily in relation to: (i) the purchase of the Amherst Island Wind Project from our joint venture partner which was completed on April 16, 2019, (ii) development of the Sugar Creek Wind and Great Bay II Solar Projects, and (iii) additional international investments. The Liberty Power Group plans to spend $30.0 million - $40.0 million on various operational solar, thermal, and wind assets to maintain safety, maintain regulatory compliance, and pursue operational efficiencies.

The Company expects to fund its 2019 capital plan through a combination of retained cash, tax equity funding, senior and subordinated debentures, bank revolving and term credit facilities, and common equity.

LIQUIDITY AND CAPITAL RESERVES

APUC has revolving credit and letter of credit facilities as well as separate credit facilities for the Liberty Utilities Group and the Liberty Power Group to manage the liquidity and working capital requirements of each division (collectively the "Bank Credit Facilities").

Bank Credit Facilities

The following table sets out the Bank Credit Facilities available to APUC and its operating groups as at March 31, 2019:

	As at March 31, 2019				As at Dec 31, 2018
(all dollar amounts in $ millions)	Corporate	Liberty Utilities	Liberty Power	Total	Total
Committed facilities	$ 123.5	$ 500.0	$ 700.0 [1]	**$ 1,323.5**	$ 1,321.0
Funds drawn on facilities/ Commercial paper issued	(67.9)	(118.0)	—	**(185.9)**	(103.0)
Letters of credit issued	(16.5)	(7.8)	(92.3)	**(116.6)**	(171.1)
Liquidity available under the facilities	**39.1**	**374.2**	**607.7**	**1,021.0**	1,046.9
Cash on hand				**85.3**	46.8
Total Liquidity and Capital Reserves	**$ 39.1**	**$ 374.2**	**$ 607.7**	**$ 1,106.3**	$ 1,093.7

[1] Includes a $200 million uncommitted stand alone letter of credit facility.

As at March 31, 2019, the Company's C$165.0 million senior unsecured revolving credit facility (the "Corporate Credit Facility") had drawn $67.9 million and had $16.5 million of outstanding letters of credit. The Corporate Credit Facility matures on November 19, 2019.

As at March 31, 2019, the Liberty Utilities Group's $500.0 million senior unsecured syndicated revolving credit facility (the "Liberty Credit Facility") had drawn $118.0 million and had $7.8 million in outstanding letters of credit. The Liberty Credit Facility matures on February 23, 2023.

As at March 31, 2019, the Liberty Power Group's bank lines consisted of a $500.0 million senior unsecured syndicated revolving credit facility (the "Liberty Power Credit Facility") maturing on October 6, 2023 and a $200.0 million letter of credit facility ("Liberty Power LC Facility") maturing January 31, 2021. As at March 31, 2019, the Liberty Power Credit Facility was undrawn and a total of $92.3 million of letters of credit were issued under this facility and the standalone Liberty Power LC Facility.

Long Term Debt

Issuance of Green Bonds

On January 29, 2019, the Liberty Power Group issued C$300.0 million of senior unsecured debentures bearing interest at 4.60% and with a maturity date of January 29, 2029. The debentures were sold at a price of $999.52 per $1000.00 principal amount.

The debentures represent Liberty Power Group's inaugural "green bond" offering and are closely aligned with the Company's commitment to advancing a sustainable energy and water future. Under its Green Bond Framework, the proceeds of any "green bond" offering are to be used to finance and/or refinance investments in renewable power generation and clean energy technologies.

Contractual Obligations

Information concerning contractual obligations as of March 31, 2019 is shown below:

(all dollar amounts in $ millions)	Total	Due in less than 1 year	Due in 1 to 3 years	Due in 4 to 5 years	Due after 5 years
Principal repayments on debt obligations[1]	**$ 3,639.0**	$ 403.3	$ 566.3	$ 700.2	$ 1,969.2
Convertible debentures	**0.5**	—	—	—	0.5
Advances in aid of construction	**63.7**	1.2	—	—	62.5
Interest on long-term debt obligations[2]	**1,654.2**	164.9	290.3	231.5	967.5
Purchase obligations	**253.2**	253.2	—	—	—
Environmental obligations	**59.0**	2.3	28.5	6.5	21.7
Derivative financial instruments:					
Cross currency swap	**78.3**	4.7	70.3	2.8	0.5
Energy derivative and commodity contracts	**0.9**	0.4	0.3	—	0.2
Purchased power	**257.8**	24.4	22.1	23.0	188.3
Gas delivery, service and supply agreements	**228.5**	71.5	72.3	42.9	41.8
Service agreements	**509.0**	45.9	76.1	81.9	305.1
Capital projects	**89.3**	79.8	9.5	—	—
Land easements	**202.6**	5.7	11.5	11.8	173.6
Other obligations	**162.3**	33.2	—	—	129.1
Total Obligations	**$ 7,198.3**	**$ 1,090.5**	**$ 1,147.2**	**$ 1,100.6**	**$ 3,860.0**

1 Exclusive of deferred financing costs, bond premium/discount, and fair value adjustments at the time of issuance or acquisition.

2 The subordinated notes have a maturity in 2078, however management intends to repay in 2023 upon exercising its redemption right.

Equity

The common shares of APUC are publicly traded on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") under the trading symbol "AQN". As at March 31, 2019, APUC had 491,284,714 issued and outstanding common shares.

APUC may issue an unlimited number of common shares. The holders of common shares are entitled to dividends, if and when declared; to one vote for each share at meetings of the holders of common shares; and to receive a pro rata share of any remaining property and assets of APUC upon liquidation, dissolution or winding up of APUC. All shares are of the same class and with equal rights and privileges and are not subject to future calls or assessments.

APUC is also authorized to issue an unlimited number of preferred shares, issuable in one or more series, containing terms and conditions as approved by the Board. As at March 31, 2019, APUC had outstanding:

- 4,800,000 cumulative rate reset Series A preferred shares, yielding 5.162% annually for the five-year period ending on December 31, 2023;
- 100 Series C preferred shares that were issued in exchange for 100 Class B limited partnership units by St. Leon Wind Energy LP; and
- 4,000,000 cumulative rate reset Series D preferred shares, yielding 5.091% annually for the five year period ending on March 31, 2024.

APUC has a shareholder dividend reinvestment plan (the “Reinvestment Plan”) for registered holders of common shares of APUC. As at March 31, 2019, 123,522,018 common shares representing approximately 25% of total common shares outstanding had been registered with the Reinvestment Plan. During the quarter ended March 31, 2019, 1,606,001 common shares were issued under the Reinvestment Plan, and subsequent to quarter-end, on April 15, 2019, an additional 1,619,748 common shares were issued under the Reinvestment Plan.

On February 28, 2019, APUC established an at-the market equity program ("ATM Program") that allows APUC to issue up to $250.0 million (or the equivalent in Canadian dollars) of common shares from treasury to the public from time to time, at APUC's discretion, at the prevailing market price when issued on the TSX, the NYSE, or on any other existing trading market for the common shares of the Company in Canada or the United States. The ATM Program will be effective until October 19, 2020 unless terminated prior to such date by APUC or otherwise in accordance with the terms of the equity distribution agreement dated February 28, 2019.

The ATM Program provides APUC with additional financing flexibility should it be required in the future. The volume and timing of distributions under the ATM program, if any, will be determined at APUC's sole discretion. The net proceeds, if any, will be used to fund acquisitions, general and administrative expenses, working capital needs, repayment of indebtedness, and/or other general corporate purposes.

As at May 9, 2019, the Company had not issued any shares under the ATM Program.

SHARE-BASED COMPENSATION PLANS

For the three months ended March 31, 2019, APUC recorded $1.5 million in total share-based compensation expense as compared to $1.6 million for the same period in 2018. The compensation expense is recorded as part of administrative expenses in the consolidated statement of operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As at March 31, 2019, total unrecognized compensation costs related to non-vested options and share unit awards were $2.3 million and $11.4 million, respectively, and are expected to be recognized over a period of 2.20 and 1.96 years, respectively.

Stock Option Plan

APUC has a stock option plan that permits the grant of share options to key officers, directors, employees, and selected service providers. Except in certain circumstances, the term of an option shall not exceed ten (10) years from the date of the grant of the option.

APUC determines the fair value of options granted using the Black-Scholes option-pricing model. The estimated fair value of options, including the effect of estimated forfeitures, is recognized as an expense on a straight-line basis over the options' vesting periods while ensuring that the cumulative amount of compensation cost recognized at least equals the value of the vested portion of the award at that date. During the three months ended March 31, 2019, the Company granted 1,113,775 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C$14.96, the market price of the underlying common share at the date of grant. During the quarter, executives of the Company exercised 2,596,357 stock options at a weighted average exercise price of C$10.44 in exchange for 573,975 common shares issued from treasury and 2,022,382 options were settled at their cash value as payment for the exercise price and tax withholdings related to the exercise of the options.

As at March 31, 2019, a total of 4,810,060 options are issued and outstanding under the stock option plan.

Performance Share Units

APUC issues performance share units ("PSUs") and restricted share units ("RSUs") to certain members of management as part of APUC's long-term incentive program. During the three months ended March 31, 2019, the Company granted (including dividends and performance adjustments) 921,188 PSUs and RSUs to executives and employees of the Company. During the quarter, the Company settled 344,340 PSUs, of which 179,830 PSUs were exchanged for common shares issued from treasury and 164,510 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs. Additionally, during the quarter, a total of 11,752 PSUs were forfeited.

As at March 31, 2019, a total of 1,957,228 PSUs and RSUs are granted and outstanding under the PSU and RSU plan.

Directors' Deferred Share Units

APUC has a Directors' Deferred Share Unit Plan. Under the plan, non-employee directors of APUC receive all or any portion of their annual compensation in deferred share units ("DSUs") and may elect to receive any portion of their remaining compensation in DSUs. The DSUs provide for settlement in cash or shares at the election of APUC. As APUC does not expect to settle the DSUs in cash, these DSUs are accounted for as equity awards. During the three months ended March 31, 2019, the Company issued 17,523 DSUs (including DSUs in lieu of dividends) to the directors of the Company.

As at March 31, 2019, a total of 398,179 DSUs had been granted under the DSU plan.

Bonus Deferral Restricted Share Units

The Company has a bonus deferral restricted share units ("RSUs") program that is available to certain employees. The eligible employees have the option to receive a portion or all of their annual bonus payment in RSUs in lieu of cash. The RSUs provide for settlement in shares, and therefore these options are accounted for as equity awards. During the three months ended March 31, 2019, 1,550 RSUs were issued in lieu of dividends to employees of the Company. Subsequent to quarter end, 125,001 RSUs were issued to employees of the Company.

Employee Share Purchase Plan

APUC has an Employee Share Purchase Plan (the "ESPP") which allows eligible employees to use a portion of their earnings to purchase common shares of APUC. The aggregate number of shares reserved for issuance from treasury by APUC under this plan shall not exceed 2,000,000 shares. During the three months ended March 31, 2019, the Company issued 69,610 common shares to employees under the ESPP.

As at March 31, 2019, a total of 1,101,861 shares had been issued under the ESPP.

RELATED PARTY TRANSACTIONS

Equity-method investments

The Company entered in a number of transactions with equity-method investees in 2019 and 2018 (see *Note 13* in the interim unaudited consolidated financial statements).

The Company provides administrative and development services to its equity-method investees and is reimbursed for incurred costs. To that effect, the Company charged its equity-method investees $5.7 million during the three months ended March 31, 2019 as compared to $1.0 million during the same period in 2018.

Redeemable non-controlling interests held by related party

Redeemable non-controlling interest held by related party represents a preference share in a consolidated subsidiary of the Company acquired by AAGES in 2018. Redemption is not considered probable as of March 31, 2019. The Company incurred non-controlling interest attributable to AAGES of $6.8 million during the three months ended March 31, 2019 (see *Note 14* in interim unaudited consolidated financial statements).

Long Sault Hydro Facility

Effective December 31, 2013, APUC acquired the shares of Algonquin Power Corporation Inc. ("APC") which was partially owned by Senior Executives. APC owns the partnership interest in the 18 MW Long Sault Hydro Facility. A final post-closing adjustment related to the transaction remains outstanding.

The above related party transactions have been recorded at the exchange amounts agreed to by the parties to the transactions.

ENTERPRISE RISK MANAGEMENT

The Corporation is subject to a number of risks and uncertainties, certain of which are described below. A risk is the possibility that an event might happen in the future that could have a negative effect on the financial condition, financial performance, or business of the Corporation. The actual effect of any event on the Corporation's business could be materially different from what is anticipated or described below. The description of risks below does not include all possible risks.

Led by the Chief Compliance and Risk Officer, the Corporation has an established enterprise risk management, or ("ERM"), framework. The Corporation's ERM framework follows the guidance of ISO 31000:2009 and the COSO Enterprise Risk Management - Integrated Framework. The Corporation's ERM framework is intended to systematically identify, assess, and mitigate the key strategic, operational, financial, and compliance risks that may impact the achievement of the Corporation's current objectives, as well as those inherent to strategic alternatives available to the Corporation. The Corporation's Board-approved ERM policy details the Corporation's risk management processes, risk appetite, and risk governance structure.

As part of the risk management process, risk registers have been developed across the organization through ongoing risk identification and risk assessment exercises facilitated by the Corporation's internal ERM team. Key risks and associated mitigation strategies are reviewed by the executive-level Enterprise Risk Management Council and are presented to the Board's Risk Committee periodically.

Risks are evaluated consistently across the Corporation using a standardized risk scoring matrix to assess impact and likelihood. Financial, reputational, and safety implications are among those considered when determining the impact of a potential risk. Risk treatment priorities are established based upon these risk assessments and incorporated into the development of the Corporation's strategic and business plans.

The risks discussed below are not intended as a complete list of all exposures that APUC is encountering or may encounter. A further assessment of APUC and its subsidiaries' business risks is set out in the Company's most recent AIF and annual MD&A available on SEDAR. The risks discussed below are intended to provide an update on those that were previously disclosed.

Treasury Risk Management

Interest Rate Risk

The majority of debt outstanding in APUC and its subsidiaries is subject to a fixed rate of interest and as such is not subject to significant interest rate risk in the short to medium term time horizon.

Borrowings subject to variable interest rates can vary significantly from month to month, quarter to quarter and year to year. APUC does not actively manage interest rate risk on its variable interest rate borrowings due to the primarily short term and revolving nature of the amounts drawn.

Based on amounts outstanding as at March 31, 2019, the impact to interest expense from changes in interest rates are as follows:

- The Corporate Credit Facility is subject to a variable interest rate and had $67.9 million outstanding as at March 31, 2019. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $0.7 million annually;
- The Liberty Credit Facility is subject to a variable interest rate and had $118.0 million outstanding as at March 31, 2019. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $1.2 million annually;
- The Liberty Utilities Group's commercial paper program is subject to a variable interest rate and had no amounts outstanding as at March 31, 2019. As a result, a 100 basis point change in the variable rate charged would not impact interest expense;
- The Liberty Power Credit Facility is subject to a variable interest rate and had no amounts outstanding as at March 31, 2019. As a result, a 100 basis point change in the variable rate charged would not impact interest expense; and
- The corporate term facilities are subject to a variable interest rate and had $321.8 million outstanding as at March 31, 2019. As a result, a 100 basis point change in the variable rate charged would impact interest expense by $3.2 million annually.

To mitigate financing risk, from time to time APUC may seek to fix interest rates on expected future financings. In the fourth quarter of 2014, the Liberty Power Group entered into a 10-year forward starting swap to fix the underlying interest rate for the anticipated refinancing of its C$135.0 million bond which matured in July 2018. On July 24, 2018, the Company amended and extended the forward-starting date of the interest rate swap to begin on March 29, 2019. Concurrent with the issuance of C$300.0 million of senior unsecured debentures on January 29, 2019, this swap was unwound and settled.

OPERATIONAL RISK MANAGEMENT

Litigation Risks and Other Contingencies

APUC and certain of its subsidiaries are involved in various litigation, claims, and other legal and regulatory proceedings that arise from time to time in the ordinary course of business. Any accruals for contingencies related to these items are recorded in the financial statements at the time it is concluded that a material financial loss is likely and the related liability is estimable.

Anticipated recoveries under existing insurance policies are recorded when reasonably assured of recovery.

Claim by Gaia Power Inc.

On October 30, 2018, Gaia Power Inc. ("Gaia") commenced an action in the Ontario Superior Court of Justice against APUC and certain of its subsidiaries, claiming damages of not less than C$345 million and punitive damages in the sum of C$25 million. The action arises from Gaia's 2010 sale, to a subsidiary of APUC, of Gaia's interest in certain proposed wind farm projects in Canada. Pursuant to a 2010 royalty agreement, Gaia is entitled to royalty payments if the projects are developed and achieve certain agreed targets.

The parties have since agreed to arbitrate the matter pursuant to the royalty agreement's arbitration clause. It is too early to determine the likelihood of success in this lawsuit, however APUC intends to vigorously defend it.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for the eight quarters ended March 31, 2019:

(all dollar amounts in $ millions except per share information)	2nd Quarter 2018	3rd Quarter 2018	4th Quarter 2018	1st Quarter 2019
Revenue	$ 366.2	$ 366.5	$ 419.9	$ 477.2
Net earnings attributable to shareholders	65.5	57.9	44.0	86.4
Net earnings per share	0.14	0.12	0.09	0.17
Adjusted Net Earnings[1]	50.9	49.7	70.5	93.8
Adjusted Net Earnings per share[1]	0.11	0.10	0.14	0.19
Adjusted EBITDA[1]	160.3	166.9	196.9	231.5
Total assets	8,920.7	9,072.6	9,389.0	9,671.3
Long term debt[2]	3,448.1	3,561.3	3,337.3	3,651.9
Dividend declared per common share	$ 0.13	$ 0.13	$ 0.13	$ 0.13
	2nd Quarter 2017	**3rd Quarter 2017**	**4th Quarter 2017**	**1st Quarter 2018**
Revenue	$ 337.0	$ 353.7	$ 409.5	$ 494.8
Net earnings attributable to shareholders	35.3	47.7	47.2	17.6
Net earnings per share	0.09	0.12	0.11	0.04
Adjusted Net Earnings[1]	39.5	52.0	67.0	141.0
Adjusted Net Earnings per share[1]	0.09	0.13	0.16	0.32
Adjusted EBITDA[1]	147.1	164.2	185.8	279.6
Total assets	8,113.3	8,258.6	8,395.6	8,941.8
Long term debt[2]	3,404.5	3,553.7	3,080.5	3,832.7
Dividend declared per common share	$ 0.12	$ 0.12	$ 0.12	$ 0.12

1 See *Non-GAAP Financial Measures.*

2 Includes current portion of long-term debt, long-term debt and convertible debentures.

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 $337 million and $494.8 million over the prior two year period. A number of factors impact quarterly results including acquisitions, seasonal fluctuations, and winter and summer rates built into the PPAs. In addition, a factor impacting revenues year over year is the fluctuation in the strength of the Canadian dollar relative to the U.S. dollar which can result in significant changes in reported revenue from Canadian operations.

Quarterly net earnings attributable to shareholders have fluctuated between $17.6 million and $86.4 million over the prior two year period. Earnings have been significantly impacted by non-cash factors such as deferred tax recovery and expense, impairment of intangibles, property, plant and equipment and mark-to-market gains and losses on financial instruments.

DISCLOSURE CONTROLS AND PROCEDURES

APUC's management carried out an evaluation as of March 31, 2019, under the supervision of and with the participation of APUC's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of APUC's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15 (e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the CEO and the CFO have concluded that as of March 31, 2019, APUC's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by APUC in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

The Company's internal control over financial reporting framework includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Further, the effectiveness of internal control is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may change.

Management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2019, based on the framework established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This assessment included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls, and a conclusion on this evaluation. Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of March 31, 2019 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Management reviewed the results of its assessment with the Audit Committee of the Board of APUC.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

For the three months ended March 31, 2019, there has been no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

Due to its inherent limitations, disclosure controls and procedures or internal control over financial reporting may not prevent or detect all misstatements based on error of fraud. Further, the effectiveness of internal control is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may change.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

APUC prepared its unaudited interim consolidated financial statements in accordance with U.S. GAAP. The preparation of the unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Significant areas requiring the use of management judgment relate to the scope of consolidated entities, useful lives and recoverability of depreciable assets, the measurement of deferred taxes and the recoverability of deferred tax assets, rate-regulation, unbilled revenue, pension and post-employment benefits, fair value of derivatives and fair value of assets and liabilities acquired in a business combination. Actual results may differ from these estimates.

APUC's significant accounting policies and new accounting standards are discussed in *notes 1* and *2* to the unaudited interim consolidated financial statements, respectively.

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Balance Sheets

(thousands of U.S. dollars)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 85,320	$ 46,819
Accounts receivable, net (note 4)	260,264	245,728
Fuel and natural gas in storage	23,583	43,063
Supplies and consumables inventory	54,584	52,537
Regulatory assets (note 5)	59,841	59,037
Prepaid expenses	33,620	27,283
Derivative instruments (note 20)	9,668	9,616
Other assets and long-term investments	7,510	7,522
	534,390	491,605
Property, plant and equipment, net	6,422,677	6,393,558
Intangible assets, net	54,855	54,994
Goodwill	955,230	954,282
Regulatory assets (note 5)	381,662	391,437
Long-term investments (note 6)		
Investment carried at fair value	808,712	814,530
Notes receivable from equity investees	314,163	101,416
Other long-term investments	37,442	32,955
Derivative instruments (note 20)	55,520	53,192
Deferred income taxes	78,665	72,415
Other assets	27,989	28,584
	$ 9,671,305	$ 9,388,968

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Balance Sheets

(thousands of U.S. dollars)

	March 31, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 50,645	$ 89,740
Accrued liabilities	202,587	235,586
Dividends payable	65,051	62,613
Regulatory liabilities (note 5)	35,352	39,005
Long-term debt (note 7)	7,164	13,048
Other long-term liabilities (note 9)	40,290	42,337
Derivative instruments (note 20)	5,152	14,339
Other liabilities	8,663	2,313
	414,904	498,981
Long-term debt (note 7)	3,644,253	3,323,747
Regulatory liabilities (note 5)	544,431	539,587
Deferred income taxes	459,771	444,145
Derivative instruments (note 20)	74,059	88,503
Pension and other post-employment benefits obligation	191,321	191,915
Other long-term liabilities (note 9)	272,266	263,582
	5,186,101	4,851,479
Redeemable non-controlling interests		
Redeemable non-controlling interests, held by related party (note 13)	307,370	307,622
Redeemable non-controlling interests	30,159	33,364
Equity:		
Preferred shares (note 10(b))	184,299	184,299
Common shares (note 10(a))	3,590,351	3,562,418
Additional paid-in capital	41,005	45,553
Deficit	(583,992)	(595,259)
Accumulated other comprehensive loss (note 11)	(3,193)	(19,385)
Total equity attributable to shareholders of Algonquin Power & Utilities Corp.	3,228,470	3,177,626
Non-controlling interests	504,301	519,896
Total equity	3,732,771	3,697,522
Commitments and contingencies (note 18)		
Subsequent events (note 6)		
	$ 9,671,305	$ 9,388,968

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Statements of Operations

(thousands of U.S. dollars, except per share amounts)	Three months ended March 31	
	2019	**2018**
Revenue		
Regulated electricity distribution	$ 205,061	$ 212,705
Regulated gas distribution	177,661	182,631
Regulated water reclamation and distribution	26,786	27,592
Non-regulated energy sales	63,457	67,841
Other revenue	4,260	4,068
	477,225	494,837
Expenses		
Operating expenses	120,113	121,122
Regulated electricity purchased	69,598	70,906
Regulated gas purchased	79,554	90,405
Regulated water purchased	1,454	2,048
Non-regulated energy purchased	6,921	8,931
Administrative expenses	13,118	12,584
Depreciation and amortization	71,047	68,649
Loss (gain) on foreign exchange	(533)	201
	361,272	374,846
Operating income	115,953	119,991
Interest expense	42,621	35,500
Change in value of investment carried at fair value	5,818	117,004
Interest, dividend, equity and other income (note 6)	(25,290)	(10,661)
Pension and post-employment non-service costs (note 8)	1,293	431
Other net losses (gains)	620	(1,228)
Acquisition-related costs, net	1,944	7,586
Loss on derivative financial instruments (note 20(b)(iv))	196	117
	27,202	148,749
Earnings (loss) before income taxes	88,751	(28,758)
Income tax expense (note 15)		
Current	4,975	2,886
Deferred	9,856	30,170
	14,831	33,056
Net earnings (loss)	73,920	(61,814)
Net effect of non-controlling interests (note 14)		
Net effect of non-controlling interests	19,328	79,412
Net effect of non-controlling interests held by related party	(6,842)	—
Net earnings attributable to shareholders of Algonquin Power & Utilities Corp.	$ 86,406	$ 17,598
Series A and D Preferred shares dividend (note 12)	2,106	2,056
Net earnings attributable to common shareholders of Algonquin Power & Utilities Corp.	$ 84,300	$ 15,542
Basic and diluted net earnings per share (note 16)	$ 0.17	$ 0.04

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Statements of Comprehensive Income

(thousands of U.S. dollars)	Three months ended March 31	
	2019	**2018**
Net earnings (loss)	$ 73,920	$ (61,814)
Other comprehensive income (loss):		
Foreign currency translation adjustment, net of tax expense of $253 and $300, respectively (notes 20(b)(iii) and 20(b)(iv))	14,814	(2,446)
Change in fair value of cash flow hedges, net of tax expense of $518 and recovery of $1,395, respectively (note 20(b)(ii))	1,463	(3,751)
Change in pension and other post-employment benefits, net of tax recovery of $91 and $37, respectively (note 8)	(254)	(102)
Other comprehensive income (loss), net of tax	16,023	(6,299)
Comprehensive income (loss)	89,943	(68,113)
Comprehensive loss attributable to the non-controlling interests	(12,469)	(79,435)
Comprehensive income attributable to shareholders of Algonquin Power & Utilities Corp.	$ 102,412	$ 11,322

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Statements of Equity

(thousands of U.S. dollars)
For the three month ended March 31, 2019

	Algonquin Power & Utilities Corp. Shareholders						
	Common shares	**Preferred shares**	**Additional paid-in capital**	**Accumulated deficit**	**Accumulated OCI**	**Non-controlling interests**	**Total**
Balance, December 31, 2018	$ 3,562,418	$ 184,299	$ 45,553	$ (595,259)	$ (19,385)	$ 519,896	$ 3,697,522
Adoption of ASU 2017-12 on hedging (note 2(a))	—	—	—	(186)	186	—	—
Net earnings (loss)	—	—	—	86,406	—	(12,486)	73,920
Redeemable non-controlling interests not included in equity (note 14)	—	—	—	—	—	(4,536)	(4,536)
Other comprehensive income	—	—	—	—	16,006	17	16,023
Dividends declared and distributions to non-controlling interests	—	—	—	(49,879)	—	(2,155)	(52,034)
Dividends and issuance of shares under dividend reinvestment plan	15,508	—	—	(15,508)	—	—	—
Common shares issued upon conversion of convertible debentures	30	—	—	—	—	—	30
Common shares issued pursuant to share-based awards	12,395	—	(6,447)	(9,566)	—	—	(3,618)
Share-based compensation	—	—	1,899	—	—	—	1,899
Contributions received from non-controlling interests, net of costs	—	—	—	—	—	3,565	3,565
Balance, March 31, 2019	$ 3,590,351	$ 184,299	$ 41,005	$ (583,992)	$ (3,193)	$ 504,301	$ 3,732,771

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Statements of Equity

(thousands of U.S. dollars)
For the year ended December 31, 2018

	Algonquin Power & Utilities Corp. Shareholders						
	Common shares	**Preferred shares**	**Additional paid-in capital**	**Accumulated deficit**	**Accumulated OCI**	**Non-controlling interests**	**Total**
Balance, December 31, 2017	$3,021,699	$ 184,299	$ 38,569	$ (524,311)	$ (2,792)	$ 602,636	$3,320,100
Adoption of Topic 606 on revenue	—	—	—	1,860	—	—	1,860
Adoption of ASU 2018-02 on tax effects in AOCI	—	—	—	(10,625)	10,625	—	—
Net earnings (loss)	—	—	—	184,988	—	(105,899)	79,089
Redeemable non-controlling interests not included in equity	—	—	—	—	—	4,923	4,923
Other comprehensive loss	—	—	—	—	(27,218)	(1,481)	(28,699)
Dividends declared and distributions to non-controlling interests	—	—	—	(187,890)	—	(9,393)	(197,283)
Dividends and issuance of shares under dividend reinvestment plan	55,442	—	—	(55,442)	—	—	—
Common shares issued pursuant to public offering, net of costs	472,180	—	—	—	—	—	472,180
Common shares issued upon conversion of convertible debentures	447	—	—	—	—	—	447
Common shares issued pursuant to share-based awards (note 10(c))	12,650	—	(4,027)	(3,839)	—	—	4,784
Share-based compensation (note 10(c))	—	—	11,011	—	—	—	11,011
Contributions received from non-controlling interests, net of costs	—	—	—	—	—	29,110	29,110
Balance, December 31, 2018	$3,562,418	$ 184,299	$ 45,553	$ (595,259)	$ (19,385)	$ 519,896	$3,697,522

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp.
Unaudited Interim Consolidated Statements of Cash Flows

(thousands of U.S. dollars)

	Three months ended March 31	
	2019	2018
Cash provided by (used in):		
Operating Activities		
Net earnings (loss) from continuing operations	$ 73,920	$ (61,814)
Adjustments and items not affecting cash:		
Depreciation and amortization	71,047	68,649
Deferred taxes	9,856	30,170
Unrealized loss on derivative financial instruments	531	2,876
Share-based compensation expense	1,543	1,578
Cost of equity funds used for construction purposes	(462)	(653)
Change in value of investments carried at fair value	5,818	117,004
Pension and post-employment contributions in excess of expense	2,797	3,143
Distributions received from equity investments, net of income	2,064	(447)
Others	905	(526)
Changes in non-cash operating items (note 19)	(45,898)	(62,968)
	122,121	97,012
Financing Activities		
Increase in long-term debt	622,541	834,418
Decrease in long-term debt	(316,368)	(62,805)
Cash dividends on common shares	(44,710)	(39,480)
Dividends on preferred shares	(2,106)	(2,056)
Production-based cash contributions from non-controlling interest	3,565	11,263
Distributions to non-controlling interests	(9,330)	(2,506)
Issuance of common shares, net of costs	393	329
Payments upon settlement of derivatives	(8,732)	—
Shares surrendered to fund withholding taxes on exercised share options	—	(327)
Increase in other long-term liabilities	3,278	2,103
Decrease in other long-term liabilities	(2,445)	(3,175)
	246,086	737,764
Investing Activities		
Acquisitions of operating entities	(1,350)	—
Additions to property, plant and equipment	(107,386)	(158,174)
Decrease (increase) in other assets	(1,036)	573
Receipt of principal on notes receivable	10,601	—
Increase in long-term investments	(230,800)	(655,187)
Proceeds from sale of long-lived assets	—	3,028
	(329,971)	(809,760)
Effect of exchange rate differences on cash and restricted cash	159	(277)
Increase in cash, cash equivalents and restricted cash	38,395	24,739
Cash, cash equivalents and restricted cash, beginning of period	65,773	59,423
Cash, cash equivalents and restricted cash, end of period	$ 104,168	$ 84,162

Supplemental disclosure of cash flow information:	**2019**	**2018**
Cash paid during the period for interest expense	$ 37,144	$ 33,599
Cash paid (refund received) during the period for income taxes	$ (654)	$ 1,224
Non-cash financing and investing activities:		
Property, plant and equipment acquisitions in accruals	$ 20,403	$ 32,401
Issuance of common shares under dividend reinvestment plan and share-based compensation plans	$ 27,223	$ 13,987
Issuance of common shares upon conversion of convertible debentures	$ 30	$ 167

See accompanying notes to unaudited interim consolidated financial statements

Algonquin Power & Utilities Corp. ("APUC" or the "Company") is an incorporated entity under the *Canada Business Corporations Act*. APUC's operations are organized across two primary North American business units consisting of the Liberty Utilities Group and the Liberty Power Group. The Liberty Utilities Group ("Liberty Utilities Group") owns and operates a portfolio of regulated electric, natural gas, water distribution and wastewater collection utility systems and transmission operations; the Liberty Power Group ("Liberty Power Group") owns and operates a diversified portfolio of non-regulated renewable and thermal electric generation assets. APUC also currently owns a 41.5% equity interest in Atlantica Yield plc ("Atlantica") (NASDAQ: AY), a company that acquires, owns and manages a diversified international portfolio of contracted renewable energy, power generation, electric transmission and water assets.

1. Significant accounting policies

(a) Basis of preparation

The accompanying consolidated financial statements and notes have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and Article 10 of Regulation S-X provided by the U.S. Securities and Exchange Commission. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments that are of a recurring nature and necessary for a fair presentation of the results of interim operations.

The significant accounting policies applied to these unaudited interim consolidated financial statements of APUC are consistent with those disclosed in the consolidated financial statements of APUC for the year ended December 31, 2018, except for adopted accounting policies described in note 2(a).

(b) Seasonality

APUC's operating results are subject to seasonal fluctuations that could materially impact quarter-to-quarter operating results and, thus, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results. Where decoupling mechanisms exist, total volumetric revenue is prescribed by the Regulator and is not affected by usage. APUC's different electrical distribution utilities can experience higher or lower demand in the summer or winter depending on the specific regional weather and industry characteristics. During the winter period, natural gas distribution utilities experience higher demand than during the summer period. APUC's water and wastewater utility assets' revenues fluctuate depending on the demand for water, which is normally higher during drier and hotter months of the summer. APUC'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. For APUC's wind energy assets, wind resources are typically stronger in spring, fall and winter and weaker in summer. APUC's solar energy assets experience greater insolation in summer, weaker in winter.

(c) Leases

The Company adopted the U.S. Financial Accounting Standards Board ("FASB") Leases Topic 842 ("ASC 842") in the first quarter of 2019 using a modified retrospective approach.

The Company leases buildings, vehicles, rail cars, and office equipment for use in its day-to-day operations. The Company has options to extend the lease term of many of its lease agreements, with renewal periods ranging from one to five years. As at the balance sheet date, the Company is not reasonably certain that these renewal options will be exercised.

The Liberty Power group enters into land easement agreements for the operation of its generation facilities. In assessing whether these contracts contain leases, the Company considers whether it has exclusive use of the land. In the majority of situations, the landowner or grantor of the easement still has full access to the land and can use the land in any capacity, as long as it does not interfere with the Company's operations. Therefore, these land easement agreements do not contain leases. For land easement agreements that provide exclusive access to and use of the land, these agreements meet the definition of a lease and are within the scope of ASC 842.

The Liberty Utilities group enters into easement agreements for the operation of its utilities. For all easements that existed or were expired as of January 1, 2019, the practical expedient was taken to not change the legacy accounting for these easement contracts. For new easement contracts entered into subsequent to January 1, 2019, the Company will consider whether they contain a lease.

(in thousands of U.S. dollars, except as noted and per share amounts)

1. Significant accounting policies (continued)

(c) Leases (continued)

The implementation of ASC 842 did not have an impact on the Company's existing financing leases. The weighted-average remaining lease term of the Company's finance leases is 6.29 years. New right-of-use assets and lease liabilities of $8,295 were recognized for the Company's operating leases as at January 1, 2019. The weighted-average discount rate used for the measurement of these new assets and liabilities was 4.43% and the weighted-average remaining lease term is 4.9 years. Lease costs incurred and cash paid for financing and operating leases during the three months ended March 31, 2019 were not material.

The right-of-use assets are included in property, plant and equipment while lease liabilities are included in other liabilities on the unaudited interim consolidated balance sheets.

The Company's operating leases payments for the next five years and thereafter is as follows:

Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
$ 2,094	$ 1,435	$ 759	$ 510	$ 493	$ 4,808	$ 10,099

The lease payments for the Company's financing leases is expected to be $537 annually for the next five years, and $698 thereafter.

2. Recently issued accounting pronouncements

(a) Recently adopted accounting pronouncements

The FASB issued accounting standards update ("ASU") 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate ("SOFR") Overnight Index Swap ("OIS") Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* to identify a suitable alternative to the U.S. dollar LIBOR that is more firmly based on actual transactions in a robust market. This update permits the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes. This update was adopted concurrently with ASU 2017-12 in the first quarter of 2019. The Company will follow the pronouncements prospectively for qualifying new or redesignated hedging relationships.

The FASB issued ASU 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting* to expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. This update changes the measurement basis and date of non-employee share-based payment awards and also makes amendments to how to measure non-employee awards with performance conditions. The adoption of this update in the first quarter of 2019 had no impact on the Company's unaudited interim consolidated financial statements.

The FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The update also makes certain targeted improvements to simplify the application of the hedge accounting guidance. The FASB also issued ASU 2019-04 that contains further codification improvements to ASU 2017-12. The adoption of these updates in the first quarter of 2019 resulted in a reclassification of $186 from retained earnings to accumulated other comprehensive income for previous hedge ineffectiveness recognized in earnings for outstanding hedging contracts. The Company has also made certain amendments and simplifications to hedge effectiveness testing procedures and documentation to be followed prospectively where applicable in accordance with the pronouncements in the update.

The FASB issued ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception* to address narrow issues with applying GAAP for certain financial instruments with characteristics of liabilities and equity. The adoption of this update in the first quarter of 2019 had no impact on the unaudited interim consolidated financial statements.

2. Recently issued accounting pronouncements (continued)

(a) Recently adopted accounting pronouncements (continued)

The FASB issued ASU 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations utilizing leases. This ASU requires lessees to recognize the assets and liabilities arising from all leases on the balance sheet, but the effect of leases in the statement of operations and the statement of cash flows is largely unchanged. The FASB also issued subsequent amendments to ASC 842 which provide further practical expedients as well as codification clarifications and improvements. The adoption of this new lease standard in the first quarter of 2019 using a modified retrospective approach resulted in an adjustment of $8,295 to right-of-use assets and operating lease liabilities on the unaudited interim consolidated balance sheets, with no restatement of the comparative period.

The Company implemented new processes and procedures for the identification, analysis, and measurement of new lease contracts. A new software solution was implemented to assist with contract management, information tracking, and measurement as it relates to the new standard. The Company elected the following practical expedients as part of its adoption:

1. "Package of three" practical expedient that permits the Company not to reassess the scope, classification and initial direct costs of its expired and existing leases;
2. Land easements practical expedient that permits the Company not to reassess the accounting for land easements previously not accounted for under Leases ASC 840; and
3. Hindsight practical expedient that allows the Company to use hindsight in determining the lease term for existing contracts.

In addition, the Company made an accounting policy election to not recognize a lease liability or right-of-use asset on its consolidated balance sheets for short-term leases (lease term less than 12 months).

(b) Recently issued accounting guidance not yet adopted

The FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815 - Derivatives and Hedging, and Topic 825, Financial Instruments* to provide specific clarification and correction in certain areas of ASU No. 2016-01, 2016-13, and 2017-12. The amendments to update 2017-12 are effective the same date as update 2017-12, which was adopted in the first quarter of 2019. The adoption of this update by the Company had no impact on its unaudited interim consolidated financial statements. The amendments to updates 2016-01 and 2016-13 are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently in the process of evaluating the impact of the adoption of these updates on its unaudited interim consolidated financial statements. The Company does not expect a significant impact on its unaudited interim consolidated financial statements as a result of the adoption of these updates.

(in thousands of U.S. dollars, except as noted and per share amounts)

3. Business acquisitions and development projects

(a) Agreement to acquire Enbridge Gas New Brunswick Limited Partnership

On December 4, 2018, the Company entered into an agreement to acquire Enbridge Gas New Brunswick Limited Partnership ("New Brunswick Gas"). New Brunswick Gas is a regulated utility that provides natural gas to approximately 12,000 customers and operates approximately 800 km of natural gas distribution pipeline. The total purchase price for the transaction is C$331,000, subject to certain closing adjustments. Closing of the transaction remains subject to regulatory approval and is expected in 2019.

(b) Agreement to acquire St. Lawrence Gas Company, Inc.

On August 31, 2017, the Company entered into an agreement to acquire St. Lawrence Gas Company, Inc. ("SLG"). SLG is a rate regulated natural gas distribution utility serving customers in northern New York State. The total purchase price for the transaction is $70,000, less total third-party debt of SLG outstanding at closing, subject to certain closing adjustments. Closing of the transaction remains subject to regulatory approval and is expected to occur in 2019.

(c) Approval to acquire the Perris Water Distribution System

On August 10, 2017, the Company's Board of Directors approved the acquisition of two water distribution systems serving customers from the City of Perris, California. The anticipated purchase price of $11,500 is expected to be established as rate base during the regulatory approval process. The City of Perris residents voted to approve the sale on November 7, 2017. The Liberty Utilities Group filed an application requesting approval for the acquisition of the assets of the water utilities with the California Public Utility Commission on May 8, 2018. Final approval is expected in 2019.

4. Accounts receivable

Accounts receivable as of March 31, 2019 include unbilled revenue of $68,049 (2018 - $79,742) from the Company's regulated utilities. Accounts receivable as of March 31, 2019 are presented net of allowance for doubtful accounts of $6,171 (2018 - $5,281).

5. Regulatory matters

The Company's regulated utility operating companies are subject to regulation by the public utility commissions of the states in which they operate. The respective public utility commissions have jurisdiction with respect to rate, service, accounting policies, issuance of securities, acquisitions and other matters. These utilities operate under cost-of-service regulation as administered by these state authorities. The Company's regulated utility operating companies are accounted for under the principles of Topic 980, *Regulated Operations* ("ASC 980"). Under ASC 980, regulatory assets and liabilities that would not be recorded under U.S. GAAP for non-regulated entities are recorded to the extent that they represent probable future revenue or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate setting process.

At any given time, the Company can have several regulatory proceedings underway. The financial effects of these proceedings are reflected in the consolidated financial statements based on regulatory approval obtained to the extent that there is a financial impact during the applicable reporting period. The following regulatory proceeding was recently completed:

Utility	State	Regulatory Proceeding Type	Annual Revenue Increase $'000	Effective Date
Peach State Gas System	Georgia	GRAM	$2,367	Effective February 1, 2019

(in thousands of U.S. dollars, except as noted and per share amounts)

5. Regulatory matters (continued)

Regulatory assets and liabilities consist of the following:

	March 31, 2019	December 31, 2018
Regulatory assets		
Environmental remediation	$ 82,297	$ 82,295
Pension and post-employment benefits	124,679	125,959
Debt premium	47,173	48,847
Fuel and commodity costs adjustments	26,686	26,310
Rate adjustment mechanism	27,481	36,484
Clean energy and other customer programs	23,324	22,269
Deferred construction costs	13,897	13,986
Asset retirement	21,874	21,048
Income taxes	34,620	34,822
Rate review costs	7,711	7,990
Other	31,761	30,464
Total regulatory assets	$ 441,503	$ 450,474
Less: current regulatory assets	(59,841)	(59,037)
Non-current regulatory assets	$ 381,662	$ 391,437
Regulatory liabilities		
Income taxes	$ 323,425	$ 323,384
Cost of removal	195,953	193,564
Rate base offset	10,339	10,900
Fuel and commodity costs adjustments	17,514	23,517
Deferred compensation received in relation to lost production	6,208	6,897
Deferred construction costs - fuel related	7,218	7,258
Pension and post-employment benefits	4,350	877
Other	14,776	12,195
Total regulatory liabilities	$ 579,783	$ 578,592
Less: current regulatory liabilities	(35,352)	(39,005)
Non-current regulatory liabilities	$ 544,431	$ 539,587

(in thousands of U.S. dollars, except as noted and per share amounts)

6. Long-term investments

Long-term investments consist of the following:

		March 31, 2019		December 31, 2018
Long-term investment in Atlantica carried at fair value (a)	$	808,712	$	814,530
Notes receivable from equity investees (e)	$	314,163	$	101,416
Other long-term investments				
Equity-method investees				
AAGES (b)		1,922		2,622
Red Lily I Wind Facility		16,544		15,705
Amherst Island Wind Project (c)		4,883		7,655
Other (d)		13,206		4,510
	$	36,555	$	30,492
Other investments		2,234		3,870
Other long-term investments		38,789		34,362
Less: current portion		(1,347)		(1,407)
	$	37,442	$	32,955

Dividend income of $15,809 (2018 - $8,678), interest income of $7,727 (2018 - $547) and equity loss of $2,106 (2018 - income $397) are included in interest, dividend, equity and other income on the consolidated statements of operations for the three months ended March 31, 2019.

(a) Investment in Atlantica

Subsequent to quarter end, on May 9, 2019, APUC subscribed for an additional 1,384,402 ordinary shares of Atlantica for an aggregate purchase price of $30,000. Closing of the subscription is expected to occur on or about May 16, 2019 and will result in APUC increasing its current ownership of Atlantica to approximately 42.3%.

(b) Investment in AAGES

APUC has a 50% interest in Abengoa-Algonquin Global Energy Solutions B.V. ("AAGES B.V."), AAGES Development Canada Inc. and AAGES Development Spain, S.A (collectively, the "AAGES entities") which identify, develop, and construct clean energy and water infrastructure assets with a global focus. AAGES Development Canada Inc. and AAGES Development Spain, S.A are considered a VIE due to the level of equity at risk. The Company is not considered the primary beneficiary of either entities as the two partners have joint control and all decisions must be unanimous. As such, the Company is accounting for its investment in the joint ventures under the equity method. The AAGES entities contributed equity loss of $657 (2018 - $213) to the Company's unaudited interim consolidated financial results for the three months ended March 31, 2019.

(c) Amherst Island Wind Facility

APUC has a 50% interest in Windlectric Inc. ("Windlectric") which owns a 74.1 MW wind generating facility ("Amherst Island Wind Facility") in the Province of Ontario. Construction was completed during the second quarter of 2018. Subsequent to quarter end, the Company acquired the remaining 50% interest in Windlectric and as a result, obtained control of the facility.

As at March 31, 2019, the net book value of property, plant and equipment of the joint venture was $314,638 while the third-party construction debt was $nil (December 31, 2018 - $190,910). For the three months ended March 31, 2019, Windlectric contributed equity loss of $1,915 (2018 - $nil) to the Company's consolidated financial results.

(in thousands of U.S. dollars, except as noted and per share amounts)

6. Long-term investments (continued)

(d) Wataynikaneyap Power Transmission Project

During the quarter, APUC acquired a 9.8% ownership interest in the Wataynikaneyap Power Transmission Project, a transmission project that involves the development, construction and operation of a 1,800 km transmission line in Northwestern Ontario.

(e) Development loans receivable from equity investees

The Company has committed loan and credit support facilities with some of its equity investees. During construction, the Company is obligated to provide cash advances and credit support (in the form of letters of credit, escrowed cash, or guarantees) in amounts necessary for the continued development and construction of the equity investees' wind projects.

During the quarter, Windlectric borrowed from the Company to repay in full the third-party construction debt. As at March 31, 2019, the Company has a loan and credit support facility with Windlectric of $307,525 (December 31, 2018 - $96,477). The loan to Windlectric bears interest at an annual rate of 10% on outstanding principal amount and matures on December 31, 2019.

As at March 31, 2019, the Company has a balance receivable from the AAGES entities of $6,638 (December 31, 2018 - $4,940). As at March 31, 2019, the Company has issued $7,250 in letters of credit on behalf of AAGES.

7. Long-term debt

Long-term debt consists of the following:

Borrowing type	Weighted average coupon	Maturity		Par value	March 31, 2019	December 31, 2018
Senior unsecured revolving credit facilities	—	2019-2023		N/A	$ 185,866	$ 97,000
Senior unsecured bank credit facilities	—	2019		N/A	321,807	321,807
Commercial paper	—	2023		N/A	—	6,000
U.S. dollar borrowings						
Senior unsecured notes	4.09%	2020-2047	$	1,225,000	1,218,897	1,218,680
Senior unsecured utility notes	5.99%	2020-2035	$	222,000	239,806	240,161
Senior secured utility bonds	4.75%	2020-2044	$	662,500	675,607	676,697
Subordinated unsecured notes	6.88%	2078	$	287,500	278,646	278,771
Canadian dollar borrowings						
Senior unsecured notes (a)	4.48%	2020-2029	C$	950,669	707,882	474,764
Senior secured project notes	10.24%	2020-2027	C$	30,655	22,906	22,915
					$ 3,651,417	$ 3,336,795
Less: current portion					(7,164)	(13,048)
					$ 3,644,253	$ 3,323,747

Long-term debt issued at a subsidiary level (project notes or utility bonds) relating to a specific operating facility is generally collateralized by the respective facility with no other recourse to the Company. Long-term debt issued at a subsidiary level whether or not collateralized generally has certain financial covenants, which must be maintained on a quarterly basis. Non-compliance with the covenants could restrict cash distributions/dividends to the Company from the specific facilities.

Short-term obligations of $396,173 that are expected to be refinanced using the long-term credit facilities are presented as long-term debt.

(in thousands of U.S. dollars, except as noted and per share amounts)

7. Long-term debt (continued)

Recent financing activities:

(a) Canadian dollar senior unsecured notes

During the quarter, the Liberty Power Group issued C$300,000 senior unsecured notes bearing interest at 4.6% with a maturity date of January 29, 2029. The notes were sold at a price of C$99.952 per C$100.00 principal amount. Concurrent with the financing, the Liberty Power Group unwound and settled the related forward-starting interest rate swap on a notional bond of C$135,000 (note 20(b)(ii)).

8. Pension and other post-employment benefits

The following table lists the components of net benefit cost for the pension plans and other post-employment benefit ("OPEB") recorded as part of operating expenses in the unaudited interim consolidated statements of operations.

	Pension benefits		OPEB	
	Three months ended March 31		Three months ended March 31	
	2019	2018	2019	2018
Service cost	$ 3,265	$ 3,614	$ 1,199	$ 1,487
Non-service costs				
Interest cost	4,759	4,555	1,784	1,625
Expected return on plan assets	(7,123)	(7,005)	(1,930)	(1,849)
Amortization of net actuarial loss (gain)	(316)	111	(52)	(38)
Amortization of prior service credits	22	(156)	(95)	(65)
Net movement in regulatory assets/liability	3,077	2,066	1,167	1,187
Net benefit cost	$ 3,684	$ 3,185	$ 2,073	$ 2,347

The service cost components of pension plans and OPEB are shown as part of operating expenses within operating income in the consolidated statements of operations. The remaining components of net benefit cost are considered non-service costs and have been included outside of operating income in pension and post-employment non-service costs in the consolidated statements of operations.

9. Other long-term liabilities

Other long-term liabilities consist of the following:

	March 31, 2019	December 31, 2018
Advances in aid of construction	$ 63,677	$ 63,703
Environmental remediation obligation	56,220	55,621
Asset retirement obligations	43,225	43,291
Customer deposits	30,059	29,974
Unamortized investment tax credits	17,746	17,491
Deferred credits	42,767	42,711
Preferred shares, Series C	13,406	13,418
Lease liabilities (note 1(c))	10,680	3,436
Other	34,776	36,274
	312,556	305,919
Less: current portion	(40,290)	(42,337)
	$ 272,266	$ 263,582

(in thousands of U.S. dollars, except as noted and per share amounts)

10. Shareholders' capital

(a) Common shares

Number of common shares

	Three months ended March 31	
	2019	**2018**
Common shares, beginning of period	488,851,433	431,765,935
Dividend reinvestment plan	1,606,001	1,063,572
Exercise of share-based awards (c)	823,414	283,559
Conversion of convertible debentures	3,866	19,917
Common shares, end of period	491,284,714	433,132,983

(b) Preferred shares

The holders of Series D preferred shares have the right to convert their shares into cumulative floating rate preferred shares, Series E, subject to certain conditions on March 31, 2019, and every fifth year thereafter. The Series D did not convert to Series E on March 31, 2019. The dividend for the five-year period from and including March 31, 2019 to but excluding March 31, 2024 will be C$1.2728. The Series D dividend will reset on March 31, 2024 and every five years thereafter at a rate equal to the then five-year Government of Canada bond plus 3.28%. The Series D preferred shares are redeemable at C$25 per share at the option of the Company on March 31, 2024 and every fifth year thereafter.

(c) Share-based compensation

During the three months ended March 31, 2019, the Board of Directors of APUC (the "Board") approved the grant of 1,113,775 options to executives of the Company. The options allow for the purchase of common shares at a weighted average price of C$14.96, the market price of the underlying common share at the date of grant. One-third of the options vest on each of December 31, 2019, 2020, and 2021. Options may be exercised up to eight years following the date of grant.

The following assumptions were used in determining the fair value of share options granted:

	2019
Risk-free interest rate	1.9%
Expected volatility	20%
Expected dividend yield	4.3%
Expected life	5.50 years
Weighted average grant date fair value per option	C$ 1.66

In March 2019, executives of the Company exercised 2,596,357 stock options at a weighted average exercise price of C$10.44 in exchange for 573,975 common shares issued from treasury, and 2,022,382 options were settled at their cash value as payment for the exercise price and tax withholdings related to the exercise of the options.

In March 2019, 366,787 Performance Share Units ("PSUs") were granted to executives of the Company. The PSUs vest on January 1, 2022.

(in thousands of U.S. dollars, except as noted and per share amounts)

10. Shareholders' capital (continued)

(c) Share-based compensation (continued)

During the quarter, the Company settled 344,340 PSUs in exchange for 179,830 common shares issued from treasury, and 164,510 PSUs were settled at their cash value as payment for tax withholdings related to the settlement of the PSUs.

During the three months ended March 31, 2019, 17,523 Deferred Share Units ("DSUs") were issued pursuant to the election of the Directors to defer a percentage of their Directors' fee in the form of DSUs.

For the three months ended March 31, 2019, APUC recorded $1,543 (2018 - $1,583) in total share-based compensation expense. The compensation expense is recorded as part of administrative expenses in the unaudited interim consolidated statements of operations. The portion of share-based compensation costs capitalized as cost of construction is insignificant.

As of March 31, 2019, total unrecognized compensation costs related to non-vested options and PSUs were $2,284 and $11,417, respectively, and are expected to be recognized over a period of 2.20 and 1.96 years, respectively.

11. Accumulated other comprehensive income (loss)

AOCI consists of the following balances, net of tax:

	Foreign currency cumulative translation	Change in fair value of cash flow hedges	Pension and post-employment actuarial changes	Total
Balance, January 1, 2018	$ (47,701)	$ 55,366	$ (10,457)	$ (2,792)
Cumulative catch-up adjustment related to adoption of ASU 2018-02 on tax effects in AOCI	—	11,657	(1,032)	10,625
OCI (loss) before reclassifications	(26,488)	1,567	2,046	(22,875)
Amounts reclassified	—	(4,257)	(86)	(4,343)
Net current period OCI (loss)	(26,488)	(2,690)	1,960	(27,218)
Balance, December 31, 2018	$ (74,189)	$ 64,333	$ (9,529)	$ (19,385)
Cumulative catch-up adjustment related to adoption of ASU 2017-12 on hedge ineffectiveness previously recognized in earnings (note 2(a))	—	186	—	186
OCI before reclassifications	14,797	3,645	—	18,442
Amounts reclassified	—	(2,182)	(254)	(2,436)
Net current period OCI (loss)	$ 14,797	$ 1,463	$ (254)	$ 16,006
Balance, March 31, 2019	$ (59,392)	$ 65,982	$ (9,783)	$ (3,193)

Amounts reclassified from AOCI for cash flow hedges affected revenue from non-regulated energy sales and interest expense while those for pension and post-employment actuarial changes affected pension and post-employment non-service costs.

(in thousands of U.S. dollars, except as noted and per share amounts)

12. Dividends

All dividends of the Company are made on a discretionary basis as determined by the Board. The Company declares and pays the dividends on its common shares in U.S. dollars. Dividends declared during the period were as follows:

	Three months ended March 31			
	2019		2018	
	Dividend	Dividend per share	Dividend	Dividend per share
Common shares	$ 63,281	$ 0.1282	$ 50,620	$ 0.1165
Series A preferred shares	C$ 1,549	C$ 0.3226	C$ 1,350	C$ 0.2813
Series D preferred shares	C$ 1,250	C$ 0.3125	C$ 1,250	C$ 0.3125

13. Related party transactions

Equity-method investments

The Company provides administrative and development services to its equity-method investees and is reimbursed for incurred costs. To that effect, the Company charged its equity-method investees $5,695 (2018 - $994) during the three months ended March 31, 2019.

Redeemable non-controlling interests held by related party

Redeemable non-controlling interest held by related party represents a preference share in a consolidated subsidiary of the Company acquired by AAGES B.V. in 2018. Redemption is not considered probable as at March 31, 2019. The Company incurred non-controlling interest attributable to AAGES B.V. of $6,842 during the three months ended March 31, 2019 (note 14).

Long Sault Hydro Facility

Effective December 31, 2013, APUC acquired the shares of Algonquin Power Corporation Inc. ("APC") which was partially owned by Senior Executives. APC owns the partnership interest in the 18 MW Long Sault Hydro Facility. A final post-closing adjustment related to the transaction remains outstanding.

The above related party transactions have been recorded at the exchange amounts agreed to by the parties to the transactions.

(in thousands of U.S. dollars, except as noted and per share amounts)

14. Non-controlling interests and redeemable non-controlling interests

Net effect attributable to non-controlling interests for the three months ended March 31 consists of the following:

	Three months ended March 31	
	2019	2018
HLBV and other adjustments attributable to:		
Non-controlling interests - Class A partnership units	$ (17,839)	$ (76,771)
Non-controlling interests - redeemable Class A partnership units	(2,306)	(3,334)
Other net earnings attributable to:		
Non-controlling interests	817	693
	$ (19,328)	$ (79,412)
Redeemable non-controlling interests, held by related party	6,842	—
Net effect of non-controlling interests	$ (12,486)	$ (79,412)

The non-controlling Class A membership equity investors in the Company's U.S. wind power and solar power generating facilities are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements. The share of earnings attributable to the non-controlling interest holders in these subsidiaries is calculated using the Hypothetical Liquidation at Book Value ("HLBV") method of accounting. The reduction of the U.S. federal corporate tax rate from 35% to 21% and other certain measures included in the The Tax Cuts and Jobs Act effective January 1, 2018 were reflected in the calculation of HLBV in 2018. The changes accelerated HLBV income from future years to the first quarter of 2018 in the amount of $55,900.

15. Income taxes

For the three months ended March 31, 2019, the Company's tax rate varied from the statutory rate of 26.5% due primarily to the impact of differences in effective tax rates on transactions in foreign jurisdictions and as a result of non-taxable dividend income from its investment in Atlantica.

For the three months ended March 31, 2018, the Company's tax rate varied from the statutory rate of 26.5% due primarily to the immediate fair value loss on its investment in Atlantica which was not tax benefited, and the tax impact of the accelerated HLBV income as a result of tax reform.

(in thousands of U.S. dollars, except as noted and per share amounts)

16. Basic and diluted net earnings per share

Basic and diluted earnings per share have been calculated on the basis of net earnings attributable to the common shareholders of the Company and the weighted average number of common shares and bonus deferral restricted share units outstanding. Diluted net earnings per share is computed using basic weighted-average number of common shares adjusted for the shares issuable upon conversion of the convertible debentures, PSUs, RSUs and DSUs outstanding during the period, potential incremental common shares resulting from the application of the treasury stock method to outstanding share options and additional shares issued subsequent to quarter-end under the dividend reinvestment plan.

The reconciliations of the net earnings and the weighted average shares used in the computation of basic and diluted earnings per share are as follows:

	Three months ended March 31	
	2019	**2018**
Net earnings attributable to shareholders of APUC	$ 86,406	$ 17,598
Series A Preferred shares dividend	1,167	1,068
Series D Preferred shares dividend	939	988
Net earnings attributable to common shareholders of APUC from continuing operations – Basic and Diluted	$ 84,300	$ 15,542
Weighted average number of shares		
Basic	490,538,243	432,821,235
Effect of dilutive securities	5,008,644	3,868,218
Diluted	495,546,887	436,689,453

The shares potentially issuable as a result of 1,113,775 share options (2018 - 2,328,343) are excluded from this calculation as they are anti-dilutive.

(in thousands of U.S. dollars, except as noted and per share amounts)

17. Segmented information

The Company is managed under two primary business units consisting of the Liberty Utilities Group and the Liberty Power Group. The two business units are the two segments of the Company.

The Liberty Utilities Group, the Company's regulated operating unit, owns and operates a portfolio of electric, natural gas, water distribution and wastewater collection utility systems and transmission operations in the United States; the Liberty Power Group, the Company's non-regulated operating unit owns and operates a diversified portfolio of renewable and thermal electric generation assets in North America and internationally.

For purposes of evaluating divisional performance, the Company allocates the realized portion of any gains or losses on financial instruments to specific divisions. Dividend income from Atlantica and equity income from the AAGES entities (note 6) are included in the operations of the Liberty Power Group. The change in value of the investment in Atlantica carried at fair value and unrealized portion of any gains or losses on derivative instruments not designated in a hedging relationship are not considered in management’s evaluation of divisional performance and are therefore allocated and reported under corporate. The results of operations and assets for these segments are reflected in the tables below.

	Three months ended March 31, 2019			
	Liberty Utilities Group	Liberty Power Group	Corporate	Total
Revenue [1][2]	$ 411,024	$ 66,201	$ —	$ 477,225
Fuel, power and water purchased	150,606	6,921	—	157,527
Net revenue	260,418	59,280	—	319,698
Operating expenses	101,975	18,138	—	120,113
Administrative expenses	5,433	7,554	131	13,118
Depreciation and amortization	48,417	22,385	245	71,047
Gain on foreign exchange	—	—	(533)	(533)
Operating income	104,593	11,203	157	115,953
Interest expense	25,092	16,207	1,322	42,621
Interest, dividend, equity and other income	(1,257)	(23,497)	(536)	(25,290)
Change in value of investment carried at fair value	—	—	5,818	5,818
Other expenses	1,960	150	1,943	4,053
Earnings (loss) before income taxes	$ 78,798	$ 18,343	$ (8,390)	$ 88,751
Property, plant and equipment	$ 4,241,963	$ 2,147,380	$ 33,334	$ 6,422,677
Investment carried at fair value	—	808,712	—	808,712
Equity-method investees	9,557	26,732	266	36,555
Total assets	6,054,394	3,497,194	119,717	9,671,305
Capital expenditures	97,415	9,971	—	107,386

[1] Revenue includes $6,439 related to net hedging gains from energy derivative contracts for the three months ended March 31, 2019 that do not represent revenue recognized from contracts with customers.

[2] Liberty Utilities Group revenue includes $(7,021) related to alternative revenue programs for the three months ended March 31, 2019 that do not represent revenue recognized from contracts with customers.

(in thousands of U.S. dollars, except as noted and per share amounts)

17. Segmented information (continued)

	Three months ended March 31, 2018			
	Liberty Utilities Group	Liberty Power Group	Corporate	Total
Revenue [1][2]	$ 424,280	$ 70,557	$ —	$ 494,837
Fuel and power purchased	163,359	8,931	—	172,290
Net revenue	260,921	61,626	—	322,547
Operating expenses	102,474	18,648	—	121,122
Administrative expenses	8,845	3,579	160	12,584
Depreciation and amortization	44,745	23,642	262	68,649
Loss on foreign exchange	—	—	201	201
Operating income (loss)	104,857	15,757	(623)	119,991
Interest expense	25,636	8,450	1,414	35,500
Interest, dividend and other income	(1,400)	(8,761)	(500)	(10,661)
Change in value of investment carried at fair value	—	—	117,004	117,004
Other expense	(1,228)	117	8,017	6,906
Earnings (loss) before income taxes	$ 81,849	$ 15,951	$ (126,558)	$ (28,758)
Capital expenditures	96,189	61,985	—	158,174
	December 31, 2018			
Property, plant and equipment	$ 4,210,115	$ 2,152,420	$ 31,023	$ 6,393,558
Investment carried at fair value	—	814,530	—	814,530
Equity-method investees	959	29,273	260	30,492
Total assets	6,012,641	3,269,786	106,541	9,388,968

[1] Revenue includes $8,384 related to net hedging gains from energy derivative contracts for the three months ended March 31, 2018 that do not represent revenue recognized from contracts with customers.

[2] Liberty Utilities Group revenue includes $631 related to alternative revenue programs for the three months ended March 31, 2018 that do not represent revenue recognized from contracts with customers.

APUC operates in the independent power and utility industries in both Canada and the United States. Information on operations by geographic area is as follows:

	Three months ended March 31	
	2019	2018
Revenue		
Canada	$ 18,531	$ 19,286
United States	458,694	475,551
	$ 477,225	$ 494,837

Revenue is attributed to the two countries based on the location of the underlying facilities.

(in thousands of U.S. dollars, except as noted and per share amounts)

18. Commitments and contingencies

(a) Contingencies

APUC and its subsidiaries are involved in various claims and litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider APUC's exposure to such litigation to be material to these financial statements. Accruals for any contingencies related to these items are recorded in the consolidated financial statements at the time it is concluded that its occurrence is probable and the related liability is estimable.

Claim by Gaia Power Inc.

On October 30, 2018, Gaia Power Inc. ("Gaia") commenced an action in the Ontario Superior Court of Justice against APUC and certain of its subsidiaries, claiming damages of not less than C$345,000 and punitive damages in the sum of C$25,000. The action arises from Gaia's 2010 sale, to a subsidiary of APUC, of Gaia's interest in certain proposed wind farm projects in Canada. Pursuant to a 2010 royalty agreement, Gaia is entitled to royalty payments if the projects are developed and achieve certain agreed targets. It is too early to determine the likelihood of success in this lawsuit, however APUC intends to vigorously defend it.

Condemnation Expropriation Proceedings

Liberty Utilities (Apple Valley Ranchos Water) Corp. is the subject of a condemnation lawsuit filed by the town of Apple Valley. A Court will determine the necessity of the taking by Apple Valley and, if established, a jury will determine the fair market value of the assets being condemned. Resolution of the condemnation proceedings is expected to take two to three years. Any taking by government entities would legally require fair compensation to be paid, however, there is no assurance that the value received as a result of the condemnation will be sufficient to recover the Company's net book value of the utility assets taken.

(b) Commitments

In addition to the commitments related to the proposed acquisitions and development projects disclosed in notes 3 and 6, the following significant commitments exist as of March 31, 2019.

APUC has outstanding purchase commitments for power purchases, gas delivery, service and supply, service agreements, capital project commitments and land easements.

Detailed below are estimates of future commitments under these arrangements:

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
Power purchase (i)	$ 24,402	$ 10,950	$ 11,170	$ 11,395	$ 11,623	$ 188,279	$ 257,819
Gas supply and service agreements (ii)	71,459	45,506	26,811	23,779	19,092	41,790	228,437
Service agreements	45,938	38,291	37,783	39,653	42,221	305,067	508,953
Capital projects	79,831	9,520	—	—	—	—	89,351
Land easements (note 1(c))	5,671	5,728	5,794	5,863	5,957	173,619	202,632
Total	$227,301	$109,995	$ 81,558	$ 80,690	$ 78,893	$ 708,755	$ 1,287,192

(i) Power purchase: APUC's electric distribution facilities have commitments to purchase physical quantities of power for load serving requirements. The commitment amounts included in the table above are based on market prices as of March 31, 2019. However, the effects of purchased power unit cost adjustments are mitigated through a purchased power rate-adjustment mechanism.

(ii) Gas supply and service agreements: APUC's gas distribution facilities and thermal generation facilities have commitments to purchase physical quantities of natural gas under contracts for purposes of load serving requirements and of generating power.

(in thousands of U.S. dollars, except as noted and per share amounts)

19. Non-cash operating items

The changes in non-cash operating items consist of the following:

	Three months ended March 31	
	2019	2018
Accounts receivable	$ (28,675)	$ (16,037)
Fuel and natural gas in storage	19,481	16,220
Supplies and consumables inventory	(1,977)	(1,947)
Income taxes recoverable	(822)	(8)
Prepaid expenses	(6,606)	(3,253)
Accounts payable	(28,537)	(40,055)
Accrued liabilities	(10,130)	(15,483)
Current income tax liability	6,351	690
Asset retirements and environmental obligations	(1,100)	(495)
Net regulatory assets and liabilities	6,117	(2,600)
	$ (45,898)	$ (62,968)

(in thousands of U.S. dollars, except as noted and per share amounts)

20. Financial instruments

(a) Fair value of financial instruments

March 31, 2019	Carrying amount	Fair value	Level 1	Level 2	Level 3
Notes receivable	$ 316,395	$ 331,954	$ —	$ 331,954	$ —
Investment in Atlantica	808,712	808,712	808,712	—	—
Derivative instruments [1]:					
Energy contracts designated as a cash flow hedge	64,373	64,373	—	—	64,373
Currency forward contract not designated as a hedge	336	336	—	336	—
Commodity contracts for regulated operations	166	166	—	166	—
Total derivative instruments	64,875	64,875	—	502	64,373
Total financial assets	$1,189,982	$1,205,541	$ 808,712	$ 332,456	$ 64,373
Long-term debt	$3,651,417	$3,806,322	$ 1,054,388	$2,751,934	$ —
Convertible debentures	450	671	671	—	—
Preferred shares, Series C	13,406	14,328	—	14,328	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	174	174	—	—	174
Cross-currency swap designated as a net investment hedge	78,298	78,298	—	78,298	—
Commodity contracts for regulated operations	739	739	—	739	—
Total derivative instruments	79,211	79,211	—	79,037	174
Total financial liabilities	$3,744,484	$3,900,532	$ 1,055,059	$2,845,299	$ 174

(1) Balance of $313 associated with certain weather derivatives have been excluded, as they are accounted for based on intrinsic value rather than fair value.

(in thousands of U.S. dollars, except as noted and per share amounts)

20. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

December 31, 2018	Carrying amount	Fair value	Level 1	Level 2	Level 3
Notes receivable	$ 103,696	$ 110,019	$ —	$ 110,019	$ —
Investment in Atlantica	814,530	814,530	814,530	—	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	61,838	61,838	—	—	61,838
Currency forward contract not designated as a hedge	869	869	—	869	—
Commodity contracts for regulatory operations	101	101	—	101	—
Total derivative instruments	62,808	62,808	—	970	61,838
Total financial assets	$ 981,034	$ 987,357	$ 814,530	$ 110,989	$ 61,838
Long-term debt	$3,336,795	$3,356,773	$ 768,400	$2,588,373	$ —
Convertible debentures	470	639	639	—	—
Preferred shares, Series C	13,418	13,703	—	13,703	—
Derivative instruments:					
Energy contracts designated as a cash flow hedge	57	57	—	—	57
Cross-currency swap designated as a net investment hedge	93,198	93,198	—	93,198	—
Interest rate swaps designated as a hedge	8,473	8,473	—	8,473	—
Commodity contracts for regulated operations	1,114	1,114	—	1,114	—
Total derivative instruments	102,842	102,842	—	102,785	57
Total financial liabilities	$3,453,525	$3,473,957	$ 769,039	$2,704,861	$ 57

The Company has determined that the carrying value of its short-term financial assets and liabilities approximates fair value as of March 31, 2019 and December 31, 2018 due to the short-term maturity of these instruments.

Notes receivable fair values (level 2) have been determined using a discounted cash flow method, using estimated current market rates for similar instruments adjusted for estimated credit risk as determined by management.

The fair value of the investment in Atlantica (level 1) is measured at the closing price on the NASDAQ stock exchange.

(in thousands of U.S. dollars, except as noted and per share amounts)

20. Financial instruments (continued)

(a) Fair value of financial instruments (continued)

The Company's level 1 fair value of long-term debt is measured at the closing price on the NYSE stock exchange and the Canadian over-the-counter closing price. The Company's level 2 fair value of long-term debt at fixed interest rates and Series C preferred shares has been determined using a discounted cash flow method and current interest rates. The Company's level 2 fair value of convertible debentures has been determined as the greater of their face value and the quoted value of APUC's common shares on a converted basis.

The Company's level 2 fair value derivative instruments primarily consist of swaps, options, forwards and rights derivatives where market data for pricing inputs are observable. Level 2 pricing inputs are obtained from various market indices and utilize discounting based on quoted interest rate curves which are observable in the marketplace.

The Company's level 3 instruments consist of energy contracts for electricity sales. The significant unobservable inputs used in the fair value measurement of energy contracts are the internally developed forward market prices ranging from $12.06 to $163.41 with a weighted average of $26.54 as of March 31, 2019. The weighted average forward market prices are developed based on the quantity of energy expected to be sold monthly and the expected forward price during that month. Significant increases (decreases) in any of these inputs in isolation would have resulted in a significantly lower (higher) fair value measurement. The change in the fair value of the energy contracts is detailed in notes 20(b)(ii) and 20(b)(iv).

(b) Derivative instruments

Derivative instruments are recognized on the consolidated balance sheets as either assets or liabilities and measured at fair value at each reporting period.

(i) Commodity derivatives – regulated accounting

The Company uses derivative financial instruments to reduce the cash flow variability associated with the purchase price for a portion of future natural gas purchases associated with its regulated gas and electric service territories. The Company's strategy is to minimize fluctuations in gas sale prices to regulated customers.

The following are commodity volumes, in dekatherms ("dths") associated with the above derivative contracts:

	2019
Financial contracts: Swaps	1,827,387
Forward contracts	6,560,000

The accounting for these derivative instruments is subject to guidance for rate regulated enterprises. Therefore, the fair value of these derivatives is recorded as current or long-term assets and liabilities, with offsetting positions recorded as regulatory assets and regulatory liabilities in the consolidated balance sheets. Most of the gains or losses on the settlement of these contracts are included in the calculation of the fuel and commodity costs adjustments (note 5). As a result, the changes in fair value of these natural gas derivative contracts and their offsetting adjustment to regulatory assets and liabilities had no earnings impact.

(in thousands of U.S. dollars, except as noted and per share amounts)

20. Financial instruments (continued)

(b) Derivative instruments (continued)

(i) Commodity derivatives – regulated accounting (continued)

The following table presents the impact of the change in the fair value of the Company's natural gas derivative contracts had on the consolidated balance sheets:

	March 31, 2019	December 31, 2018
Regulatory assets:		
Swap contracts	$ 122	$ 66
Option contracts	$ 30	$ —
Regulatory liabilities:		
Swap contracts	$ 66	$ 218
Option contracts	$ —	$ 134
Forward contracts	$ 186	$ 1,259

(ii) Cash flow hedges

The Company reduces the price risk on the expected future sale of power generation at Sandy Ridge, Senate and Minonk Wind Facilities and the Sugar Creek development project by entering into the following long-term energy derivative contracts.

Notional quantity (MW-hrs)	Expiry	Receive average prices (per MW-hr)	Pay floating price (per MW-hr)
833,705	December 2028	36.03	PJM Western HUB
2,788,532	December 2024	27.64	NI HUB
2,887,105	December 2027	36.46	ERCORT North HUB
5,254,390	September 2030	24.54	MISO Illinois HUB

The Company was party to a 10-year forward-starting interest rate swap beginning on July 25, 2018 in order to reduce the interest rate risk related to the probable issuance on that date of a 10-year C$135,000 bond. During 2018, the Company amended and extended the forward-starting date of the interest rate swap to begin on March 29, 2019. During the quarter, the Company settled the forward-starting interest rate swap contract as it issued C$300,000 10-year senior unsecured notes with an interest rate of 4.60% (note 7(a)).

The following table summarizes OCI attributable to derivative financial instruments designated as a cash flow hedge:

	Three months ended March 31	
	2019	2018
Change in fair value of cash flow hedge	$ 3,645	$ (2,440)
Amortization of cash flow hedge	(8)	(8)
Amounts reclassified from AOCI	(2,174)	(1,303)
OCI attributable to shareholders of APUC	$ 1,463	$ (3,751)

The Company expects $6,376 and $1,019 of cash flow hedge currently in AOCI to be reclassified, net of taxes into non-regulated energy sales and interest expense, respectively, within the next twelve months, as the underlying hedged transactions settle.

20. Financial instruments (continued)

(b) Derivative instruments (continued)

(iii) Foreign exchange hedge of net investment in foreign operation

The Company is exposed to currency fluctuations from its Canadian based operations. APUC manages this risk primarily through the use of natural hedges by using Canadian long-term debt to finance its Canadian operations and a combination of foreign exchange forward contracts and spot purchases. APUC only enters into foreign exchange forward contracts with major North American financial institutions having a credit rating of A or better, thus reducing credit risk on these forward contracts.

The Company's Canadian operations are determined to have the Canadian dollar as their functional currency and are exposed to currency fluctuations from their U.S. dollar transactions. The Company designates the amounts drawn on its revolving and bank credit facilities denominated in U.S. dollars as a hedge of the foreign currency exposure of its net investment in its U.S. investments and subsidiaries. The related foreign currency transaction gain or loss designated as a hedge of the net investment in a foreign operation are reported in the same manner as the translation adjustment (in OCI) related to the net investment. A foreign currency gain of $14,408 for the three months ended March 31, 2019 (2018 - gain of $2,855) was recorded in OCI.

Concurrent with its C$150,000, C$200,000 and C$300,000 debenture offerings in December 2012, January 2014, and January 2017, respectively, the Company entered into cross currency swaps, coterminous with the debentures, to effectively convert the Canadian dollar denominated offering into U.S. dollars. The Company designated the entire notional amount of the cross currency fixed-for-fixed interest rate swap and related short-term U.S. dollar payables created by the monthly accruals of the swap settlement as a hedge of the foreign currency exposure of its net investment in the Liberty Power Group's U.S. operations. The gain or loss related to the fair value changes of the swap and the related foreign currency gains and losses on the U.S. dollar accruals that are designated as a hedge of the net investment in a foreign operation are reported in the same manner as the translation adjustment (in OCI) related to the net investment. For the three months ended March 31, 2019, a gain of $16,840 (2018 - loss of $6,464) was recorded in OCI.

(iv) Other derivatives

The Company provides energy requirements to various customers under contracts at fixed rates. While the production from the Tinker Hydroelectric Facility is expected to provide a portion of the energy required to service these customers, APUC anticipates having to purchase a portion of its energy requirements at the ISO NE spot rates to supplement self-generated energy.

This risk is mitigated through the use of short-term financial forward energy purchase contracts that are classified as derivative instruments. The electricity derivative contracts are net settled fixed-for-floating swaps whereby APUC pays a fixed price and receives the floating or indexed price on a notional quantity of energy over the remainder of the contract term at an average rate, as per the following table. These contracts are not accounted for as hedges and changes in fair value are recorded in earnings as they occur.

The Company is exposed to interest rate fluctuations related to certain of its floating rate debt obligation, including certain project-specific debt and its revolving credit facilities, its interest rate swaps as well as interest earned on its cash on hand. The Company currently hedges some of that risk (note 20(b)(ii)).

The Company is exposed to foreign exchange fluctuations related to the portion of its dividend declared and payable in U.S. dollars. This risk is mitigated through the use of currency forward contracts. For the three months ended March 31, 2019, a loss on foreign exchange of $277 (2018 - $72) was recorded in the consolidated statements of operations. These currency forward contracts are not accounted for as a hedge.

For derivatives that are not designated as hedges and for the ineffective portion of gains and losses on derivatives that are accounted for as hedges, the changes in the fair value are immediately recognized in earnings.

(in thousands of U.S. dollars, except as noted and per share amounts)

20. Financial instruments (continued)

(b) Derivative instruments (continued)

(iv) Other derivatives (continued)

The effects on the consolidated statements of operations of derivative financial instruments not designated as hedges consist of the following:

	Three months ended March 31	
	2019	**2018**
Change in unrealized loss (gain) on derivative financial instruments:		
Energy derivative contracts	$ —	$ 115
Currency forward contract	562	(335)
Total change in unrealized loss (gain) on derivative financial instruments	$ 562	$ (220)
Realized loss (gain) on derivative financial instruments:		
Energy derivative contracts	207	13
Currency forward contract	(285)	407
Total realized loss (gain) on derivative financial instruments	$ (78)	$ 420
Loss on derivative financial instruments not accounted for as hedges	484	200
Ineffective portion of derivative financial instruments accounted for as hedges	(11)	(11)
	$ 473	$ 189
Amounts recognized in the consolidated statements of operations consist of:		
Loss on derivative financial instruments	196	117
Loss on foreign exchange	277	72
	$ 473	$ 189

(c) Risk management

In the normal course of business, the Company is exposed to financial risks that potentially impact its operating results. The Company employs risk management strategies with a view of mitigating these risks to the extent possible on a cost effective basis. Derivative financial instruments are used to manage certain exposures to fluctuations in exchange rates, interest rates and commodity prices. The Company does not enter into derivative financial agreements for speculative purposes.

This note provides disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk and liquidity risk, and how the Company manages those risks.

21. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

Notes

CORPORATE INFORMATION

DIRECTORS
Kenneth Moore – Chair of the Board – Managing Partner, NewPoint Capital Partners Inc.
Chris Jarratt – Vice Chair, Algonquin Power & Utilities Corp.
Ian Robertson – Chief Executive Officer, Algonquin Power & Utilities Corp.
Christopher Ball – Executive Vice President, Corpfinance International Ltd.
D. Randy Laney – Former Chairman of the Board, The Empire District Electric Company
Masheed Saidi – Former Executive VP and Chief Operating Officer, U.S. Transmission, National Grid USA
Dilek Samil – Former Executive VP and Chief Operating Officer, NV Energy
Melissa Stapleton Barnes – Senior VP, Enterprise Risk Management, and Chief Ethics and Compliance Officer, Eli Lilly and Company
George Steeves – Principal, True North Energy

THE MANAGEMENT GROUP
Ian Robertson – Chief Executive Officer
Chris Jarratt – Vice Chair
David Bronicheski – Chief Financial Officer
Johnny Johnston – Chief Operating Officer
Jeff Norman – Chief Development Officer
Mary Ellen Paravalos – Chief Compliance and Risk Officer
David Pasieka – Chief Transformation Officer
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